Report No: FIN-2016-33(E)

12 June 2016

MALDIVES ROAD DEVELOPMENT CORPORATION LIMITED

FINANCIAL YEAR 2014

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AUDITOR GENERAL'S OFFICE

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بسم الله الرحمن الرحيم

AUDITOR GENERAL'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF MALDIVES ROAD DEVELOPMENT CORPORATION LIMITED

Introduction

1. We were engaged to audit the accompanying financial statements of Maldives Road Development Corporation Limited ("the Company"), which comprise the Statement of Financial Position as at 31st December 2014, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information exhibited on pages 3 to 26.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on the audit. We conduct our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

   An audit involves performing procedures to obtain audit evidences about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

   Because of the matters described in the Basis for Disclaimer of Opinion paragraph 4 and 5, we were not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

4. The ownership of property, plant and equipment has not been transferred since the inception of the Corporation from the Government of Maldives to the Corporation pending approval of the

value of the property, plant and equipment by the Government of Maldives. The Company is using these property, plant and equipment in the course of its business and accounted these at a value of MVR 12,921,211 as determined by an independent valuer, in consideration of capital contribution by the Government. Further the Government of Maldives has transferred another set of property plant and equipment to the Corporation during the year. The Government had advised the Corporation to get the ownership of these assets transferred before 15 December 2014, after a valuation done by an independent valuer. Pending approval of the values of the initial set of property, plant and equipment by the Government, valuation of the property, plant and equipment transferred during the year and transfer of ownership of these property, plant and equipment from the Government to the Corporation, we are unable to conclude whether the property, plant and equipment amounting MVR 6,848,944 included the net book value of property, plant and equipment of MVR 11,377,286, share capital amounting MVR 103,053,674 and depreciation amounting MVR 1,323,771 included in the total depreciation of MVR 2,220,853 charged during the year are valid and fairly stated.

5. The Corporation has recognized revenue based on the milestone payment agreed with the contractees during the year, which does not conform to the percentage of completion method of revenue recognition as stated in International Standard of Accounting 11 – Construction Contracts. Therefore, we are unable to conclude whether the revenue amounting MVR 42,981,950 and the results for the year are fairly stated.

Disclaimer of Opinion

6. Due to the significance of matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

12th June 2016

Hassan Ziyath
Auditor General

4th Floor, Ghaazee Building, Ameeru Ahmed Magu, Malé, Maldives. Tel: +(960) 3323939, Fax: +(960) 3316430, e-mail: info@audit.gov.mv

Statement of comprehensive income

(All amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	Year ended 31 December	
		2014	2013
Sales	4	72,551,397	37,800,947
Cost of sales	5	(102,226,359)	(50,659,875)
Gross loss		(29,674,962)	(12,858,928)
Selling and marketing costs	5	(2,591,953)	(68,895)
Administrative expenses	5	(23,621,558)	(14,412,589)
Other income	7	2,563,697	2,825,579
Loss before business profit tax		(53,324,777)	(24,514,833)
Business profit tax	8	-	-
Net loss for the year, attributable to equity holders of the Corporation		(53,324,777)	(24,514,833)
Loss per share attributable to the equity holders of the Corporation during the year	9	(60.28)	(27.71)

The notes on pages 7 to 26 are an integral part of these financial statements.

Statement of financial position

(All amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	As at 31 December 2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	11	11,377,286	11,316,290
Intangible assets	12	35,184	67,869
		11,412,470	11,384,159
Current assets			
Inventories	13	6,364,391	14,721,149
Trade and other receivables	14	140,259,378	9,932,564
Cash and cash equivalents	15	24,453,002	337,728
Total current assets		171,076,770	24,991,441
Total assets		182,489,240	36,375,600
EQUITY			
Capital and reserves attributable to equity holders of the Corporation			
Share capital	16	103,053,674	39,167,956
Accumulated losses		(85,003,907)	(31,679,130)
Total equity		18,049,767	7,488,826
LIABILITIES			
Current liabilities			
Trade and other payables	17	164,439,473	28,886,774
Total liabilities		164,439,473	28,886,774
Total equity and liabilities		182,489,240	36,375,600

These financial statements were approved by the Board of Directors on ..11-04-2016..

