



REPORT NO : FIN -2013-29

05 AUGUST 2013

Auditor General's Report

**THILAFUSHI CORPORATION LIMITED
FINANCIAL YEAR 2012**



Contents

Auditor General's Report

Balance Sheet	3
Income Statement	4
Statement of changes in equity	5
Cashflow Statement	6
Notes to the financial statements	7



AUDITOR GENERAL'S OFFICE
Malé, Republic of Maldives

AUDITOR GENERAL'S REPORT

**TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF THILAFUSHI
CORPORATION LIMITED**

Introduction

1. We have audited the accompanying financial statements of Thilafushi Corporation Limited which comprise the balance sheet as at 31 December 2012 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

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, requirements of the Companies Act, No. 10/96, of the Republic of Maldives and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the basis of Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.



Basis for Disclaimer of Opinion

4. The Thilafushi island and buildings thereon had been recognized in the books of the Company on such land and building been transferred by the Ministry of Finance and Treasury at a value of MVR 12,618,789,042. The consideration for such transfer had been by the issue 150,000,000 equity shares of MVR 10 each issued at a premium of MVR 74.13 to Ministry of Finance and Treasury. The value of island and buildings thereon was determined by a professionally qualified valuer on the basis of capitalised lease rentals to perpetuity which resulted in ongoing leased land being valued at MVR 5,725 per square foot and land pending reclamation and lease at that time being valued at MVR 1,200 per square foot, the reasonableness of which cannot be readily established. Given that the transaction is between the Corporation and its sole shareholder, Ministry of Finance and Treasury and the absence of a valuation adopting alternative approaches in the context that this is the first purchase of land transaction at Thilafushi we are unable to conclude whether the rates per square foot derived above are reasonable. For these reasons we are unable to satisfy ourselves whether the island and buildings thereon and share premium shown in the balance sheet at MVR 12,618,789,042 and MVR 11,118,789,042 respectively are fairly stated.
5. The aggregate amount of rent receivable balances as reflected in the accounts receivable module exceeded the amount of rent receivable balances reflected in the balance sheet by MVR 5,006,945. In the absence of a reconciliation for the difference, we are unable to conclude whether the amount of rent receivable shown in the balance sheet at MVR 11,932,821 and the provision for bad and doubtful balances for the year are fairly stated.
6. Capital work in progress as at the balance sheet date includes mobilization advance of MVR 38,889,767 paid to Heavy Load Maldives Ltd for land reclamation, which is the balance remaining after capitalization of MVR 23,086,532 from the total capital work-in-progress towards reclamation valued at MVR 61,976,299. In the absence of evidences supporting the work done for the remaining amount of MVR 38,889,767, we are unable to conclude whether the amount remaining as capital work-in-progress represent cost incurred on land reclamation and therefore whether the capital work-in-progress is fairly stated.

Disclaimer of Opinion


7. Because of the significance of the matters discussed in the basis for disclaimer of opinion in paragraphs 4, 5 and 6 above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.



Emphasis of Matter

8. In forming our opinion, we have considered the adequacy of the disclosure made in note 22 to the financial statements, which refers to the commitment towards the reclamation of the Thilafushi Island.

5th August 2013



Niyaz Ibrahim
Auditor General



THILAFUSHI CORPORATION LIMITED

31 December 2012

Balance sheet

(all amounts in Maldivian Rufiyaa unless otherwise stated)

		As at 31 December			
	Note	2012	2012	2011	2011
ASSETS					
Non-current assets					
Property, plant and equipment	5	12,680,926,523		12,681,330,133	
Intangible assets	6	95,025		179,566	
			12,681,021,548		12,681,509,699
Current assets					
Deferred business profit tax assets	7	93,977		72,161	
Current business profit tax asset	18	-		104,541	
Trade and other receivables	8	16,605,850		9,478,109	
Cash and cash equivalents	9	28,854,969		7,558,702	
			45,554,797		17,213,514
Total assets			12,726,576,346		12,698,723,214
EQUITY					
Capital and Reserves					
Share capital	10	1,500,000,000		1,500,000,000	
Share premium	10	11,118,789,042		11,118,789,042	
Retained earnings		95,938,512		64,230,035	
			12,714,727,554		12,683,019,077
Current liabilities					
Current business profit tax liability	18	5,495,875		-	
Trade and other payables	11	6,352,918		15,704,137	
Total liabilities			11,848,793		15,704,137
Total equites and liabilities			12,726,576,346		12,698,723,214

These financial statements were approved by Board of Directors on 01/08/2013



Director



Director

The notes on pages 7 to 21 form an integral part of these financial statements.



