Report No: FIN-2020-57 (E)

26 November 2020

FENAKA CORPORATION LIMITED

FINANCIAL YEAR 2019

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AUDITOR GENERAL'S OFFICE

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AUDITOR GENERAL'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF FENAKA CORPORATION LIMITED

Qualified opinion

We have audited the financial statements of Fenaka Corporation Limited (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and tis financials performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We were unable to verify the accuracy of the brought forward opening balances as at 1 January 2019, since these balances have been qualified. Opening balances affect the determination of the past performance of the Company, therefore we were unable to determine whether adjustments to the results of opening balances and retained earnings might be necessary. Our opinion on current period's financial statements is qualified because of the effect of this matter on the comparability of the current period's figures and corresponding figures.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

05 November 2020

Hassan Ziyath
Auditor General

FENAKA CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	2019 MVR	(Restated) 2018 MVR
Revenue	**4**	1,404,193,509	1,134,149,389
Cost of sales		(773,949,464)	(776,937,700)
Gross profit		**630,244,045**	**357,211,689**
Other income	**5**	6,705,684	2,863,819
Administration expenses		(597,112,866)	(495,708,423)
Selling and distribution expenses		(199,025)	(2,329,334)
Profit/ loss from operation		**39,637,838**	**(137,962,249)**
Finance cost		(3,723,195)	(5,131,560)
Profit/ loss before taxation		**35,914,643**	**(143,093,809)**
Taxation	7	-	-
Profit/ loss for the year		**35,914,643**	**(143,093,809)**

The accounting policies and notes on pages 7 through 21 form an integral part of the financial statement.

FENAKA CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 MVR	(Restated) 2018 MVR
ASSETS			
Non-current assets			
Property, plant and equipment	8	2,482,463,473	742,190,724
Intangible Assets	9	3,298,868	2,697,349
Total non-current assets		**2,485,762,341**	**744,888,073**
Current assets			
Inventories	10	310,908,714	173,293,185
Trade and other receivables	11	241,187,649	312,121,573
Cash and cash equivalents	12	5,633,229	38,776,485
Total current assets		**557,729,592**	**524,191,243**
Total assets		**3,043,491,933**	**1,269,079,316**
EQUITY AND LIABILITIES			
Equity			
Share capital	13	2,525,055,501	538,848,934
Accumulated losses		(417,196,086)	(453,110,729)
Total equity		**2,107,859,415**	**85,738,205**
Non-current liabilities			
Interest bearing loans and borrowings	15	76,239,251	102,291,667
Deferred income	16	-	372,649,692
Employee defined benefit liability	14	23,810,917	19,795,277
Total non-current liabilities		**100,050,168**	**494,736,636**
Current liabilities			
Interest bearing loans and borrowings	15	58,750,000	58,750,000
Trade and other payables	17	774,399,963	627,542,723
Employee defined benefit liability	14	2,432,387	2,311,752
Total current liabilities		**835,582,350**	**688,604,475**
Total equity and liabilities		**3,043,491,933**	**1,269,079,316**

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed for and on behalf of the Board by,

Name of the director	**Signature**
Ahmed Saeed Mohamed	....
Mohamed Rasheed	....

The accounting policies and notes on pages 7 through 21 form an integral part of the financial statement.

05 November 2020
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FENAKA CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital MVR	Accumulated losses MVR	Total equity MVR
Balance as at 01 January 2018	538,848,934	(290,704,271)	248,144,663
Effect due to restatement	-	(19,312,649)	(19,312,649)
Balance as at 01 January 2018 (restated)	**538,848,934**	**(310,016,920)**	**228,832,014**
Loss for the year	-	(143,093,809)	(143,093,809)
Balance as at 31 December 2018	**538,848,934**	**(453,110,729)**	**85,738,205**
Profit for the year	-	35,914,643	35,914,643
Adjustment to Share Capital	1,986,206,567	-	1,986,206,567
Balance as at 31 December 2019	**2,525,055,501**	**(417,196,086)**	**2,107,859,415**

The accounting policies and notes on pages 7 through 21 form an integral part of the financial statement.

