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2 April 2015

Upper North Utilities Limited

FINANCIAL YEAR 2011

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Contents

AUDITOR GENERAL'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF UPPER NORTH UTILITIES LIMITED

Introduction

1. We were engaged to audit the accompanying financial statements of the Upper North Utilities Limited which comprise of the Statement of financial position as at 31st December 2011, and the Statements of Comprehensive Income, Statement of Changes in Equity and Statement of cash flows for the year then ended, and the related notes exhibited on pages 9 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, 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.

Auditors' Responsibility

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

   An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, 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 statements 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

   We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Adverse Opinion

4. The revenue of the Company includes MVR 24,969,680 of tariff concession subsidy and MVR 32,340,586 as fuel surcharge subsidy. We could not check the accuracy, validity, and completeness of these incomes in the absence of monthly billing lists for each island, lists of customers, and the units of electricity consumed by those eligible for subsidized rates, and the detailed calculation and documents in support of the fuel surcharge subsidy. Therefore, we are unable to conclude whether the tariff concession subsidy of MVR 24,969,680 and fuel surcharge subsidy of MVR 32,340,586 included in revenue are valid, accurate and complete.

5. During the year 2011, the Company has recorded revenue of MVR 115,794,335 excluding subsidy from government. We could not check the accuracy, validity, and completeness of the revenue in the absence of monthly billing lists for each island showing the name of the customers, the units of electricity consumed and amounts billed. Further unexplained deposits in the bank accounts of the Company amounting to MVR 17,611,494 have been accounted as revenue during the year. Therefore, we are unable to conclude whether the revenue amounting MVR 173,104,601, profit for the year amounting MVR 636,808, receivables amounting MVR 38,622,177, and balances of cash and bank amounting MVR 22,924,481 as at the year-end are fairly stated.

6. The opening balance of inventories of MVR 14,507,182 and closing balance of inventories shown in the balance sheet at MVR 11,030,740 were not supported by detailed lists of items with individual quantities and values making up the total values. In the absence of physical verification of inventories to determine the existence of the individual quantities representing the value of inventories at the beginning and end of the year respectively and quantitative details as to the movement of inventories during the previous and current years, we were unable to adopt practicable alternative audit procedures to independently confirm the quantities making up the value of inventory as at the beginning of the year and as at the balance sheet date.

   The entity had also not maintained sufficient records for costing of its inventories. It was not practicable to extend our auditing procedures sufficiently to satisfy ourselves as to the accuracy of the costs used in the determination of values of inventories as at the beginning of the year and as at the reporting date.

   An analysis of the residence period of inventories to determine whether a provision is required for non/slow moving items had also not been performed.

   Further, documents supporting cost of diesel and lubricant oil amounting MVR 47,760,973 out of a sample of MVR 73,362,398 were not available.

   Furthermore, repair and maintenance account was credited by debiting the inventory account by MVR 9,622,879 for which supporting documents were not available for our verification.

   Accordingly, we are not able to state whether inventories amounting MVR 11,030,740, cost of sales amounting MVR 139,036,151, and results for the year are fairly stated. The audit opinion on the financial statements of 2010 had been modified by the predecessor auditor on the existence and valuation of inventories.

7. Documents supporting administrative expenses amounting MVR 3,260,093 out of a sample of MVR 4,249,517 were not available. Therefore, we are unable to conclude whether expenses of MVR 7,214,638 included in administrative overhead are valid and accurate and therefore, profit for the year is fairly stated.

8. A detailed breakdown of trade receivables amounting to MVR 14,981,440 by customer was not available. Further, other receivables include deposits amounting to MVR 12,373,961 for which documents providing details such as nature of deposit, term of deposit and refundable amount in the form of deposit receipts were not available. As a result we are unable to conclude whether the receivables and prepayments amounting MVR 27,355,401 included in the total receivables and prepayments stated at a value of MVR 38,622,177 in the balance sheet represent recoverable debts.