THILAFUSHI CORPORATION LIMITED**31 December 2012****Statement of comprehensive income**

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	Year ended 31 December	
		2012	2011
Lease rent income	12	47,812,760	42,729,812
Selling and marketing costs	13	(403,587)	(936,565)
Administrative expenses	14	(11,225,520)	(11,854,992)
Other income	16	1,103,423	975,229
Finance income	17	-	30,799
Profit before tax		37,287,076	30,944,283
Business profit tax	18	(5,578,600)	(2,094,181)
Profit for the year : attributable to equityholder of the Company		31,708,476	28,850,102
Earnings per share for profit attributable to the equityholder of the Company during the year (expressed in MVR per share) - basic	19	0.21	0.19

The notes on pages 7 to 21 form an integral part of these financial statements.



THILAFUSHI CORPORATION LIMITED**31 December 2012****Statement of changes in equity**

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	Share capital	Share Premium	Retained earnings	Total
Balance at 1 January 2011		1,500,000,000	11,118,789,042	55,379,933	12,674,168,975
Dividend relating to 2010	20	-	-	(20,000,000)	(20,000,000)
Profit for the year		-	-	28,850,102	28,850,102
Balance at 31 December 2011		1,500,000,000	11,118,789,042	64,230,035	12,683,019,077
Balance at 1 January 2012		1,500,000,000	11,118,789,042	64,230,035	12,683,019,077
Profit for the year		-	-	31,708,476	31,708,476
Balance at 31 December 2012		1,500,000,000	11,118,789,042	95,938,512	12,714,727,554

The notes on pages 7 to 21 form an integral part of these financial statements.



THILAFUSHI CORPORATION LIMITED**31 December 2012****Cash flow statement**

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	Year ended 31 December 2012	Year ended 31 December 2011
Cash flows from operating activities			
Cash generated from operations	20	22,317,482	83,938,436
Business profits tax paid	18	-	(2,270,883)
Net cash generated from operating activities		22,317,482	81,667,553
Cash flow from investing activities			
Purchase of property, plant and equipment	5	(1,021,214)	(64,272,726)
Purchase of intangible assets	6	-	(44,176)
Net cash used in investing activities		(1,021,214)	(64,316,902)
Cash flows from financing activities			
Dividend paid		-	(20,000,000)
Net cash used in investing activities		-	(20,000,000)
Net increase/(decrease) in cash and cash equivalents		21,296,268	(2,649,349)
Cash and cash equivalents at beginning of the year	9	7,558,702	10,208,052
Cash and cash equivalents at end of the year	9	28,854,969	7,558,703

The notes on pages 7 to 21 form an integral part of these financial statements.



THILAFUSHI CORPORATION LIMITED

31 December 2012

Notes to the financial statements

1 General information

These financial statements relate to Thilafushi Corporation Limited, which was registered on 22 January 2009 (Registration no.C-25/2009) in the Republic of Maldives formed by virtue of presidential Decree No:14/2008 of 15 December 2008. The mandate of the Thilafushi Corporation Limited is to reclaim land in K.Thilafushi island, establish infrastructure, dispose garbage collected by Waste Management Section and recycle scrap material.

The address of its registered office is, Ministry of Finance and Treasury, Ameene Magu, Male, Republic of Maldives.

2 Summary of significant accounting

The principal accounting policies adopted in the preparation of these financial statements are set out below:

2.1 Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards. The financial statements are prepared under the historical cost convention, whereby transactions are recorded at the values prevailing on the dates when the assets were acquired, the liabilities were incurred or the capital obtained.