FENAKA CORPORATION LIMITED
STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	2019 MVR	(Restated) 2018 MVR
Operating activities			
Profit/loss before taxation		35,914,643	(143,093,809)
Adjustments to reconcile loss to net cash flows			
Non-cash adjustments			
Depreciation		136,693,631	105,359,732
Employee Defined Benefit Liability		4,136,275	2,794,380
Amortisation of intangible assets		1,697,604	1,862,090
Interest expenses		3,723,195	5,131,560
Operating loss before working capital changes		**182,165,348**	**(27,946,047)**
Working capital changes			
(Increase)/decrease in inventories		(137,615,529)	10,568,350
Decrease in trade and other receivables		70,933,924	10,344,276
Increase in trade and other payables		146,857,240	34,519,623
Cash flows after working capital changes		**262,340,983**	**27,486,202**
Interest paid		(3,723,195)	(5,131,560)
Net cash generated from operating activities		**258,617,788**	**22,354,642**
Investing activities			
Acquisition of property and equipment	8	(256,336,922)	(123,513,760)
Acquisition of Intangible assets	9	(2,299,122)	(4,325,678)
Net cash flows used in investing activities		**(258,636,044)**	**(127,839,438)**
Financing activities			
Proceeds from interest bearing Loans		-	120,000,000
Repayment of interest bearing loans and borrowings	15	(33,125,000)	(53,260,789)
Net cash flows used in/from financing activities		**(33,125,000)**	**66,739,211**
Net decrease in cash and cash equivalents		**(33,143,256)**	**(38,745,585)**
Cash and cash equivalents at the beginning of the year		38,776,485	77,522,070
Cash and cash equivalents at the end of the period	12	**5,633,229**	**38,776,485**

The accounting policies and notes on pages 7 through 21 form an integral part of the financial statement.

1. Corporate information

Fenaka Corporation Limited is a Company incorporated (C-0462/2012) and domiciled in the Republic of Maldives as a limited liability company since 01 August 2012 under the Companies Act No.10 of 1996 with its registered office at Ministry of Finance and Treasury, Ameenee Magu, Male', Republic of Maldives. The Company is 100% owned by the Government of Maldives.

Principal activities and nature of operations
The principal activities of the Company during the year includes, provision of supply of electricity, water and sewerage system in the Maldives except in Greater Male' Atoll.

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements are prepared on a historical cost basis. No adjustment is made for inflationary factors affecting these financial statements. The Financial Statements are presented in Maldivian Rufiyaa (MVR) and all values are rounded to nearest integral, except when otherwise indicated.

2.2 Comparative information

The accounting policies have been consistently applied by the company and, are consistent with those used in previous years in accordance with IAS 01 – Presentation of Financial Statements, wherever necessary to comply with the current year presentation.

2.3 Significant accounting judgments and estimates

a. Judgments

Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern. When making that assessment, Directors have taken into consideration the existing and anticipated effects of the Covid-19 outbreak on the entity's business activities and is satisfied that the Company has the resources to continue in business for the foreseeable future.

b. Estimates

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions between willing buyers of similar assets or observable market prices less incremental costs for disposing of the asset.

Conversion of foreign currencies
The Company's financial statements are presented in Maldivian Rufiyaa, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded by the Company at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the income.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

2.4 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019.

a. New and amended standards and interpretations

In these financial statements, the Company has applied IFRS 16 Leases effective for annual periods beginning on or after 1 January 2019, for the first time.

IFRS 16

IFRS 16 with several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company and no requirement of previous financial statement restatement.

3. Summary of significant accounting policies

a. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

Rendering of services

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

Revenue from electricity fees, water distribution fees, installation, repairs and connection fees are recognised at the time of provision of services.

Revenue from the sale of electrical equipment, water distribution equipment is recognised in the income statement when significant risks and rewards of the ownership have been transferred to the buyer.

Other income

Other income is recognised on an accrual basis.

b. Expenditure recognition

Expenses are recognized in the income statement on the basis of direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the loss for the year.

c. Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3. Summary of significant accounting policies (Continued)

Deferred tax

Deferred taxation is the tax attributable to the temporary differences that arise when taxation authorities recognise and measure assets and liabilities with rules that differ from those of the financial statements. Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, unused tax credits and tax losses carried forward to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the unused tax credits and tax losses carried forward can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

d. Property, plant and equipment

Property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met.