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Mohamed Riyaz
Chairman

Ibrahim Nazeem
Managing Director

The notes on pages 7 to 26 are an integral part of these financial statements.

Statement of changes in equity

(All amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	Share capital	Accumulated losses	Total
Balance at 1 January 2013		19,076,444	(7,164,297)	11,912,147
Calls in arrear received	16	20,091,512	-	20,091,512
Loss for the year		-	(24,514,833)	(24,514,833)
Balance at 31 December 2013		39,167,956	(31,679,130)	7,488,826
Balance at 1 January 2014		39,167,956	(31,679,130)	7,488,826
Calls in arrear received	16	63,885,718	-	63,885,718
Loss for the year		-	(53,324,777)	(53,324,777)
Balance at 31 December 2014		103,053,674	(85,003,907)	18,049,767

The notes on pages 7 to 26 are an integral part of these financial statements.

MALDIVES ROAD DEVELOPMENT CORPORATION LIMITED

31 December 2014

Statement of cash flows

(All amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	Year ended 31 December	
		2014	2013
Cash flows from operating activities			
Cash used in operations	18	(37,488,596)	(18,759,767)
Net cash used in operating activities		(37,488,596)	(18,759,767)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(2,281,849)	(1,308,489)
Purchase of intangible asset	12	-	(43,726)
Net cash used in investing activities		(2,281,849)	(1,352,214)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	16	63,885,718	20,091,512
Net cash generated from financing activities		63,885,718	20,091,512
Net increse/(decrease) in cash and cash equivalents		24,115,273	(20,470)
Cash and cash equivalents at beginning of the year		337,728	358,197
Cash and cash equivalents at end of the year	15	24,453,002	337,728

The notes on pages 7 to 26 are an integral part of these financial statements.

Notes to the financial statements

1 General information

Maldives Road Development Corporation Limited (MRDC) was established in August 2010 as a manufacturing company with exclusive patented products that will revolutionize the construction industry in Maldives with the aim of promoting the construction of rigid and flexible pavements for roads, using construction materials, reinforced concrete and earthworks. MRDC is a state owned corporation with 100% shares owned by the Government of Maldives. The address of its registered office is 385, Maafaiythakurufaanue Magu, Machchangolhi, Male', Republic of Maldives.

The Government of Maldives (GoM) has a controlling interest in the shares of the Corporation.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of Maldives Road Development Corporation Limited has been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial statements are disclosed in note 2.13.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standard adopted by the Corporation

The following standards have been adopted by the Corporation for the first time for the financial year beginning on or after 1 January 2014 and have a material impact on the Corporation:

- Amendment to IAS 32, 'Financial instruments : Presentation' on offsetting financial assets and financial liabilities.

(b) New standards, amendments and interpretations issued but not yet adopted by the Corporation

Certain new standards and amendments are effective for annual periods beginning on or after 1 January 2014, and have not been applied in preparing these financial statements. None of these are expected to have a material impact on the financial statements of the Corporation:

AUDITOR GENERAL'S OFFICE

Notes to the financial statements (continued)

2.1 Basis of preparation (continued)

- Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets.

- IAS 19 (Amendment), Employee Benefits (effective from 1 January 2013)

- Amendment to IAS 39, 'Financial instruments : Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting.

- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Corporation.

(c) New standards amendments and interpretation issued but not effective for the financial year beginning 1 January 2014 and not early adopted by the Corporation

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities.