2.2 New accounting standards issued but not effective as at the balance sheet date

(a) New and amended standard adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Company. The new standard and amendment effective for the first time for period on or after 1 January 2012 is IAS 12 (Amendment), Income Taxes.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these financial statements. A summary of new accounting standards are set out below:

- IAS 1 (Amendment), Presentation of Financial Statements (effective from 1 July 2012)
- IAS 19 (Amendment), Employee Benefits (effective from 1 January 2013)



Notes to the financial statements (continued)**2.2 New accounting standards issued but not effective as at the balance sheet date (continued)**

- IAS 32 (Amendment), *Financial Instruments: Presentation* (effective from 1 January 2014)
- IFRS 7 (Amendment), *Financial Instruments: Disclosures* (effective from 1 January 2013)
- IFRS 9, *Financial Instruments* (effective from 1 January 2015)
- IFRS 10, *Consolidated Financial Statements* (effective from 1 January 2013)
- IFRS 11, *Joint Arrangements* (effective from 1 January 2013)
- IFRS 12, *Disclosure of Interests in Other Entities* (effective from 1 January 2013)
- IFRS 13, *Fair Value Measurement* (effective from 1 January 2013)

2.3 Financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" in the balance sheet.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired.

2.4 Property, plant and equipments

All property, plant and equipment, which are initially recorded at historical cost, is stated at cost less depreciation.

Depreciation is calculated on the written down value method to write off the cost of each asset, to their residual values, over their estimated useful life, as follows:

Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives as follows:

Buildings	20 years
Jetty	20 years
Furniture and fittings	5 years
Office equipment	5 years
Motor vehicles	10 years
Vessels	10 years
Tools	3 years



Notes to the financial statements (continued)

2.4 Property, plant and equipments

Land is not depreciated since it is deemed to have an indefinite life. The charge for depreciation commences from the date from which the asset is put to use. The ownership of land and buildings at Thilafushi has not been transferred to the Corporation, as the title deed of the island has not been transferred in favour of Thilafushi Corporation Limited.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with carrying amount and are taken into account in determining the operating profit.

2.5 Intangible assets

Costs associated with the installation of Corporation's antivirus software are capitalised and amortised using the straight-line method over estimated useful life of three years. The carrying amount of intangible asset is reviewed annually and adjusted for permanent impairment where it is considered necessary.

2.6 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from lessor) are charged to the income statement on a straight line basis over the period of the lease.

2.7 Revenue recognition

Revenue comprises the rental income earned from the leased plots in Thilafushi. Revenue is recognised as follows:

Rental income

Rental income is recognised on a straight line basis over the lease term.

Other income

Other income is recognised on an accrual basis, unless the collectability is in doubt.



Notes to the financial statements (continued)

2.8 Current and deferred business profit tax

The tax expenses for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity.

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 computation 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 company is liable to business profit tax at rate of 15%, if the taxable profit of the year exceeds MVR 500,000, with effect from 18 July 2011.

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 income tax liability is settled.

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 taxes assets and liabilities relate to income 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.

2.9 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.



Notes to the financial statements (continued)

2.10 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised 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 Company 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 recognised in the income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank.

2.12 Share capital

Ordinary shares are classified as equity.

2.13 Provisions

Provisions are recognised when: the Corporation has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised 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 recognised 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.

3 Financial risk management

The Corporation's activity exposes it to credit risk. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance. The Corporation has no significant concentrations of credit risk. However, it has policies in place to ensure that land subleases are made to customers with an appropriate credit history.



THILAFUSHI CORPORATION LIMITED

31 December 2012

Notes to the financial statements (continued)

3.1 Capital risk management

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

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 net cash position at 31 December 2012 and 31 December 2011 were as follows:

	2012	2011
Trade and other payables (Note 11 & 18)	11,848,793	15,704,137
Less: Cash and cash equivalents (Note 9)	(28,854,969)	(7,558,702)
Net (cash)/debt position	(17,006,176)	8,145,435
Total equity	12,714,727,554	12,683,019,077
Total capital	12,697,721,377	12,691,164,512
Gearing ratio	0%	0.06%

The decrease in gearing ratio during 2012 is due to the decrease in trade and other payables and increase in cash and cash equivalents.