9. The cash count reports received from 10 islands indicated the recorded cash balances of those islands to be short by MVR 3,228,733. Cash count reports from the balance 26 islands were not available. Further, the cash in hand balance includes MVR 6,030,158, representing cash balance at Male' office of the Company, the existence of which at the balance sheet date could not be ascertained in the absence of confirmation by the management. Accordingly, we were unable to determine whether cash in hand balance shown at MVR 15,519, 172 as at 31 December 2011 is fairly stated.

   Further, cash and cash equivalents also include cash at bank amounting to MVR 7,405,309 at the year-end. The Company had 36 bank accounts, the aggregate balance as shown in the bank statements were MVR 713,197, whereas the aggregate balance as shown in the bank book maintained by the Company were MVR 7,405,309. The difference of MVR 6,692,112 had not been reconciled. Therefore, we are unable to conclude whether the cash and cash equivalents amounting MVR 22,924,481 shown in the balance sheet were in existence and stated fairly. The previous year's audit opinion on the financial statements had been modified by the predecessor auditor on the existence of the cash balance as at the balance sheet date.

10. The Company has acquired property, plant and equipment relating to island powerhouses from State Electric Company Limited (STELCO) during the year ended 31 December 2010 amounting MVR 45,519,144. The consideration for such acquisition had been by the issue of equity shares. The property, plant and equipment acquired include individual assets shown at a value of MVR 1 the fair values of which had not been determined by engaging a professional valuer.

    Further, the Company has acquired powerhouses operated in the islands of Upper North province in the Maldives during the year 2009 from the local communities, which were accounted on 01 January 2010 at MVR 38,793,302 based on a valuation carried out by a professional valuer as at 29 December 2010. Therefore the value at which those property, plant and equipment have been accounted does not reflect the value as at the acquisition date. The consideration for such acquisition has been treated as borrowings from the Ministry of Finance and Treasury.

    Although, the Company has acquired many power houses and distribution networks, which were in use, the useful lives considered by the Company for depreciation calculation are equal to the useful lives applicable for new assets.

Further, 98% of the additions to property, plant and equipment from external purchase and capital work in progress during the year could not be substantiated in the absence of supporting documents.

Therefore, we are unable to satisfy ourselves whether the property, plant and equipment shown at MVR 107,343,291, share capital shown at MVR 49,529,144, borrowings from Ministry of Finance and Treasury shown at MVR 44,431,704, depreciation amounting MVR 6,379,010, and the result for the year are fairly stated.

11. Trade payables shown at MVR 78,593,316 in the balance sheet include payables outstanding for more than one year amounting MVR 41,087,564. In the absence of invoices of the suppliers making up the outstanding payable balance for individual creditors, we are unable to conclude whether the trade payables shown at MVR 78,593,316 in the balance sheet represent valid and accurate obligations.

12. On 26 January 2014, the business of the Company has been taken over by Fenaka Corporation Limited. Therefore, as at the reporting date the Company had discontinued all its business operations. Accordingly, we are of the view that the going concern assumption adopted by the Company in the preparation and presentation of the financial statements is not appropriate. Had the financial statements being prepared on the liquidation basis of accounting; we believe that it would have had a significant negative effect on the Company's financial position and financial performance.

Adverse Opinion

13. In our opinion, because of the significance of the matters discussed in the basis for adverse opinion paragraphs 4 to 12, the financial statements do not give a true and fair view of the financial position of Upper North Utilities Limited as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Companies Act, No. 10/96, of the Republic of Maldives.

Other matter

14. The financial statements of the Company for the year ended 31 December 2010, were audited by another auditor who expressed a disclaimer of opinion on those financial statements on 27 October 2011.