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Corporation.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Maldivian Rufiyaa ("MVR") which is the Corporation's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Notes to the financial statements (continued)

2.3 Property, plant and equipment

All property, plant and equipment, which are initially recorded at historical cost, are stated at cost less depreciation. Cost includes the transfer value of the assets, or their purchase cost, or the cost of construction, together with any incidental expenses of acquisition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalue amounts to their residual values over their estimated useful life, commencing from the month in which the assets were purchased up to the date of disposal, except for land, which is depreciated over the unexpired period of lease, as follows:

Building	15 to 25 years
Plant, machinery and loose tools	5 to 10 years
Earth moving and motor vehicles	5 to 20 years
Furniture and fittings	2 to 3 years
Office, computer and other equipment	2 to 3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition are capitalized as part of the cost of the asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalue assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.4 Intangible assets

Computer software

Costs associated with maintaining computer software programmed are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the entity are recognized as intangible assets when the required criteria are met.

Notes to the financial statements (continued)

2.4 Intangible assets (continued)

Other development expenditures that do not meet the required criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which does not exceed three years.

2.5 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Cost of inventory includes purchases, transport and handling costs. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and variable selling expenses. Where necessary, provision is made in the financial statements for obsolete, slow-moving and defective inventory.

2.6 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement within 'selling and marketing costs'.

Trade receivables are carried at anticipated realizable value. A general provision is made for doubtful receivables based on a review of all outstanding amounts from customers at the year end. Bad debts are written off during the year in which they are identified.

2.7 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.8 Share capital

Ordinary shares are classified as equity.

2.9 Trade payable

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Notes to the financial statements (continued)

2.10 Provisions

Provisions are recognized when the entity has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligations.

2.11 Construction contracts

The profit on construction contracts is recognised as soon as it can be estimated reliably. The Corporation uses the percentage of completion method to determine the appropriate amount to recognise in a given period; the stage of completion is measured by reference to work completion certificates issued after surveys of work performed. Losses are recognised as soon as the loss is foreseen. The full amount of the anticipated loss, including any loss related to future work on the contract, is recognised in the year in which the loss is identified.

In determining costs incurred up to the year-end, any costs relating to future activity on a contract are excluded and shown as contract work-in-progress. The aggregate of the costs incurred and the profit / loss recognised on each contract is compared against the progress billings up to the year end. Where the sum of the costs incurred and recognised profit or loss exceeds the progress billings, the balance is shown under receivables and prepayments as due from customers on contracts.

2.12 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the entity's activities. Revenue is shown, net of estimated returns, rebates and discounts. Revenue is recognized as follows:

(a) Sale of goods

Sales of goods are recognized when the Corporation has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

Notes to the financial statements (continued)

2.12 Revenue recognition (continued)

(b) Construction projects

Sales relating to long term contracts are accounted for under the percentage completion method: the stage of completion is measured by reference to work completion certificates issued after surveys of work performed for each contract.

2.13 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Percentage - completion

The corporation uses the percentage-of-completion method in accounting for its fixed price contracts to deliver design services. Use of the percentage-of-completion method requires the Corporation to estimate the services performed to date as a proportion of the total services to be performed. Were the proportion of services performed to total services to be performed to differ by 10% from management's estimates, the amount of revenue recognised in the year would be increased or decreased by MVR 4,298,195.

(b) Provisions

The Corporation recognizes provisions when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgments about the ultimate resolution of these obligations. As a result, provisions are reviewed at each balance sheet date and adjusted to reflect the Corporation's current best estimate.

(c) Contingent liabilities

Determination of the treatment of contingent liabilities in the financial statements is based on the management's view of the expected outcome of the applicable contingency. The Corporation consults with legal counsel (lawyers) on matters related to litigation and other experts both within and outside the Corporation with respect to matters in the ordinary course of business.

(d) Provision for impairment of receivables

The Corporation assesses at each balance sheet date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual and anticipated impairment.

Notes to the financial statements (continued)

2.14 Leases

The Corporation is the lessee

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.15 Current and deferred business profit tax

The tax expenses for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income. In this case the tax is also recognised in other comprehensive income respectively.

The current business profit tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The provisions for business profit tax is based on the elements of business and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Business Profit Tax Act.