4 Comparatives

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



THILAFUSHI CORPORATION LIMITED
31 December 2012
Notes to the financial statements (continued)

(all amounts are shown in Maldivian Rufiyaa unless otherwise stated)

5 Property, plant and equipment

	Land	Building	Furniture and fixtures	Motor vehicles	Office equipment	Vessels	Other assets	Capital work- in-progress	Total
Year ended 31 December 2011									
Opening net book amount	12,599,659,042	17,679,485	273,952	477,255	287,767	9,694	32,182	-	12,618,419,378
Additions	-	24,000	107,350	450,000	178,684	1,396,000	13,662	62,103,029	64,272,726
Transfers from capital work-in-progress	23,086,532	-	-	-	-	-	-	(23,086,532)	-
Impairment of property plant and equipments (Note 14)	-	-	-	-	-	-	(15,822)	-	(15,822)
Depreciation charge (Note 14)	-	(968,800)	(72,830)	(82,798)	(85,971)	(130,296)	(5,453)	-	(1,346,148)
Closing net book amount	12,622,745,574	16,734,685	308,473	844,457	380,479	1,275,399	24,569	39,016,497	12,681,330,133
At 31 December 2011									
Cost	12,622,745,574	19,383,307	443,026	973,462	533,706	1,461,675	30,022	39,016,497	12,684,587,269
Accumulated depreciation	-	(2,648,622)	(134,553)	(129,005)	(153,226)	(186,276)	(5,453)	-	(3,257,136)
Net book amount	12,622,745,574	16,734,685	308,473	844,457	380,479	1,275,399	24,569	39,016,497	12,681,330,133
Year ended 31 December 2012									
Opening net book amount	12,622,745,574	16,734,685	308,473	844,457	380,479	1,275,399	24,569	39,016,497	12,681,330,133
Additions	-	-	184,089	-	311,793	7,000	47,692	470,640	1,021,214
Transfers from capital work-in-progress	470,640	126,731	-	-	-	-	-	(597,371)	-
Depreciation charge (Note 14)	-	(966,495)	(108,132)	(84,295)	(117,106)	(145,787)	(3,009)	-	(1,424,824)
Closing net book amount	12,623,216,214	15,894,920	384,429	760,161	575,166	1,136,611	69,253	38,889,766	12,680,926,523
At 31 December 2012									
Cost	12,623,216,214	19,510,038	627,115	973,462	845,499	1,468,675	77,714	38,889,766	12,685,608,483
Accumulated depreciation	-	(3,615,117)	(242,685)	(213,301)	(270,332)	(332,064)	(8,461)	-	(4,681,960)
Net book amount	12,623,216,214	15,894,920	384,429	760,161	575,166	1,136,611	69,253	38,889,766	12,680,926,523

(i) Depreciation expense of MVR 1,424,824 (2011 : MVR 1,346,148) has been charged in administrative expenses.

(ii) The value of fully depreciated property, plant and equipment at the balance sheet date amounted to MVR 6,260 (2011 : MVR Nil).

(iii) The title deed of the Thilafushi island has not been transferred in favour of Thilafushi Corporation Limited. However, the land and building value have been accounted by the Corporation on the basis of a letter from the Ministry of Finance and Treasury and a board approval, which is again based on valuation of land and building carried out by A. Y. Daniel & Co.

(iv) Capital work-in-progress mainly include reclamation project of K. Thilafushi Island.



