



## AUDITOR GENERAL'S OFFICE

Malé, Republic of Maldives

**Date:** 09 July 2014

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### Press Release

#### **Subject: Auditor General's report to the shareholders and Board of Directors of Maldives Industrial Fisheries Company Limited (MIFCO)**

We have issued an audit report on the financial statements of Maldives Industrial Fisheries Company Limited (MIFCO) on \_\_ June 2013 and published the same on our website [www.audit.gov.mv](http://www.audit.gov.mv).

Due to the significance of a number of matters, the Auditor General has been unable to conclude whether certain significant items in MIFCO's statement of financial position are fairly stated. As a result, the Auditor General has issued a Disclaimer of Opinion on MIFCO's financial statements; the AG has been unable to obtain sufficient appropriate audit evidence to provide a basis for audit opinion. As is the normal practice under such cases, the AG has not expressed an opinion on the financial statements.

While MIFCO was split into three separate business entities – Kooddoo Fisheries Maldives Limited, Felivaru Fisheries Maldives Limited and MIFCO – in 2010, the company has continued to account in its books the assets and liabilities pertaining to those separate business units that split from MIFCO to become two separate business entities; the separation of two business units from MIFCO and the transfer of respective assets and liabilities have not been officially finalised meaning that the Auditor General has not been able to provide assurance on whether the value of assets and liabilities shown in MIFCO's statement of financial position are fairly stated.

The inter-units control accounts were not reconciled at the time of separation of the two business units, which has resulted in an unreconciled difference of MVR 6,841,456 being shown under other receivables as at 31 December 2010, 31 December 2011 31 December 2012 and 31 December 2013. In the absence of a reconciliation of the difference between inter-units control accounts, the AG could not conclude whether the receivable balances shown in the statement of financial position as at 31 December 2012 and 31 December 2013, the accumulated losses and results for the year are fairly stated;

The property, plant and equipment include six vessels with the carrying value of MVR 39,524,254 which were used by Kooddoo Fisheries Complex when it was operating as a business unit of MIFCO.



and continues to be used by Kooddoo Fisheries Maldives Limited ever since it commenced operating as a separate entity. Company has accounted for lease rental income amounting MVR 13,749,500 during the period 1 June 2010 to 31 December 2010, MVR 26,727,000 during the year ended 31 December 2011, MVR 28,295,700 during the year ended 31 December 2012 and during the current year MVR 28,141,500 as due from Kooddoo Fisheries Maldives Limited for the use of these vessels, which has not been agreed to by that company. In the absence of a mutually agreed arrangement, the AG was were unable to conclude whether the property, plant and equipment of the company and receivables as at 31 December 2012 and 31 December 2013, the accumulated losses as at those dates and the results for the year are fairly stated;

As disclosed in Note 6 to the financial statements, capital work in progress include non-moving capital work in progress amounting to MVR 11,765,156, MVR 2,573,497 and MVR 48,646 respectively at Corporate Office for aqua culture, Addu for cold storage and KanduOiyGiri Fishing Village for hot house. Owing to the company's weak financial position, the company's ability to complete capital work in progress is in doubt. In the absence of fair value assessment on capital work in progress the AG was unable to conclude whether the capital work in progress have been fairly stated as at 31 December 2013;

Receivables as at 31 December 2013 include receivables from related parties amounting to MVR 96,811,475 as disclosed in Note 25 to the financial statements. In the absence of intercompany balance confirmations, the AG was unable to conclude whether the receivable balances from related parties are in existence and accurate as at 31 December 2013;

Payables as at 31 December 2013 include payables to related parties amounting to MVR 20,908,447 as disclosed in Note 25 to the financial statements. In the absence of intercompany balance confirmations the AG was unable to conclude whether the payables balances to related parties represent obligations as at 31 December 2013;

The total borrowings outstanding as at the end of the reporting period of MVR 382,187,112 include borrowings from Ministry of Finance and Treasury (MOFT) outstanding of MVR 289,652,926 against which MOFT has confirmed outstanding of only MVR 274,145,746. We have not been provided the reconciliation or supporting explanations for the difference of MVR 15,507,180. Further, interest has not been accrued on FFC ice plant loan, IDA 3 fisheries loan, collector vessels loan and Katsubushi loan for the periods 1 June 2010 to 31 December 2010, 1 January 2011 to 31 December 2011, 1 January 2012 to 31 December 2012 and interest has also not been accrued on any of the other loans from MOFT since the year 2011 onwards. Further we could not receive confirmations of balances for borrowings outstanding for FFC ice plant loan, Katsubushi loan and KOG expansion project loan of MVR 6,433,412, MVR 4,202,006 and MVR 963,750 respectively. Therefore, the AG was unable to conclude whether the balances shown as borrowings and results for the year are fairly stated.

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