The Corporation is liable to business profit tax at rate of 15%, if the taxable profit of the year exceeds MVR 500,000.

Deferred business profit tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However deferred business profit tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred business profit tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred business profit tax asset is realised or the deferred business profit tax liability is settled.

Deferred business profit tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred business profit tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred business profit tax assets and liabilities relate to business taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the financial statements (continued)

2.16 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3 Financial risk management

3.1 Financial risk factors

The entity's activities expose it to a variety of financial risks, market risk (including foreign exchange risk), credit risk, liquidity risk and cash flow and fair value interest rate risk. The Corporation's overall risk management programmed focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the entity's financial performance.

The Corporation's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Corporation's financial performance.

Risk management is carried out by the Board of Directors on specific areas such as foreign exchange risk, credit risk and liquidity risk.

(a) Market risk - Foreign exchange risk

The entity's operations are exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. Currency exposure arising from the import of raw materials are presently managed through sourcing foreign currencies, primarily United States Dollars from commercial banks.

At the statement of financial position date at 31 December 2014 and 31 December 2013, the foreign exchange risk was not material.

(b) Credit risk

The entity has no significant concentrations of credit risk. It has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Management of the Corporation aims to maintain liquidity by maintaining cash balances to meet short-term requirements.

Notes to the financial statements (continued)

3.1 Financial risk factors (continued)

The table below analyses the Corporation's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2014	Less than 3 months	Between 3 months and 1 Year	1 and 2 Years	2 and 5 Years
Trade and other payable	164,439,473	-	-	-
At 31 December 2013				
Trade and other payable	28,886,774	-	-	-

3.2 Capital risk management

The Corporation's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends payable to shareholders, issue new shares or sell assets to reduce debt.

The Corporation monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

The gearing ratios at 31 December 2014 and 31 December 2013 were as follows:

	2014	2013
Short-term borrowings (Note 17)	164,439,473	28,886,774
Less: Cash and cash equivalents (Note 15)	(24,453,002)	(337,728)
Net debt	139,986,472	28,549,046
Total equity	18,049,767	7,488,826
Total capital	158,036,239	36,037,871
Gearing ratio	89%	79%

The increase in gearing ratio during the year 2014 resulted mainly due to increase in trade and other payables at the end of the year.

3.3 Fair value estimation

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

Notes to the financial statements (continued)

(All amounts in Maldivian Rufiyaa unless otherwise stated)

4 Revenue

Revenue, which represent income from brick sales, road development project revenue and other project revenue.

	2014	2013
Brick sales	29,569,447	18,412,468
Contract revenue	42,981,950	19,388,479
	72,551,397	37,800,947

5 Expenses by nature

	2014	2013
Employee benefit expense (Note 6)	48,494,568	28,337,314
Depreciation (Note 12)	2,220,853	1,924,882
Materials consumed	37,647,080	6,783,277
Fuel	2,204,750	2,370,360
Transportation	4,536,466	2,593,507
Advertising and promotion	16,600	68,895
Repairs and maintenance	2,652,687	1,101,122
Directors' fees (Note 21)	848,890	804,354
Professional fees	265,983	157,284
Traveling expenses	495,829	769,857
Printing and stationary	302,506	187,194
General expenses	2,382,136	989,653
Insurance - others	58,220	28,723
Legal and professional fees	79,281	106,500
License and registration fees	334,179	132,179
Rent	216,833	133,233
Telephone and communication expense	382,057	317,998
Electricity charges	1,259,593	1,356,303
Water and sewerage expenses	760,310	403,204
GST written off	-	307,176
Provision for impairment of trade receivables (Note 14)	2,575,353	-
Lease rent	1,440,000	1,440,000
Amortisation charge (Note 12)	32,685	24,628
Fines, penalties & compensation	322,505	47,611
Donations and Sponsorships	41,053	-
Inventory writeoff	83,086	-
Project cost	18,786,368	14,756,105
Total cost of goods sold, selling and marketing costs and administrative expenses	128,439,870	65,141,359