The cost of the self-constructed assets includes the cost of materials, direct labour cost and appropriate proportion of production overheads. The cost of property, plant and equipment acquired by the company includes cost of acquisition together with any incidental expenses incurred in bringing the assets to its working condition for the intended use.

When a major inspection of plant and machinery is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are met. Depreciation on property, plant and equipment of the Company is charged on a straight-line basis to write off the cost over the estimated useful life of the assets as follows:

b. Property, plant and equipment (continued)

Buildings	5%
Distribution equipment	8%
Generators and other plants	10%
Fuel storages	7%
Machinery	10%
Tools and other equipment	15%
Vehicles and vessels	15%
Furniture and fittings	15%
Computer hardware and office equipment	20%

3. Summary of significant accounting policies (continued)

Depreciation is charged from the date asset put into use for operational activities. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

c. Intangible assets

Intangible assets that are acquired by the company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

d. Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of the business less the estimated cost of completion and the estimated cost necessary to make the sale. The value of each category of Inventory is determined on weighted average cost (WAC) basis.

e. Financial Instruments - Initial recognition and subsequent measurement

a. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

3. Summary of significant accounting policies (continued)

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

  And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

3. Summary of significant accounting policies (continued)

De-recognition (continued)

- The rights to receive cash flows from the asset have expired

  Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company applies a simplified approach in calculating ECLs for trade receivables and contract assets. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

AUDITOR GENERAL'S OFFICE

FENAKA CORPORATION LIMITED

3. Summary of significant accounting policies (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income. This category generally applies to interest-bearing loans and borrowings.

De-recognition

Financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

f. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash in hand.

Statement of cash flows is prepared in "indirect method". For the purpose of statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if any.

g. Government grants

Government grants are initially recognized as deferred income at fair value when there is reasonable assurance that they will be received, and the Company will comply with the conditions associated with the grant, and are then recognized in profit or loss as other income on a systematic basic over the useful life of the asset.

h. Employee benefits

Short-term employee benefit obligations of the company are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by employee and the obligation can be estimated reliably.

i. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

		2019	(Restated) 2018
4	**Revenue**	**MVR**	**MVR**
	Business electricity	150,897,247	159,480,097
	Business special electricity	98,009,727	97,180,377
	Domestic electricity	397,399,249	374,324,875
	Government electricity	249,995,680	221,767,787
	Compansation For Tariff Rate Difference	434,637,673	267,426,862
	Water distribution	18,979,186	13,969,391
	Subcontracted income	54,274,747	-
		1,404,193,509	**1,134,149,389**
5	**Other income**		
	Other sales	6,393,029	2,490,279
	Miscellaneous income	312,655	373,540
		6,705,684	**2,863,819**
6	**Profit / loss from operating activities Stated after charging,**		
	Personnel costs (Note 6.1)	317,508,621	282,434,799
	Directors' Emoluments	603,173	742,922
	Depreciation and amortization	138,391,235	107,221,822
	Travel and transport	28,388,438	15,987,785
	Repair and maintenance	16,034,760	18,452,718
6.1	**Personnel costs**		
	Salaries and wages	145,139,551	133,058,197
	Staff allowances	162,544,599	140,353,892
	Staff pension	9,824,471	9,022,710
		317,508,621	**282,434,799**
7	**Income tax expense**		
	Tax on business profit (Note 7.1)	-	-
	Deferred tax on temporary differences (Note 7.3)	-	-
	Income tax expense reported in the income statement	-	-

7 Income tax expense (Continued)

7.1 Tax on business profit

Business Profit Tax Act No. 05/2011. A reconciliation between tax expense and the product of accounting profit multiplied by Maldives's domestic tax rate for the year ended 31 December is as follows:

	2019 MVR	(Restated) 2018 MVR
Profit/loss before tax	35,914,643	(143,093,809)
Add: Depreciation charge for the period	138,391,235	107,221,822
Other disallowable expenses	42,796,578	11,673,674
Less: Capital allowances	(174,110,010)	(114,330,897)
Other allowable expenses	(40,334,678)	(14,159,790)
Taxable profit/loss before adjustments	2,657,768	(152,689,000)
Less: Loss carried forward	(2,657,768)	-
Less: Tax free allowance	(500,000)	(500,000)
Taxable loss	-	-
Income tax on taxable profit @ 15%	-	-