02nd April 2015

Hassan Ziyath

Auditor General

Statement of financial position

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Notes	At 31 December 2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	5	107,343,291	68,430,546
Capital work-in-progress	6	-	8,253,692
Intangible asset	7	225,500	269,479
		107,568,791	76,953,717
Current assets			
Inventories	8	11,030,740	14,507,182
Receivables and prepayments	9	38,622,177	12,344,088
Cash and cash equivalents	10	22,924,481	3,331,553
		72,577,399	30,182,823
Total assets		180,146,191	107,136,540
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shares	11	49,529,144	49,529,144
Accumulated losses		(3,701,859)	(744,781)
		45,827,285	48,784,363
Non-current liabilities			
Borrowings	13	51,331,195	44,431,704
Deferred tax liabilities	14	3,593,886	-
		54,925,081	44,431,704
Current liabilities			
Trade and other payables	12	78,593,316	13,920,473
Borrowings	13	800,509	-
		79,393,825	13,920,473
Total liabilities		134,318,906	58,352,177
Total equity and liabilities		180,146,191	107,136,540

These financial statements were approved by the Board of Directors on ……………….

……………………………… Director
Mohamed Nimal

……………………………… Director
Mohamed Manik

The notes on pages 9 to 26 are an integral part of these financial statements

Statement of comprehensive income

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Notes	Year ended 31 December 2011	2010
Revenue	15	173,104,601	84,294,365
Cost of sales	17	(139,036,151)	(65,423,435)
Gross profit		34,068,450	18,870,930
Administrative expenses	17	(35,632,888)	(20,494,018)
Other income	16	2,339,579	1,804,767
Operating profit		775,140	181,679
Finance costs	19	(138,333)	-
Profit before business profit tax		636,808	181,679
Business profit tax expenses	20	(3,593,886)	-
Net (loss)/ profit for the year attributable to equity holders of the Company		(2,957,078)	181,679
(Loss)/ earnings per share attributable to the equity holders of the Company during the year	21	(5.97)	0.37

Statement of changes in equity

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Notes	Share capital	Accumulated losses	Total
Balance at 1 January 2010		49,529,144	(926,460)	48,602,684
Net profit for the year		-	181,679	181,679
Balance at 31 December 2010		49,529,144	(744,781)	48,784,363
Balance at 1 January 2011		49,529,144	(744,781)	48,784,363
Net loss for the year		-	(2,957,078)	(2,957,078)
Balance at 31 December 2011		49,529,144	(3,701,859)	45,827,285

Cash flow statement

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Notes	Year ended 31 December 2011	2010
Cash flows from operating activities			
Cash generated from/ (used in) operations	22	49,143,469	(7,805,002)
Finance cost paid	19	(138,333)	-
Net cash generated from/ (used in) operating activities		49,005,136	(7,805,002)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(27,190,572)	(73,342,808)
Costs incurred on capital work-in-progress	6	(9,847,491)	(8,253,692)
Acquisition of intangible assets	7	(74,145)	(301,333)
Net cash used in investing activities		(37,112,208)	(81,897,833)
Cash flows from financing activities			
Proceeds from interest bearing borrowings		7,700,000	-
Proceeds from issuance of shares		-	48,602,684
Proceeds from long term loan		-	44,431,704
Net cash generated from financing activities		7,700,000	93,034,388
Net increase in cash, cash equivalents and bank overdrafts		19,592,928	3,331,553
Cash, cash equivalents and bank overdrafts at beginning of year	10	3,331,553	-
Cash, cash equivalents and bank overdrafts at end of year	10	22,924,481	3,331,553

The notes on pages 9 to 26 are an integral part of these financial statements

Notes to the financial statements

1 General information

Upper North Utilities Limited (UNUL) is incorporated and domiciled in Republic of Maldives. The registered office of the Limited is located at Ministry of Finance and Treasury, Ameenee Magu, Male', 20379, Republic of Maldives.

