Report No: FIN-2020-17(E)

15 June 2020

FENAKA CORPORATION LIMITED
FINANCIAL YEAR 2018

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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

Disclaimer of opinion

We were engaged to audit the financial statements of Fenaka Corporation Limited (the "Company"), which comprise the statement of financial position as at 31 December 2018, 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.

Due to the significance of the matters described in the basis for disclaimer of opinion paragraphs, their potential interaction of the uncertainties, the possible cumulative effect on the financial statements could not be determined and we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Basis for disclaimer of opinion

1. As per Note 9 to the financial statements, the Company has recorded an amount of MVR 742,190,724/- (2017: MVR 724,036,696/-) as the net carrying value of property, plant and equipment as at 31 December 2018. Furthermore, property, plant and equipment includes a net amount of MVR 36,065,616/- capitalised and adjusted during the year. Together we were unable to verify the completeness, existence and valuation of the said balances in the absence of sufficient and appropriate audit evidence.

   In addition, an independent appraisal on the fair values of these assets acquired was not performed, as at the date of acquisition. Further, the Company has not maintained a fixed asset register, and accordingly, we were unable to verify the accuracy and completeness of depreciation for the year amounting to MVR 105,359,732/- (2017: MVR 100,121,575/-) as at 31 December 2018.

2. As per Note 10 to the financial statements, the Company has recorded an amount of MVR 2,697,349/- as the net carrying value of intangible assets as at 31 December 2018. Furthermore, intangible assets include a net amount of MVR 4,325,678/- capitalised and adjusted during the year. Together we were unable to verify the completeness, existence and valuation of the said balances in the absence of sufficient and appropriate audit evidence.

3. We were unable to verify the valuation of inventory amounting to MVR 173,293,185/- (2017 – MVR 183,861,535) stated in the financial statements, as we were uncertain of the valuation method used. Accordingly, we were unable to determine whether any

adjustments are required to the amounts of inventories, cost of sales and loss for the year, stated in these financial statements.

4. We were unable to obtain sufficient and appropriate audit evidence as to the balances of trade & other receivables amounting to MVR 312,121,573/- (2017- MVR 322,465,849) stated in theses financial statements, due to lack of supporting documentary evidence made available to us for our verification.

5. We were unable to obtain sufficient and appropriate audit evidence as to the balances of trade & other payables amounting to MVR 620,470,139/- (2017- MVR 593,023,099) stated in theses financial statements, due to lack of supporting documentary evidence made available to us for our verification.

6. As per Note 16 to the financial statements, resulting from the acquisition of Utility Companies, the Company has recorded an amount of MVR 372,649,692/- (2017: MVR 372,649,692/-) as Grant received from the Government as at 31 December 2018. We were unable to obtain sufficient appropriate audit evidence to verify the completeness, existence and accuracy of said balance. Accordingly, we were unable to determine whether any adjustments might be necessary to the amounts shown in the financial statements as Government Grants, other income, loss for the year and retained earnings.

7. We were unable to carry out alternative procedures in respect of independent direct confirmation not received by us. As a result, we were unable to verify interest bearing loan obtained from State Trading Organization PLC and Ministry of Finance and Treasury stated at MVR 76,666,667/- and MVR 91,447,584/- in these financial statements respectively. Accordingly, we are unable to check the accuracy, completeness and existence of such Interest-bearing loans and borrowings.

8. As per Note 14 to the financial statements, the Company has recorded an amount of MVR 538,848,934/- (2017: MVR 538,848,934/-) as paid-up share capital as at 31 December 2018. The Ministry of Finance and Treasury (MOFT) on behalf of the Government of Maldives (GoM) has given a written consideration to recognise asset transferred to the Company, both monetary and non-monetary as part of paid-up share capital.

   Included in the paid-up share capital balance is the net asset balances acquired from the Utility Companies as at 1 January 2013 amounting to MVR 115,642,201/-. The net asset amount has been arrived after deducting liabilities from assets of the respective Utility Company acquired as at 1 January 2013.