7.2 Tax loss carried forward

	2019	2018
Loss carried forward from previous tax year	408,351,301	255,662,301
Tax loss for the year of assessment	(2,657,768)	152,689,000
At the end of the year	**405,693,533**	**408,351,301**

7.3 Deferred tax on temporary differences

The deferred tax is arrived at by applying the income tax rate of 15% to the timing differences as at 31 December

	2019 MVR	(Restated) 2018 MVR
On accumulated tax losses	60,854,030	61,252,695
Deferred tax asset as at 31 December	**60,854,030**	**59,062,248**

The deferred tax asset resulting from carried forwarded tax losses has not been recognized in these financial statements since it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

AUDITOR GENERAL'S OFFICE

FENAKA CORPORATION LIMITED

8 Property, plant and equipment

8.1 Gross carrying amounts

Cost	Buildings MVR	Distribution equipment MVR	Generation equipment MVR	Fuel Storage facilities MVR	Machinery and equipment MVR	Tools and equipment MVR	Motor Vehicle & Vessels MVR	Furniture & fittings and communication equipment MVR	Computer and office equipment MVR
As at 1 January	123,394,053	247,713,969	578,912,790	13,158,451	28,005,867	18,842,374	51,443,778	13,815,930	35,960,511
Reversal Due to Valuation	(123,394,053)	(247,713,969)	(578,912,790)	(13,158,451)	(28,005,867)	(18,842,374)	(51,443,778)	(13,815,930)	(35,960,511)
Adjustments (Due to Valuation)	704,429,473	512,998,104	639,838,012	80,913,858	4,622,282	4,429,839	9,002,863	12,390,178	10,161,336
Additions during the year	4,420,464	16,463,343	86,086,746	2,976,989	1,265,520	1,440,445	313,040	2,230,826	2,989,913
As at 31 December	**708,849,937**	**529,461,447**	**725,924,759**	**83,890,848**	**5,887,802**	**5,870,284**	**9,315,903**	**14,621,004**	**13,151,248**
8.2 Depreciation									
As at 1 January	36,847,990	127,575,037	330,301,525	7,529,903	15,891,599	10,138,269	41,513,637	12,551,739	34,504,468
Adjustments (Due to Valuation)	(36,847,990)	(127,575,037)	(330,301,525)	(7,529,903)	(15,891,599)	(10,138,269)	(41,513,637)	(12,551,739)	(34,504,468)
Charged during the year	20,845,706	31,205,880	65,166,397	3,430,883	1,674,098	1,859,483	4,549,150	2,108,355	4,897,329
As at 31 December	**20,845,706**	**31,205,880**	**65,166,397**	**3,430,883**	**1,674,098**	**1,859,483**	**4,549,150**	**2,108,355**	**4,897,329**
8.3 Net carrying value									
As at 31 December 2019	**688,004,231**	**498,255,567**	**660,758,362**	**80,459,965**	**4,213,704**	**4,010,801**	**4,766,753**	**12,512,648**	**8,253,920**
As at 31 December 2018	**86,546,063**	**120,138,932**	**248,611,265**	**5,628,548**	**12,114,268**	**8,704,105**	**9,930,141**	**1,264,191**	**1,456,043**

8.1 Cost	Land MVR	Water and sewerage system MVR	Environmental Survey MVR	Total 2019 MVR	Total 2018 MVR
As at 1 January	-	4,049,842	1,494,805	1,116,792,370	1,029,577,180
Reversal Due to Valuation	-	-	-	(1,111,247,723)	-
Adjustments (Due to Valuation)	155,502,869	-	-	2,134,288,815	-
Additions during the year	-	2,394,132	-	120,581,418	87,448,144
As at 31 December	**155,502,869**	**6,443,974**	**1,494,805**	**2,260,414,880**	**1,117,025,324**
8.2 Depreciation					
As at 1 January	-	167,698	298,961	617,320,826	511,961,094
Adjustments (Due to Valuation)	-	-	-	(616,854,167)	-
Charged during the year	-	732,131	224,221	136,693,631	105,359,732
As at 31 December	**-**	**899,829**	**523,182**	**137,160,290**	**617,320,826**
8.3 Net carrying value					
As at 31 December 2019	**155,502,869**	**5,544,145**	**971,623**	**2,123,254,590**	**-**
As at 31 December 2018	**-**	**4,115,098**	**1,195,844**	**-**	**499,704,498**
8.4 Capital work-in-progress (Note 8.5)				359,208,883	242,486,226
Total carrying amount of property, plant and equipment				**2,482,463,473**	**742,190,724**