The principal activity of the Company during the period was carrying out utilities functions in the upper north province of the country which included the Haa Alif, Haa Dhaal and Shaviyani atoll. The key areas of its functions include providing electricity, water supply, sewerage system and consumer gas.

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 Upper North Utilities Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations. The financial statements have been prepared under the historical cost convention, as modified by revaluation of buildings and oil storages, power generation and distribution equipment.

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

The International Accounting Standards Board has issued the new standards given below, which become effective for annual periods beginning on or after 1 January 2012. Accordingly these standards have not been applied in preparing these financial statements as they are not effective for the period ended 31 December 2011.

IAS 1 (Amendment), Presentation of Financial Statements (effective from 1 July 2012);
IAS 12 (Amendment), Income Taxes (effective from 1 January 2012);
IAS 19 (Amendment), Employee Benefits (effective from 1 January 2013);
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)

Notes to the financial statements (continued)

2.3 Going Concern

The business operation of the Company has been taken over by Fenaka Corporation Limited with effect from 26 January 2014. Therefore, at the reporting date the Company has ceased its business operations. The financial statements have nevertheless been prepared on the basis of the Company being a going concern.

If the Company is unable to be in operational existence in the foreseeable future, provision would have to be made to reduce the value of assets to their estimated recoverable amounts, and for any further liabilities that may arise in winding up, and fixed assets will have to be reclassified as current assets.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company 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, which is the Company'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 recognised in the income statement.

2.5 Property, plant and equipment

Buildings and oil storages, generation and distribution equipments are shown at fair value, based on valuations by an external independent valuer, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company 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.

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Notes to the financial statements (continued)

2.5 Property, plant and equipment (continued)

Increase in the carrying amount arising on the revaluation of assets are credited to revaluation reserves in shareholders' equity. The difference between the depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from 'revaluation reserves' to ' retained earnings'.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, commencing from the month in which the assets were purchased up to the date of disposal, as follows:

Distribution equipment	30 years
Buildings	25 years
Fuel storage facilities	15 years
Generation equipment	12 years
Machinery and equipment	10 years
Vehicles and launches	07 years
Tools and equipment	07 years
Furniture and fittings	05 years
Communication equipment	05 years
Computer and equipment	3 years

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

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

2.6 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)

2.7 Financial assets

Loans and receivables

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.

2.8 Inventories

Inventories are stated at the lower of cost or net realisable value. The cost of each category of inventory is determined at actual cost on weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Wherever necessary, provision has been made for slow and non-moving inventories.

2.9 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 estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within 'selling and marketing costs'.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at banks and bank overdrafts. Bank overdrafts (if any) are reclassified within borrowings in current liabilities on the balance sheet.

2.11 Share capital

Ordinary shares are classified as equity.

Notes to the financial statements (continued)

2.12 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.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.14 Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is possible 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.

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 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 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.

Notes to the financial statements (continued)

2.15 Current and deferred business profit tax (continued)

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 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 taxes assets and liabilities relate to business profit 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.

2.16 Revenue recognition

a) Rendering of services

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

b) Sales of goods

Sales are recognised upon delivery of products or customer acceptance, if any, net of discounts.

c) Other revenues

Interest income and fines are recognised as it accrues unless collectability is in doubt.

2.17 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Notes to the financial statements (continued)

2.17 Government grants (continued)

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to purchase of properties, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight line basis over the expected useful lives of the related asset. Revenue grants are released to income statement during the period in which such grants are received.

2.18 Leases

(a) The Company 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.

(b) The Company is the lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Financial risk management

3.1 Financial risk factors

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

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

Notes to the financial statements (continued)

3.1 Financial risk factors (continued)

(a) Market risk - Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. Presently, the required foreign exchange outflow on account of import of capital goods are obtained from the commericial bank at the official rate. Since the exchange rate of US$ against MVR is pegged by Maldives Monetary Authority, there is no exchange loss or gain.

(b) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that sales of 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.