   As per the audited reports of the Utility Companies as at 31 December 2012, both asset and liability balances have been qualified for all the Utility Companies acquired by the Company. Resulting from the qualification of the net asset balances acquired, we were unable to determine whether any adjustments might be necessary to the amounts shown in the financial statements as paid-up share capital.

9. The company has not obtained actuarial valuation with regards to employee's terminal benefits i.e gratuity and leave. In the absence of the same, the impact thereof on the loss and liabilities of the company cannot be ascertained.

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 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.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

14th April 2020

Hassan Ziyath
Auditor General

FENAKA CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	2018 MVR	2017 MVR
Revenue	5	1,134,149,389	1,055,534,762
Cost of sales		(775,090,496)	(648,116,267)
Gross profit		**359,058,893**	**407,418,495**
Other income	6	2,863,819	18,803,298
Administration expenses		(494,761,247)	(448,904,488)
Selling and distribution expenses		(2,329,334)	(954,006)
Loss from operation		**(135,167,869)**	**(23,636,701)**
Finance cost		(5,131,560)	(1,766,446)
Loss before taxation		**(140,299,429)**	**(25,403,147)**
Taxation	8	-	-
Loss for the year		**(140,299,429)**	**(25,403,147)**

The accounting policies and notes on pages 7 through 22 form an integral part of the financial statement.

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FENAKA CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 MVR	2017 MVR
ASSETS			
Non-current assets			
Property, plant and equipment	9	742,190,724	724,036,696
Intangible Assets	10	2,697,349	233,760
Total non-current assets		**744,888,073**	**724,270,456**
Current assets			
Inventories	11	173,293,185	183,861,535
Trade and other receivables	12	312,121,573	322,465,849
Cash and cash equivalents	13	38,776,485	77,522,070
Total current assets		**524,191,243**	**583,849,454**
Total assets		**1,269,079,316**	**1,308,119,910**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	538,848,934	538,848,934
Accumulated losses		(431,003,700)	(290,704,271)
Total equity		**107,845,234**	**248,144,663**
Non-current liabilities			
Interest bearing loans and borrowings	15	109,364,251	75,552,456
Deferred income	16	372,649,692	372,649,692
Total non-current liabilities		**482,013,943**	**448,202,148**
Current liabilities			
Interest bearing loans and borrowings	15	58,750,000	18,750,000
Trade and other payables	17	620,470,139	593,023,099
Total current liabilities		**679,220,139**	**611,773,099**
Total equity and liabilities		**1,269,079,316**	**1,308,119,910**

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**
Mohamed Rasheed	
Ahmed Saeed Mohamed	

The accounting policies and notes on pages 7 through 22 form an integral part of the financial statement.

14 April 2020
Male'

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FENAKA CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Share capital MVR	Accumulated losses MVR	Total equity MVR
Balance as at 01 January 2017	538,848,934	(265,301,124)	273,547,810
Loss for the year	-	(25,403,147)	(25,403,147)
Balance as at 31 December 2017	**538,848,934**	**(290,704,271)**	**248,144,663**
Loss for the year	-	(140,299,429)	(140,299,429)
Balance as at 31 December 2018	**538,848,934**	**(431,003,700)**	**107,845,234**

The accounting policies and notes on pages 7 through 22 form an integral part of the financial statement.

FENAKA CORPORATION LIMITED
STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Notes	2018 MVR	2017 MVR
Operating activities			
Loss before taxation		**(140,299,429)**	**(25,403,147)**
Adjustments to reconcile loss to net cash flows			
Non-cash adjustments			
Depreciation		105,359,732	100,121,575
Amortisation of intangible assets		1,862,090	36,670
Interest expenses		5,131,560	1,766,446
Operating loss before working capital changes		**(27,946,047)**	**76,521,544**
Working capital changes			
Decrease / (increase) in inventories		10,568,350	(81,469,639)
(Increase) in trade and other receivables		10,344,276	21,530,130
Increase in trade and other payables		27,447,040	211,071,775
Cash flows after working capital changes		**20,413,619**	**227,653,810**
Interest paid		(5,131,560)	(1,766,446)
Net cash generated from/ (used in) operating activities		**15,282,059**	**225,887,364**
Investing activities			
Acquisition of property and equipment		(123,513,760)	(147,502,772)
Acquisition of Intangible assets	**10**	(4,325,678)	(139,320)
Net cash flows used in investing activities		**(127,839,438)**	**(147,642,092)**
Financing activities			
Proceeds from interest bearing Loans		120,000,000	-
Repayment of interest bearing loans and borrowings	**15**	(46,188,205)	(17,187,499)
Net cash flows from financing activities		**73,811,795**	**(17,187,499)**
Net decrease in cash and cash equivalents		**(38,745,584)**	**61,057,773**
Cash and cash equivalents at the beginning of the year		77,522,070	16,464,297
Cash and cash equivalents at the end of the period	**13**	**38,776,485**	**77,522,070**