	2019 MVR	(Restated) 2018 MVR
8 Property, plant and equipment (Continued)		
8.5 Capital work-in-progress (CWIP)		
As at 1 January	242,486,226	206,420,610
Expenditure incurred during the year	90,390,431	36,065,616
As at 31 December	**359,208,883**	**242,486,226**

9 Intangible assets

Intangible assets of the Company includes primarily the 'Microsoft NAV' accounting software and the 'HCMS' human resource software.

	2019 MVR	(Restated) 2018 MVR
Cost		
As at 1 January	6,572,085	2,246,406
Additions during the year	2,299,122	4,325,678
As at 31 December	**8,871,208**	**6,572,085**
Accumulated amortization		
As at 1 January	3,874,736	2,012,646
Charge for the year	1,697,604	1,862,090
As at 31 December	**5,572,340**	**3,874,736**
Net carrying value	**3,298,868**	**2,697,349**

10 Inventories

Fuel stock	26,505,152	20,447,305
Lube Oil	6,366,456	5,872,568
Engineering, electrical and distribution spares	251,055,249	138,766,474
Tools and general items	27,008,805	8,206,838
Work in progress	(26,948)	-
	310,908,714	**173,293,185**

11 Trade and other receivables

Trade receivables	222,099,015	308,110,257
Provision for Doubtful Debts	(1,883,102)	-
	220,215,913	308,110,257
Fuel discount receivables	-	-
Other receivables	7,005,443	1,528,218
Prepayment and advances	13,966,293	2,483,098
	241,187,649	**312,121,573**

		2019	(Restated) 2018
12	**Cash and cash equivalents**	**MVR**	**MVR**
	Cash in hand	3,972,523	5,579,989
	Cash at bank	1,660,706	33,196,496
		5,633,229	**38,776,485**
13	**Share capital**		
	Authorised share capital		
	280,000,000 ordinary shares of MVR 10/= each	**2,800,000,000**	**1,000,000,000**
	Issued and fully paid		
	194,585,783 ordinary shares of MVR 10/= each	**1,945,857,834**	**538,848,934**
14	**Employee Defined Benefit Liability**		
	Balance as at 01 January	22,107,029	19,312,649
	Interest Cost	773,746	675,943
	Current service cost	2,692,170	2,328,415
	Past service cost including curtailment (gain/losses)	-	-
	Benefits Paid	(725,361)	(212,471)
	Acturial (Gain)/ Loss on Obligation	1,395,720	2,493
	Balance as at 31 December	**26,243,304**	**22,107,029**
	Employee defined benefit liability - current	2,432,387	2,311,752
	Employee defined benefit liability - Non - current	23,810,917	19,795,277
		26,243,304	**22,107,029**

15 Interest bearing loans and borrowings

	STO MVR	MoFT MVR	Total MVR
Balance as at 01.01.2019	76,666,667	91,447,584	168,114,251
Addition during the year	-	-	-
Repayments during the year	(30,000,000)	(3,125,000)	(33,125,000)
Balance as at 31.12.2019	**46,666,667**	**88,322,584**	**134,989,251**
Amount repayable within one year	40,000,000	18,750,000	58,750,000
Amount repayable after one year	6,666,667	69,572,584	76,239,251
	46,666,667	**88,322,584**	**134,989,251**

15.1 Ministry of Finance and Treasury (MoFT)

Effective interest rate: 1.39% per annum
Repayment terms: Grace period of 6 months
Monthly repayment of MVR 1,562,500/- for a period of 8 years (96 installments) effective from April 2015.