(d) Interest rate risk

The Company's exposure to interest rate risk relates to its bank and other borrowings which are on fixed rate terms, and this risk is reviewed on an ongoing basis. At the balance sheet date the Company did not have in place any instruments to hedge its exposure to interest rate risk.

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's 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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company 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 trade and other payables and current tax liabilities 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.

Notes to the financial statements (continued)

3.2 Capital risk management

The gearing ratios as at 31 December 2011 and 2010 were as follows:

	2011	2010
Total borrowings (Note 12,13and14)	134,318,906	58,352,177
Less: cash and cash equivalents (Note 10)	(22,924,481)	(3,331,553)
Net debt	111,394,425	55,020,624
Total equity	45,827,285	48,784,363
Total capital	157,221,709	103,804,987
Gearing ratio	71%	53%

Gearing ratio has increased due to the increase in trade and other payables, and borrowing for funding capital investments to improve utilities services.

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 rate that is available to the Company for similar financial instruments.

4 Comparatives

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

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5 Property, plant and equipment

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Buildings	Distribution equipment	Generation equipment	Fuel storage facilities	Machinery and equipment	Tools & equipment and vehicle & vessel	Furniture & fittings and communication equipment	Computer equipment	Total
At 31 December 2010									
Cost or valuation	21,053,820	25,359,513	18,880,451	3,504,329	1,783,877	1,198,012	1,001,715	561,090	73,342,808
Accumulated depreciation	(1,027,900)	(1,038,210)	(1,906,588)	(288,809)	(180,092)	(198,376)	(163,565)	(108,722)	(4,912,262)
Net book amount	20,025,920	24,321,304	16,973,863	3,215,520	1,603,785	999,636	838,150	452,368	68,430,546
Year ended 31 December 2011									
Opening net book amount	20,025,920	24,321,304	16,973,863	3,215,520	1,603,785	999,636	838,150	452,368	68,430,546
Additions	693,325	2,803,864	16,855,116	103,208	4,441,789	83,979	1,732,552	476,738	27,190,572
Transfers from capital work-in-progress (Note 6)	-	-	11,992,952	28,600	6,079,631	-	-	-	18,101,183
Depreciation charge (Note 17)	(846,891)	(924,125)	(3,035,434)	(239,223)	(565,233)	(173,596)	(328,761)	(265,748)	(6,379,010)
Closing net book amount	19,872,354	26,201,042	42,786,498	3,108,105	11,559,973	910,020	2,241,941	663,358	107,343,291
At 31 December 2011									
Cost or valuation	21,747,145	28,163,377	47,728,519	3,636,137	12,305,298	1,281,992	2,734,267	1,037,828	118,634,563
Accumulated depreciation	(1,874,790)	(1,962,335)	(4,942,022)	(528,033)	(745,325)	(371,972)	(492,326)	(374,470)	(11,291,272)
Net book amount	19,872,354	26,201,042	42,786,498	3,108,105	11,559,973	910,020	2,241,941	663,358	107,343,291

AUDITOR GENERAL'S OFFICE

Notes to the financial statements (continued)

(all amounts in Maldivian Rufiyaa unless otherwise stated)

5 Property, plant and equipment (continued)

Depreciation expenses of MVR 5,747,579 (2010: MVR 3,708,012) has been charged to cost of sales and MVR 631,431 (2010: MVR 299,909) in other operating expenses.