Notes to the financial statements (continued)

(All amounts in Maldivian Rufiyaa unless otherwise stated)

5 Expenses by nature (continued)

	2014	2013
Classified as:		
- Cost of sales	102,226,359	50,659,875
- Administrative expenses	23,621,558	14,412,589
- Selling and marketing costs	2,591,953	68,895
	128,439,870	65,141,359

6 Employee benefit expense

	2014	2013
Wages and salaries	44,335,255	25,411,141
Allowances	1,594,148	1,562,620
Retirement pension contribution	1,300,810	718,119
Staff welfare	680,594	287,914
Work visa fees	583,762	357,520
	48,494,568	28,337,314

7 Other income

	2014	2013
Materials & others sales	505,765	148,067
Rent income	884,911	2,138,792
Other income	1,173,021	-
Reversal of impairment provision for trade receivable (Note 14)	-	538,720
	2,563,697	2,825,579

8 Taxation

The Corporation is liable to Business Profit Tax (BPT) at the rate of 15% if the taxable profit of the year exceeds MVR 500,000. Since the Corporation has incurred losses during the year, it is not liable to pay Business Profit Tax (BPT).

Reconciliations between business profit tax expenses and the accounting loss:

	2014	2013
Loss before tax	(53,324,777)	(24,514,833)
Add: Non-deductible expenses	7,990,058	3,831,824
Adjusted net loss for the year	(45,334,719)	(20,683,009)
Less: Deductible expenses	(3,866,095)	(3,144,782)
Loss to be carried forward	(49,200,814)	(23,827,791)

Notes to the financial statements (continued)

(All amounts in Maldivian Rufiyaa unless otherwise stated)

9 Loss per share

Loss per share is calculated by dividing the loss attributable to equity holders of the Corporation by the weighted average number of ordinary shares in issue during the year.

	2014	2013
Loss attributable to equity holders of the Corporation	(53,324,777)	(24,514,833)
Weighted average number of ordinary shares	884,635	884,635
Loss per share (MVR per share)	(60.28)	(27.71)

10 (a) Financial instrument by category

	Loans and receivables	
	2014	2013
Assets per statement of financial position		
Trade and other receivable excluding pre- payments	55,796,091	9,870,070
Cash and cash equivalents	24,453,002	337,728
Total	80,249,093	10,207,799

	Amortized cost	
	2014	2013
Liabilities per statement of financial position		
Trade and other payables excluding non financial liabilities	164,439,473	28,886,774
Total	164,439,473	28,886,774

(b) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information abound counterparty default rates:

Trade receivables including receivables from related parties

Counter parties without external credit rating:

	2014	2013
Group i	732,587	173,114
Group ii	18,840,156	1,564,137
	19,572,743	1,737,251

Group i - New customers upto 6 months

Group ii - Existing customers

Cash at bank	2014	2013
Name of the bank		
Bank of Maldives	633,784	82,827
Maldives Islamic Bank	260,168	155,762
Bank of Ceylon	23,372,020	-
	24,265,972	238,589

The banks in Maldives have not been rated.

Notes to the financial statements (continued)

11 Property, plant and equipment

	Plant, machinery and loose tools	Buildings	Furniture and fittings	Office and other equipment (including computers)	Vehicles	Total
Year ended 31 December 2013						
Opening net book amount	379,095	7,933,951	162,659	353,074	3,103,903	11,932,683
Additions	26,725	355,652	187,680	738,432	-	1,308,489
Depreciation charge (Note 5)	(136,692)	(665,596)	(97,732)	(391,690)	(633,172)	(1,924,882)
Closing net book amount	269,129	7,624,007	252,607	699,816	2,470,731	11,316,290
At 31 December 2013						
Cost	725,491	9,872,156	520,852	1,540,691	4,515,858	17,175,048
Accumulated depreciation	(456,362)	(2,248,149)	(268,245)	(840,875)	(2,045,126)	(5,858,758)
Net book amount	269,129	7,624,007	252,607	699,816	2,470,731	11,316,290
Year ended 31 December 2014						
Opening net book amount	269,129	7,624,007	252,607	699,816	2,470,731	11,316,290
Additions	-	589,922	518,044	1,172,205	1,679	2,281,849
Depreciation charge (Note 5)	(137,439)	(689,307)	(223,254)	(537,618)	(633,235)	(2,220,853)
Closing net book amount	131,689	7,524,622	547,397	1,334,403	1,839,176	11,377,286
At 31 December 2014						
Cost	725,491	10,462,078	1,038,895	2,712,896	4,517,537	19,456,897
Accumulated depreciation	(593,802)	(2,937,456)	(491,499)	(1,378,493)	(2,678,361)	(8,079,611)
Net book amount	131,689	7,524,622	547,397	1,334,403	1,839,176	11,377,286