In accordance with Shariah concept, Maldives Islamic Bank Private Limited (MIB/Seller) and Fenaka Corporation Limited (Purchaser) entered in to a Murabahah Financial Arrangement on 21 September 2014 to purchase 77 generator sets, cables and distribution boxes for the purpose of electricity generation. As per the agreement, the above specified goods were sold for a Murabahah price of MVR 103,405,989.40/-, which includes a profit margin of MVR 5,784,202.37/- (Cost: MVR 97,621,787.03). During 2014 MoFT paid the full outstanding amount to MIB on behalf of the Company. Accordingly the Company recognises the outstanding loan payable balance to MoFT as at 31 December 2019.

15.2 State Trading Organization (STO)

Effective interest rate: 4.698% per annum
Repayment terms: Monthly repayment of MVR 3,333,333.33 per month for a period of 36 months effective from December 2017

In accordance with Sharia concept, State Trading Organization PLC (STO) and Fenaka Corporation Limited entered in to a Mudharahbah Financial Arrangement on 12 November 2017 to repay outstanding invoices owing to Fuel Supplies Maldives Private Limited, a subsidiary company of STO. As per the agreement, the amount taken to repay the outstanding invoices is MVR 120,000,000/-, and in addition a profit margin of MVR 9,600,000/-

		2019 MVR	(Restated) 2018 MVR
16	**Deferred income**		
	Non-current		
	Government grants	-	372,649,692

SUL was awarded a government grant (BiWater) in order to construct sea water desalination plants in Hithadhoo and in Hulhumeedhoo. The grant is recognised as deferred income and will be amortised over the useful life of those plants. During the year the company has transfered this amount as share capital.

		2019 MVR	(Restated) 2018 MVR
17	**Trade and other payables**		
	Trade payables	768,175,874	625,171,227
	Accrued expenses	(94,091)	362,502
	Other payables	6,318,180	2,008,994
		774,399,963	627,542,723

18 Capital commitments and contingent liabilities

The Company had no significant capital commitments approved or contracted as at 31 December 2019.

19 Fair value of financial assets and financial liabilities

The fair value of short-term financial assets and liabilities approximate their carrying value because of their immediate or short-term maturity.

Directors believe that the fair value of long-term financial assets and liabilities would not differ significantly from their carrying amount recorded in the statement of financial position.

20 Events after the reporting date

The Covid-19 pandemic that has been spreading in the recent months and has impacted the Maldivian and global economy. The possible impact of this event on the Company and these financial statements for the year ended 31 December 2019 cannot be assessed due to many uncertainties.

Other than the above, there have been no material events occurring after the reporting period, that require adjustments to or disclosure in the financial statements.

21 Risk management objectives and policies

The Company's principle financial liabilities comprise trade and other payables including payables to related parties. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has financial assets such as trade receivables and cash in hand, which arise directly from its operations. The main risks arising from the Company's financial instruments are foreign currency risk, liquidity risk and credit risk. The policies for managing each of these risks are summarised below.

21.1 Foreign currency risk

The Company has transactional currency exposures. Such exposure arises from sales, purchases in currencies other than the Company's functional currency. The Company enters into transactions in Maldivian Rufiyaa whenever possible. When a transaction is entered in a currency other than Maldivian Rufiyaa, the Company uses fixed conversion rates, to avoid the adverse affects of currency fluctuations.

21 Risk management objectives and policies (continued)

21.2 Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of interest bearing loans, bank overdrafts and related party borrowings. As a part of its overall prudent liquidity management, the Company maintains sufficient level of cash and cash equivalents to meet its working capital requirement. Due to the Covid-19 outbreak the Company may experience liquidity constraints in the short term. The company is in the process of adjusting the ways to manage liquidity to respond to the current market turmoil by way of alternative funding through working capital, negotiating supplier payments, debt restructuring etc.

21.3 Credit risk

Credit risk is the possibility that counter-party will not fulfil its contractual obligation, resulting in a financial loss. The Company provides services to domestic households, businesses and government based organizations, to which the receivable balances are monitored on an on going basis with the result that the Company's exposure to bad debts is not significant.