The accounting policies and notes on pages 7 through 22 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 Directors have made an assessment of the Company's ability to continue as a going concern in the foreseeable future. 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. The Directors have concluded that the going concern basis of accounting is appropriate for the year 2019 and they do not intend either to liquidate or cease trading.

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 2017, except for the adoption of new standards effective as of 1 January 2018.

a. New and amended standards and interpretations

In these financial statements, the Company has applied IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial instruments and IFRS 7R, effective for annual periods beginning on or after 1 January 2018, for the first time which require restatement of previous financial statements.

b. IFRS 9 and IFRS 7R

IFRS 15, IFRS 9 and IFRS 7R together with several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company and no requirement of previous financial statement restatement.

c. IFRS 15

The Company has adopted IFRS 15 Revenue from contract with customers for the first time in 2018. The standard introduces a new five-step approach to measuring and recognizing revenue from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The company has elected to apply the full retrospective method in adopting IFRS 15. The adoption of new revenue standard has no material changes to the financial statement.

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.

3. Summary of significant accounting policies (continued)

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 company 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.

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:

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3. Summary of significant accounting policies (continued)

d. Property, plant and equipment (continued)

Buildings	5%
Distribution equipment	8%
Water distribution equipment	15%
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%

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.

e. 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.

f. 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.

g. 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.

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3. Summary of significant accounting policies (continued)

g. Financial Instruments - Initial recognition and subsequent measurement (continued)

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.

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:

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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.

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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.

h. 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.

i. 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.

j. 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.

k. 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.

4. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective

a. IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re measure the lease liability upon the occurrence of certain events. The lessee will generally recognise the amount of the re measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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	2018 MVR	2017 MVR
5 Revenue		
Business electricity	159,480,097	149,807,352
Business special electricity	97,180,377	115,940,250
Domestic electricity	374,324,875	437,542,818
Government electricity	221,767,787	211,840,027
Government subsidy fuel surcharge	267,426,862	131,836,724
Water distribution	13,969,391	8,567,591
	1,134,149,389	**1,055,534,762**

6 Other income		
Subcontracted income	-	298,210
Other sales	2,490,279	16,134,634
Miscellaneous income	373,540	288,754
Exchange gain / loss	-	2,081,700
	2,863,819	**18,803,298**

7 Loss from operating activities		
Stated after charging,		
Personnel costs (Note 7.1)	282,434,799	270,792,583
Directors' Emoluments	742,922	490,480
Depreciation and amortization	107,221,822	100,158,245
Travel and transport	15,987,785	16,365,442
Repair and maintenance	18,452,718	9,287,160

7.1 Personnel costs		
Salaries and wages	133,058,197	126,900,995
Staff allowances	140,353,892	135,384,892
Staff pension	9,022,710	8,506,696
	282,434,799	**270,792,583**

8 Income tax expense		
Tax on business profit (Note 8.1)	-	-
Deferred tax on temporary differences (Note 8.3)	-	-
Income tax expense reported in the income statement	-	-

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8 Income tax expense (Continued)

8.1 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 2018 is as follows:

	2018 MVR	2017 MVR
Loss before tax	(140,299,429)	(25,403,147)
Add: Depreciation charge for the period	107,221,822	100,158,245
Other disallowable expenses	16,761,439	10,373,185
Less: Capital allowances	(114,440,484)	(103,076,807)
Other allowable expenses	(14,902,712)	(9,969,813)
Taxable loss before adjustments	(145,659,364)	(27,918,337)
Less: Tax free allowance	(500,000)	(500,000)
Taxable loss	-	-
Income tax on taxable profit @ 15%	-	-

8.2 Tax loss carried forward

	2018 MVR	2017 MVR
Loss carried forward from previous tax year	243,853,698	215,935,361
Tax loss for the year of assessment	145,659,364	27,918,337
At the end of the year	**389,513,062**	**243,853,698**

8.3 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 2018.