Notes to the financial statements (continued)

(All amounts in Maldivian Rufiyaa unless otherwise stated)

11 Property, plant and equipment (continued)

(a) The buildings and other immovable assets have been constructed on land leased from the Government of Maldives (GoM) for the use of which an annual rent of MVR 1,440,000 (2013: MVR 1,440,000) was due to be paid.

(b) Depreciation expenses of MVR 1,050,381 (2013: MVR 1,155,909) has been charged to cost of sales and MVR 1,170,472 (2013: MVR 768,973) in administrative expenses of the Corporation.

(c) The value of fully depreciatied property, plant and equipment at the reporting date amounted to MVR 646,193 (2013: MVR 225,611).

12 Intangible assets

	Computer software
Year ended 31 December 2013	
Opening net book amount	48,771
Additions	43,726
Amortisation charge (Note 5)	(24,628)
Closing net book amount	67,869
At 1 January 2014	
Cost	106,418
Accumulated amortisation	(38,549)
Net book amount	67,869
Year ended 31 December 2014	
Opening net book amount	67,869
Amortisation charge (Note 5)	(32,685)
Closing net book amount	35,184
At 31 December 2014	
Cost	106,418
Accumulated amortisation	(71,234)
Net book amount	35,184

13 Inventories

	2014	2013
Raw materials	1,021,359	13,959,962
Consumables	3,623,365	761,187
Finished goods	1,719,667	-
	6,364,391	14,721,149

Notes to the financial statements (continued)

(All amounts in Maldivian Rufiyaa unless otherwise stated)

14 Trade and other receivables

	2014	2013
Trade receivables	3,768,724	2,580,073
Receivables from related parties (Note 21)	39,298,896	5,731,594
	43,067,619	8,631,269
Less: Provision for doubtful debts	(2,858,382)	(283,029)
Trade receivables - net	40,209,238	8,348,240
Other receivables	15,660,443	1,584,324
Advances paid to suppliers	84,389,698	-
	140,259,378	9,932,564

Other receivable includes retention of MVR 1,831,459 (2013: MVR 1,397,625), rent advance of MVR 50,000 (2013: MVR Nil), GST refundable of MVR 117,645 (2013: MVR Nil), refundable deposits of MVR 13,587,749 (2013: MVR 124,205) and prepaid insurance of MVR 73,589 (2013: MVR 62,494).

As of 31 December 2014, trade receivables of MVR 20,636,495 (2013: MVR 6,110,989) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The age analysis of these trade receivables is as follows:

	2014	2013
Aging (31 to 60)	8,226,640	2,456,790
Aging (61 to 90 days)	154,943	31,806
Aging (91 to 120 days)	2,115,870	10,381
Aging (Over 120 days)	10,139,042	4,112,013
	20,636,495	6,610,989

As of 31 December 2014, trade receivables of MVR 2,858,382 were past due and impaired (31 December 2013 - MVR 283,029). Age analysis of impairment trade receivables as follows:

	2014	2013
Aging (Over 365 days)	2,858,382	283,029

Movement of provision for impairment is as follows:

	2014	2013
Opening balance	283,029	821,748
Provision/reversal during the year (Note 5)	2,575,354	(538,720)
Closing balance	2,858,382	283,029

The amounts due from related parties are unsecured, interest free and have no fixed repayment terms. Accordingly, these amounts have been shown as falling due within one year.