THILAFUSHI CORPORATION LIMITED**31 December 2012****Notes to the financial statements**

(In the notes all amounts are shown in Maldivian Rufiyaa unless otherwise stated)

6 Intangible asset

	Computer software	Total
Year ended 31 December 2011		
Opening net book amount	207,736	207,736
Additions	44,176	44,176
Amortisation charge (Note 14)	(72,346)	(72,346)
Closing net book amount	179,566	179,566
At 31 December 2011		
Cost	253,649	253,649
Accumulated amortisation	(74,083)	(74,083)
	179,566	179,566
Year ended 31 December 2012		
Opening net book amount	179,566	179,566
Additions	-	-
Amortisation charge (Note 14)	(84,541)	(84,541)
Closing net book amount	95,025	95,025
At 31 December 2012		
Cost	253,649	253,649
Accumulated amortisation	(158,624)	(158,624)
	95,025	95,025

Intangible assets represent installation of antivirus software and accounting software.

7 Deferred business profit tax assets

Deferred business profit tax are calculated on all difference under the liabilities method. The movement in deferred business profit tax accounts is as follows:

	2012	2011
At 1 January	72,161	-
Decelerated tax depreciation (Note 18)	21,816	72,161
At 31 December	93,977	72,161



THILAFUSHI CORPORATION LIMITED**31 December 2012****Notes to the financial statements**

(In the notes all amounts are shown in Maldivian Rufiyaa unless otherwise stated)

8 Trade and other receivables

	2012	2011
Rent receivables	11,932,821	4,125,746
Less: provision for impairment of trade receivables	(999,682)	(596,094)
	10,933,139	3,529,652
Receivables from related parties (Note 23)	5,614,332	5,895,392
Other receivables	363,449	358,136
Less: provision for impairment of other receivables	(340,471)	(340,471)
	22,978	17,666
Prepayments and deposit	35,400	35,400
	16,605,850	9,478,109

Rent receivables (net) represent, the lease rent receivable from tenants as at 31 December 2012 amounting to MVR 10,933,139 (2011 : MVR 3,529,652).

Related party receivables includes Receivables includes lease rent directly collected by Ministry of Finance and Treasury, Government of Maldives for the period 1 April 2009 to 31 December 2009 amounting to MVR 5,482,200 (2011 : MVR 5,482,200).

Other receivables represent an amount of MVR 340,471 (2011: MVR 340,471) spent towards Gulhifalhu Industrial Zone Ltd for the development of small and medium industries on the request of Ministry of Finance and Treasury, Government of Maldives.

9 Cash and cash equivalents

For the purposes of the cash flow statement, the period-end cash and cash equivalents comprise of the following:

	2012	2011
Cash in hand	19,282	207,025
Cash at bank	28,835,687	7,351,677
	28,854,969	7,558,702

10 Share capital

	Number of shares	Share Capital	Share Premium	Total in MVR
At 1 January 2012	150,000,000	1,500,000,000	11,118,789,042	12,618,789,042
At 31 December 2012	150,000,000	1,500,000,000	11,118,789,042	12,618,789,042

The entire amount of capital of MVR 1,500,000,000 is owned by the Government of Maldives. The total authorised number of ordinary shares is 150,000,000 shares with a par value of MVR 10 per share. The shares were issued at a share premium of MVR 74.13 per share. The share were issued towards the purchase consideration of land and buildings at Thilafushi amounting MVR 12,618,789,042.



THILAFUSHI CORPORATION LIMITED**31 December 2012****Notes to the financial statements**

(In the notes all amounts are shown in Maldivian Rufiyaa unless otherwise stated)

11 Trade and other payables

	2012	2011
Trade payables	364,104	166,903
Rent received in advance	4,257,239	3,484,416
Other payables	1,324,797	712,513
Dividend payable	-	11,000,000
Accrued expenses	406,779	340,306
	<u>6,352,918</u>	<u>15,704,137</u>

Other payables includes amount of MVR 956,534 (2011: MVR 396,613) rental deposits and amount of MVR 343,203 (2011: MVR 258,000) bid securities received from tenants.

12 Operating income

	2012	2011
Rent income from industrial leased plots	<u>47,812,760</u>	<u>42,729,812</u>

Operating income represents the lease rental income from tenants for the leased plots in Thilafushi.