6 Capital work-in-progress (CWIP)

	2011	2010
At 1 January	8,253,692	-
Expenditure incurred during the year	9,847,491	8,253,692
Transfer to property, plant and equipment (Note 5)	(18,101,183)	-
At 31 December	-	8,253,692

7 Intangible asset

	Computer softwares
Year ended 31 December 2010	
Opening net book amount	-
Additions	301,333
Amortisation charge (Note 17)	(31,854)
Closing net book amount	269,479
At 31 December 2010	
Cost	301,333
Accumulated amortisation	(31,854)
Net book amount	269,479
Year ended 31 December 2011	
Opening net book amount	269,479
Additions	74,145
Amortization charge (Note 17)	(118,124)
Closing net book amount	225,500
At 31 December 2011	
Cost	375,478
Accumulated amortisation	(149,977)
Net book amount	225,500

8 Inventories

	2011	2010
Fuel	5,418,947	5,261,113
Spares, cables and consumables	4,649,110	8,512,200
Stationary	496,546	403,696
Lubricating oil	466,138	330,173
	11,030,740	14,507,182

AUDITOR GENERAL'S OFFICE

Notes to the financial statements (continued)

(all amounts in Maldivian Rufiyaa unless otherwise stated)

9 Trade and other receivables

	2011	2010
Trade receivables	14,981,440	11,430,571
Provision for bad & doubtful debts	(291,097)	(185,668)
Receivables from related party (Note 25)	11,256,783	-
	25,947,126	11,244,903
Prepayments	165,713	340,280
Other receivables	12,509,339	758,906
	38,622,177	12,344,088

(a) There is no concentration of credit risk with respect to trade receivables, as the Company has a large number of customers, nationally dispersed.

(b) Prepayments of the Company mainly consist of prepaid vehicle annual charges of MVR 14,107 (2010: MVR 9,108) and insurance premium paid for dependants of employee which is recoverable of MVR 151,606 (2010: MVR 88,774).

(c) Other receivables of the Company mainly includes deposits of MVR 12,373,961 (2010: MVR Nil), security deposits of MVR 22,500 (2010: MVR 22,500), GST receivables of MVR 82,216 (2010: MVR Nil) and credit scheme liability of MVR 21,114 (2010: MVR Nil).

10 Cash and cash equivalents

	2011	2010
Cash in hand	15,519,172	1,748,710
Cash at bank	7,405,309	1,582,842
	22,924,481	3,331,553

11 Share capital

	Number of shares	Ordinary shares MVR
At 1 January 2010	495,291	49,529,144
At 31 December 2010	495,291	49,529,144
At 31 December 2011	495,291	49,529,144

The total authorized number of ordinary shares is 1,000,000 (2010: 1,000,000) shares with a par value of MVR 100 (2010: MVR 100) per share of which 495,291 shares are issued and fully paid.

12 Trade and other payables

	2011	2010
Trade payables	30,676,854	13,864,315
Payables to a related party (Note 25)	47,256,619	-
	77,933,473	13,864,315
Other payables	659,843	56,158
	78,593,316	13,920,473

AUDITOR GENERAL'S OFFICE

Notes to the financial statements (continued)

(all amounts in Maldivian Rufiyaa unless otherwise stated)

12 Trade and other payables (continued)

(a) The payables to a related party are unsecured, interest free and are repayable on demand.

(b) Other payables of the Company mainly consist of accrued expenses of MVR 327,414 (2010: MVR 26,883), refundable deposit of MVR 299,705 (2010: MVR 14,200) and insurance premium payable (dependants) of MVR 32,725 (2010: MVR 663).

13 Borrowings

	2011	2010
Non-current		
Ministry of Finance and Treasury	44,431,704	44,431,704
Bank of Maldives	6,899,491	-
	51,331,195	44,431,704
Current		
Bank of Maldives	800,509	-
	800,509	-
Total Borrowings	52,131,704	44,431,704

Borrowings from Ministry of Finance and Treasury is unsecured, interest free and not repayable within a period of one year.

UNUL has borrowed a sum of MVR 7,700,000 from Bank of Maldives Plc. It carries interest of 11% per annum. The loan is scheduled to be repaid in 108 equal monthly instalments w.e.f. December 2012.

The maturity of non-current borrowing is as follows:

	2011	2010
Between 1 and 2 years	6,899,491	-
Between 2 and 5 years	-	-
	6,899,491	-

The maturity pattern of non-current borrowings does not include borrowings from Ministry of Finance and Treasury amounting to MVR 44,431,704 since the repayment period is not fixed.