Notes to the financial statements (continued)

(All amounts in Maldivian Rufiyaa unless otherwise stated)

15 Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	2014	2013
Cash at bank	24,265,972	238,589
Cash in hand	187,029	99,140
	24,453,002	337,728

16 Share capital

	2014	2013
Shares issued	200,000,000	200,000,000
Less: Calls in arrear	(96,946,327)	(160,832,044)
	103,053,674	39,167,956

The total authorized number of ordinary shares is 2,500,000 shares (2013: 2,500,000 shres) with a par value of MVR 100 per share. Out of the authorized shares, 2,000,000 shares were issued, of which MVR 103,053,674 has been paid up.

Paid up shares include MVR 13,076,444, issued towards consideration for acquisition of fixed assets and inventories from the Government of Maldives.

17 Trade and other payables

	2014	2013
Trade payables	24,082,034	14,869,548
Amounts due to related parties (Note 21)	8,374,042	2,730,481
	32,456,077	17,600,028
Accrued expenses	8,176,503	10,996,196
Other payables	842,306	290,550
Advances from customers	122,964,588	-
	164,439,473	28,886,774

The amount due to related parties are unsecured, interest free and have no fixed repayment period. Accordingly the entire amount due have been shown as falling due within one year.

Other payables include payable to Donbez Pvt.Ltd of MVR 826,981 (2013: MVR Nil) and miscellaneous payables of MVR 15,325 (2013: MVR Nil).

Notes to the financial statements (continued)

(All amounts in Maldivian Rufiyaa unless otherwise stated)

18 Cash used in operations

Reconciliation of loss before tax to cash used in operations:

	2014	2013
Loss before tax	(53,324,777)	(24,514,833)
Adjustments for:		
Depreciation (Note 11)	2,220,853	1,924,882
Amortisation charge (Note 12)	32,685	24,628
Provision for bad debts (Note 5)	2,575,353	-
Reversal of impairment provision for trade receivable (Note 14)	-	(538,720)
Changes in working capital		
- Inventories	8,356,758	(7,985,760)
- Trade and other receivables	(132,902,167)	(5,263,640)
- Trade and other payables	135,552,699	17,593,676
Cash used in operations	(37,488,596)	(18,759,767)

19 Contingencies

Contingent liabilities

There were no material contingent liabilities outstanding at the reporting date.

Contingent assets

There were no material capital commitments outstanding at the end of the reporting date.

20 Commitments

Capital commitments

There were no material capital commitments outstanding at the reporting date which were not recognised in the financial statements.

Operating lease commitments

	2014	2013
Not later than one year	1,440,000	1,440,000
Later than 1 year and not later than 5 years	5,760,000	5,760,000
Later than 5 years	23,040,000	24,480,000
	30,240,000	31,680,000

The Corporation is operating in the land which was taken on lease from the Government of Maldives (GoM) for a period of 25 years. The Corporation has an annual commitment to pay a sum of MVR 1,440,000 (2013: MVR 1,440,000) for the use of land. The lessor reserves the right to revise the rentals.

Financial commitments

There were no material financial commitments outstanding at the reporting date.

Notes to the financial statements (continued)

(All amounts in Maldivian Rufiyaa unless otherwise stated)

21 Related party transactions

The Corporation is controlled by the Government of Maldives, which owns 100% of the Corporation's shares.