13 Selling and marketing costs

	2012	2011
Impairment for trade receivables	<u>403,587</u>	<u>936,565</u>

14 Expenses by nature

	2012	2011
Depreciation (Note 5)	1,424,824	1,346,148
Amortisation charge (Note 6)	84,541	72,346
Salary and wages (Note 15)	5,180,415	4,078,330
Directors' remuneration and allowance	816,621	811,166
Audit fees	115,615	107,105
Staff accommodation	-	6,228
Telephone charges	78,504	65,899
Electricity charges	434,959	279,236
Office rent	420,000	420,000
Postage & stationary	122,070	107,837
Travelling expenses	70,601	639,823
Legal and professional fees	222,291	600,442
Insurance fee	40,370	191,159
Advertisement and media publication expenses	81,964	153,247
Annual fee and registration	80,491	37,338
C/F	<u>9,173,265</u>	<u>8,916,303</u>



THILAFUSHI CORPORATION LIMITED

31 December 2012

Notes to the financial statements

(In the notes all amounts are shown in Maldivian Rufiyaa unless otherwise stated)

14 Expenses by nature (continued)

	2012	2011
B/F	9,173,265	8,916,303
Water charges	89,300	46,460
Internet charges	229,862	185,137
Repair and maintenance	859,243	638,846
Cleaning and maintenance	134,556	1,137,832
Guest expenses	50,631	40,794
Transportation charges	140,221	583,648
Pest control	395,675	191,600
Bank charges	2,145	1,485
Visa expenses	68,333	14,339
Impairment of property plant & equipments (Note 5)	-	15,822
Other expenses	82,289	82,724
Total administrative expenses	11,225,520	11,854,992

15 Employee benefit expense

	2012	2011
Wages and salaries	2,752,200	2,308,913
Staff allowances	2,082,105	1,593,762
Contribution to Maldives Retirement Pension Scheme	326,110	146,845
Financial assistance to staff	20,000	28,810
	5,180,415	4,078,330

16 Other income

	2012	2011
Overdue interest	227,713	58,200
Rental income from building	200,400	200,400
Jetty fees	239,799	181,307
Fine charges	-	3,249
Demarcation charges	133,500	10,500
Bid security income	238,111	520,732
Other income	57,900	-
Sale of documents	6,000	840
	1,103,423	975,229

17 Finance income

	2012	2011
Foreign exchange transaction gain	-	30,799



THILAFUSHI CORPORATION LIMITED**31 December 2012****Notes to the financial statements**

(In the notes all amounts are shown in Maldivian Rufiyaa unless otherwise stated)

18 Taxation

	2012	2011
Current tax	5,600,416	2,166,342
Deferred tax -Origination of temporary differences (Note 7)	(21,816)	(72,161)
	<u>5,578,600</u>	<u>2,094,181</u>

Reconciliations between income tax expenses and the accounting profit :

Current business profit tax liability/(asset)

	2012	2011
At 1 January	(104,541)	-
Current tax on profits for the year	5,600,416	2,166,342
Business profit tax paid	-	(2,270,883)
At 31 December	<u>5,495,875</u>	<u>(104,541)</u>

	2012	2011
Profit before tax	37,287,076	30,944,283
Less : Profits and income earned before the commencement of Act not liable for business profit tax	-	(16,701,435)
Profit and income earned during the tax period liable to Business profit tax	37,287,076	14,242,848
Less: Basic exemption limit of MVR 500,000	(500,000)	(228,767)
Profit and income earned during the tax period liable to Business profit tax after basic exemption limit	36,787,076	14,014,081
Tax calculated at the effective tax rate of 15%	5,518,061	2,102,112
Tax effect on expenses not deductible for tax purposes	82,354	64,230
Origination of temporary differences- decelerated tax depreciation	(21,816)	(72,161)
Business profit tax expense	<u>5,578,600</u>	<u>2,094,181</u>

19 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2012	2011
Profit attributable to equity holders of the Company	31,708,476	28,850,102
Weighted average number of ordinary shares in issue	150,000,000	150,000,000
Basic earnings per share (MVR per share)	0.21	0.19