The fair value of the non-current borrowings except borrowing from Ministry of Finance and Treasury approximates to carrying amount when the cash flow is discounted using the borrowing rate.

Notes to the financial statements (continued)

(all amounts in Maldivian Rufiyaa unless otherwise stated)

20 Taxation

Tax expense

	2011	2010
Current tax	-	-
Deferred tax charge (Note 14)	3,593,886	-
Business profit tax expense	3,593,886	-

Reconciliations between business profit tax expense and the accounting profit:

	2011	2010
Profit before tax	636,808	-
Less : Profits and income earned on or before 17 July 2011 not liable for business profit tax	(345,446)	-
Profit and income earned during 18 July to 31 December 2011 liable to business profit tax	291,361	-
Add: Non-deductible expenses	4,167,208	-
Adjusted net profit for the period	4,458,569	-
Less: Deductible expenses	(4,613,787)	-
Taxable loss	(155,218)	
Tax allowance	-	-
Taxable loss after tax allowance	(155,218)	-
Business profit tax charge (15%)	-	-

Notes to the financial statements (continued)

(all amounts in Maldivian Rufiyaa unless otherwise stated)

21 Loss per share

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

	2011	2010
(Loss)/ profit attributable to the equity holders of the Company	(2,957,078)	181,679
Weighted average number of ordinary shares in issue	495,291	495,291
Basic (loss)/ earnings per share (MVR per share)	(5.97)	0.37

22 Cash generated from operations

	2011	2010
Profit for the year	636,808	181,679
Adjustments for:		
- Depreciation (Note 5)	6,379,010	4,912,262
- Amortization (Note 7)	118,124	31,854
- Provision for bad debts (Note 9)	105,429	-
- Finance cost paid (Note 19)	138,333	-
Changes in working capital		
- Trade and other receivables	(26,383,518)	(12,344,088)
- Inventories	3,476,442	(14,507,182)
- Trade and other payables	64,672,843	13,920,473
Cash generated from/ (used in) operations	49,143,469	(7,805,002)

23 Contingencies

Contingent liabilities

There are no material contingent liabilities at the balance sheet date.

Contingent assets

There are no material contingent assets recognized at the balance sheet date.

24 Commitments

Capital commitments

There are no material capital commitment recognised at the balance sheet date.

Notes to the financial statements (continued)

(all amounts in Maldivian Rufiyaa unless otherwise stated)

25 Related-party transactions

The Government of Maldives (GoM) holds 100% share capital of the Company. Fuel Supplies Maldives Private Limited is a wholly owned subsidiary of State Trading Organisation Plc, in which Government of Maldives is a major shareholder. National Social Protection Agency is a Government agency.

The following transactions were carried out with related parties:

	2011	2010
(i) Subsidy claimed		
National Social Protection Agency	57,310,266	2,174,506
(ii) Purchases of goods or services		
Fuel Supplies Maldives Private Limited		63,875,896
(iii) Year-end balances with respect to subsidy claimed		
Receivables from related party (Note 9):		
National Social Protection Agency		11,256,783

Receivables from related party are interest free, unsecured and have no fixed repayment terms. Accordingly, the entire amounts have been shown as due within one year.

(iv) Year-end balances arising from purchase of goods or services

Payables to a related party (Note 12):		
Fuel Supplies Maldives Private Limited		47,256,619

Payables to a related party are interest free, unsecured and have no fixed repayment terms.

(v) Key management compensation

Key management includes directors (executive and non-executive) and senior management employees. The compensation paid or payable to key management for employee services is shown below:

	2011	2010
Salaries and allowances	415,733	832,265

26 Events after the balance sheet date

The business operation of the Company has been taken over by Fenaka Corporation Limited with effective from 26 January 2014.