21.4 Capital management

Capital includes the ordinary share capital and accumulated reserves. The Company's objective is to maintain an efficient capital ratio in order to support the business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in the Company's operations. The company has not changed its Capital management strategy as of the financial statements issue date due to Covid-19 outbreak. To manage capital structure, the Company may raise fresh capital, or renegotiate with lenders, suppliers and customers.

22 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:

	2019 MVR	(Restated) 2018 MVR
Salary and allowances	2,816,204	2,816,204

23 Related party transactions

In the normal course of its operations, the Company enters into transactions with related parties. Related parties include the Republic of Maldives (Represented by Ministry of Finance and Treasury as the ultimate owner of the Company) various government departments, and State Owned Entities.

Name of the related party	Relationship	Payable balance as at 01.01.2019 MVR	Transfer in MVR	Transfer out / (Payment received) MVR	Payable balance as at 31.12.2019 MVR
Ministry of Finance and Treasury	Shareholder	(3,661,482)	(427,746,188)	380,670,182	(50,737,489)
State Trading Organization PLC (STO)	Government affiliate	(89,439,223)	(19,553,596)	64,700,617	(44,292,202)
State Electric Company Limited (STELCO)	Government affiliate	-	(4,418,641)	-	(4,418,641)
Fuel Supplies Maldives (FSM)	Government affiliate	(694,586,055)	(686,252,055)	703,108,050	(677,730,060)
		(787,686,760)	(1,137,970,480)	1,148,478,848	(777,178,392)

AUDITOR GENERAL'S OFFICE

FENAKA CORPORATION LIMITED

24 Restated financial statements

Restrospective Restatement

Certain prior year error have been identified in the financial year and rectified in accordance with IAS 8 accouting policies, changes in accounting estimates and errors.

Details of restatements are as follows

The company has incorporated the employee defined benefit liability during the year and have adjusted accordingly carrying forward from 2017 onwards.

25 Reclassification

	Currently 2018 MVR	Previously 2018 MVR
Cost of sales	776,937,700	775,090,496
Administration expenses	495,708,423	494,761,247

The subcontracted income and expense have been reclassified from other income/administrative expenses to revenue/cost of sales.

FENAKA CORPARATION LIMITED
DETAILED STATEMENT OF EXPENSES
For the year ended 31 December 2019

		2019 MVR	(Restated) 2018 MVR
I	**Cost of sales**		
	Cost of diesel	693,512,473	710,960,666
	Cost of lube oil	15,492,503	18,950,526
	Cost of spares	53,580,507	45,173,379
	Cost of other fuel and chemicals	-	925
	Cost of waste management	-	5,000
	Subcontracted expenses	11,363,981	1,847,204
		773,949,464	**776,937,700**
II	**Administration expenses**		
	Directors remuneration	603,173	742,922
	Salaries and wages	145,139,551	133,058,197
	Staff allowances	162,544,599	143,148,272
	Staff pension	9,824,471	9,022,710
	Professional fee	974,448	7,642,956
	Depreciation	136,693,631	105,359,732
	Amortization	1,697,604	1,862,090
	Repair and maintenance	16,034,760	18,452,718
	Insurance expenses	547,265	294,941
	Rent expenses	7,214,363	7,631,281
	Travel and transportation	28,388,438	15,987,785
	Printing and postage	1,861,941	1,051,146
	Office supplies	13,379,036	10,387,597
	Utility charges	13,668,886	13,812,868
	Staff entertainment	500,089	225,240
	Custom duty and clearance	810,436	5,028,361
	Bank charges	1,411,156	1,250,207
	License and permits	231,758	473,437
	Work visa expenses	-	1,560
	Fine expenses	244,951	43,399
	Compensation expenses	2,745,088	284,680
	Miscellaneous expenses	24,642,837	18,087,597
	Donation and contributions	860,662	1,858,727
	Impairment of Trade Receivables	25,210,621	-
	Provision for Doubtful Debts	1,883,102	-
		597,112,866	**495,708,423**
III	**Selling and distribution expenses**		
	Advertising and publishing	**199,025**	**2,329,334**
IV	**Finance cost**		
	LC interest	225	396
	Interest expenses	3,722,970	5,131,164
		3,723,195	**5,131,560**

AUDITOR GENERAL'S OFFICE

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