THILAFUSHI CORPORATION LIMITED

31 December 2012

Notes to the financial statements

(In the notes all amounts are shown in Maldivian Rufiyaa unless otherwise stated)

20 Cash generated from operations

	2012	2011
Operating profit for the year	37,287,076	30,944,283
Adjustments for:		
- Depreciation (Note 5)	1,424,824	1,346,148
- Amortisation charge (Note 6)	84,541	72,346
- Impairment on property plant & equipments (Note 5)	-	15,822
Changes in working capital:		
- Trade and other receivables	(7,127,741)	36,827,042
- Trade and other Payables	(9,351,219)	14,732,796
Cash generated from operations	22,317,482	83,938,436

21 Contingencies

Contingent liabilities

The contractor, Heavy Load Maldives Ltd had raised an invoice amounting to MVR 19,927,385 towards reclamation against which work worth MVR 3,000,000 was certified by the Site Engineer of the Company and that amount was paid. The remaining amount of MVR 16,927,385 has not been accounted as payable since the Site Engineer has not approved the work done for that amount.

There were no other contingent liabilities recognised at the balance sheet date.

Contingent assets

There were no contingent assets recognised at the balance sheet date.

22 Commitments

Capital commitments

Capital commitments contracted for at the balance sheet date but not yet incurred amounted to MVR 208,561,219 for land reclamation. The reclamation work was suspended in 2011 due to an order issued by the Anti-corruption Commission (ACC) into an alleged corruption committed by the Thilafushi Corporation Ltd in awarding a reclamation contract to Heavy Load Maldives.

Pending litigations

There were no pending litigations at the balance sheet date.

Operating lease commitments

There were no material operating lease commitments at the balance sheet date.

Financial commitments

There were no material financial commitments at the balance sheet date.



THILAFUSHI CORPORATION LIMITED

31 December 2012

Notes to the financial statements

(In the notes all amounts are shown in Maldivian Rufiyaa unless otherwise stated)

23 Related party transactions

The Government of Maldives, which owns 100% equity of the Company has substantial interest in the voting power of Department of Public Health, Fuel Supply Maldives Private Limited, Maldives Gas Private Limited, Maldives Ports Limited, Ministry of Environment and Energy, State Trading Organization Plc and Ministry of Finance and Treasury.

The following transactions were carried out with related parties:

(i) Sales of services:

	2012	2011
Department of Public Health	38,000	24,000
Fuel Supply Maldives Pvt Ltd	360,000	360,000
Maldives Gas Pvt Ltd	672,720	672,720
Maldives Ports Limited	963,106	1,123,623
Maldives Structural Products Pvt Ltd	436,032	437,032
Ministry of Environment and Energy	24,000	24,000
State Trading Organization Pvt Ltd	1,747,968	1,647,968
	<u>4,241,826</u>	<u>4,289,343</u>

(ii) Purchases of goods/services:

	2012	2011
State Trading Organization Pvt Ltd	90,192	37,130
Ministry of Finance and Treasury	-	243,306
	<u>90,192</u>	<u>280,436</u>

(iii) Year-end balances arising from sale/ purchase of services and on account of payments made on behalf of the Company:

Receivables from related parties (Note 8):

	2012	2011
Department of Public Health	48,000	17,000
Fuel Supply Maldives Pvt Ltd	132	132
Maldives Gas Pvt Ltd	-	56,060
Ministry of Environment and Energy	84,000	60,000
State Trading Organization Pvt Ltd	-	280,000
Ministry of Finance and Treasury	5,482,200	5,482,200
	<u>5,614,332</u>	<u>5,895,392</u>

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



THILAFUSHI CORPORATION LIMITED

31 December 2012

Notes to the financial statements

(In the notes all amounts are shown in Maldivian Rufiyaa unless otherwise stated)

24 Key managerial remuneration

The Board of Directors of the Company are members of key management personnel. The Company has paid MVR 816,621 (2011: MVR 811,166) as emoluments and fees to the directors during the year.

25 Post balance sheet events

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