The following transactions were carried out with related parties:

i) Sales of goods and services

	2014	2013
Ministry of Housing & Infrastructure	137,320,644	13,289,411
Ministry of Youth & Sports	4,921,793	449,534
Ministry of Environment & Energy	4,187,841	84,362
MTCC	1,838,056	5,300
Male' Water & Sewerage Company Pvt.Ltd.	1,511,333	375,355
Maldives Correctional Servive	1,209,981	-
Secretariat of the Addu City and Council office	972,513	461,663
State Trading Organisation PLC	690,291	241,300
Secretariat of the Male' City Council	575,932	283,962
Secretariat of the Fuahmulaku Atoll Council	494,908	1,232,219
Secretarite of Dhadimagu Council	36,400	-
Fenaka Corporation Pvt. Ltd	28,548	-
State Electricity Company Limited	20,943	-
Iskander School	16,981	33,962
The Maldives National University	8,255	-
Maldives Police Services	5,198	964,528
Maldive Gas Private Limited	519	25,905
Ministry of Education	-	45,000
	153,840,135	17,492,500

ii) Purchases of goods and services

	2014	2013
State Trading Organisation PLC	5,277,596	50,822
MTCC	242,796	219,320
State Electric Company Limited	54,975	40,321
Fenaka Corporation Pvt. Ltd	21,350	-
Island Aviation Services	10,852	109,328
Maldives Gas Pvt. Ltd	5,400	30,250
Maldives Ports Limited	2,072	477,981
IGMH	-	200
Male' Water & Sewerage Company Pvt.Ltd.	-	4,058
Secretariat Of The Male' City Council.	-	196
Thilafushi Corporation Ltd	-	225
Upper North Utilities Limited	-	55,200
Waste Management Section	-	30,000
	5,615,041	1,017,902

Notes to the financial statements (continued)

(All amounts in Maldivian Rufiyaa unless otherwise stated)

21 Related party transactions (continued)

iii) Year-end balances arising from sales/purchases of goods/services

	2014	2013
Receivables from related parties (Note 14):		
Ministry of Housing & Infrastructure	32,438,041	-
Secretariat of the Fuahmulaku Atoll Council	1,824,182	1,306,152
Secretariat of the Addu City and Council office	1,333,586	489,363
Maldives Correctional Service	1,187,232	-
Male' Water & Sewerage Company Pvt.Ltd.	655,018	179,034
Ministry of Youth & Sports	515,734	394,894
Waste Management	506,946	506,946
Secretariat of the Male' City Council	402,530	379,280
Ministry of Housing & Environment	254,280	2,091,386
Secretarite of Dhadimagu Council	38,584	-
Fenaka Corporation Pvt. Ltd.	30,260	-
Ministry of Education	26,500	26,500
Iskander School	18,000	36,000
Volleyball Association of Maldives	15,900	31,800
State Electric Company Limited.	15,900	-
State Trading Organization PLC	11,935	133,772
Maldives National Defence Force	9,450	50,838
The Maldives National University	8,750	-
Maldives Police Services	6,069	96,489
Maldive Gas Private Limited	-	3021
Ministry of Islamic Affairs	-	6,120
	39,298,896	5,731,594

	2014	2013
Payables to related parties (Note 17):		
State Trading Organization PLC	4,229,780	12,542
Male' Water & Sewerage Company Private Limited	1,722,612	961,814
State Electric Company Limited	1,219,886	845,019
Fenaka Corporation Limited	655,105	295,264
Maldives Ports Limited	257,776	257,776
Upper North Utilities Limited	202,976	231,930
Indhira Gandhi Memorial Hospital	38,788	80,054
Waste Management Section	30,000	30,000
Secretariat Of The Male' City Council	15,000	15,000
MTCC	2,120	82
Secretariat of the Atoll Council	-	1,000
	8,374,042	2,730,481

Notes to the financial statements (continued)

(All amounts in Maldivian Rufiyaa unless otherwise stated)

21 Related party transactions (continued)

iv) Directors' remuneration

During the year, a total remuneration of MVR 848,890 (2013: MVR 804,354) was paid to the directors.

22 Events after the reporting date

No events have occurred since the reporting date, which would require adjustments to, or disclosure in, the financial statements.

Ghaazee Building, Ameeru Ahmed Magu
Male', Republic of Maldives
Tel: +960 332 3939
Email: info@audit.gov.mv
www.audit.gov.mv