	2018 MVR	2017 MVR
On accumulated tax losses	58,426,959	36,578,055
Deferred tax asset as at 31 December	**58,426,959**	**36,578,055**

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.

FENAKA CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

9 Property, plant and equipment

9.1 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	122,995,209	230,701,526	542,857,977	12,556,848	24,584,115	15,276,990	41,258,160	11,697,221	27,021,039
Additions during the year	398,844	17,012,443	36,054,813	601,603	3,421,752	3,565,384	10,185,618	2,118,709	8,939,472
Adjustments	-	-	-	-	-	-	-	-	-
As at 31 December	**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**
9.2 Depreciation									
As at 1 January	30,691,638	108,869,230	275,045,085	6,640,781	13,328,725	7,846,720	34,661,794	10,797,156	24,037,886
Charged during the year	6,156,352	18,705,807	55,256,440	889,122	2,562,874	2,291,549	6,851,843	1,754,583	10,466,582
As at 31 December	**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**
9.3 Net carrying value									
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
As at 31 December 2017	92,303,571	121,832,296	267,812,892	5,916,067	11,255,390	7,430,270	6,596,366	900,065	2,983,153

Cost	Water and sewerage system MVR	Environmental Survey MVR	Total 2018 MVR	Total 2017 MVR
As at 1 January	628,095	-	1,029,577,180	940,921,873
Additions during the year	3,654,701	1,494,805	87,448,144	90,003,871
Adjustments	-	-	-	**(1,348,564)**
As at 31 December	**4,282,796**	**1,494,805**	**1,117,025,324**	**1,029,577,180**
Depreciation				
As at 1 January	42,079	-	511,961,094	411,839,519
Charged during the year	125,619	298,961	105,359,732	100,121,575
As at 31 December	**167,698**	**298,961**	**617,320,826**	**511,961,094**
Net carrying value				
As at 31 December 2018	4,115,098	1,195,844	499,704,498	-
As at 31 December 2017	586,016	-	-	517,616,086
9.4 Capital work-in-progress (Note 9.5)			242,486,226	206,420,610
Total carrying amount of property, plant and equipment			**742,190,724**	**724,036,696**

	2018 MVR	2017 MVR
9 Property, plant and equipment (Continued)		
9.5 Capital work-in-progress (CWIP)		
As at 1 January	206,420,610	147,573,145
Expenditure incurred during the year	36,065,616	58,847,465
As at 31 December	**242,486,226**	**206,420,610**

10 Intangible assets

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

	2018 MVR	2017 MVR
Cost		
As at 1 January	2,246,406	2,107,086
Additions during the year	4,325,678	139,320
As at 31 December	**6,572,085**	**2,246,406**
Accumulated amortization		
As at 1 January	2,012,646	1,975,976
Charge for the year	1,862,090	36,670
As at 31 December	**3,874,736**	**2,012,646**
Net carrying value	**2,697,349**	**233,760**

11 Inventories

Fuel stock	20,447,305	24,696,693
Lube Oil	5,872,568	3,361,086
Engineering, electrical and distribution spares	138,766,474	99,068,231
Tools and general items	8,206,838	6,602,256
Work in progress	-	50,133,269
	173,293,185	**183,861,535**

12 Trade and other receivables

Trade receivables	308,110,257	298,321,198
Fuel discount receivables	-	812,477
Other receivables	1,528,218	17,941,404
Prepayment and advances	2,483,098	5,390,770
	312,121,573	**322,465,849**

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13 Cash and cash equivalents

	2018 MVR	2017 MVR
Cash in hand	5,579,989	5,545,854
Cash at bank	33,196,496	71,976,216
	38,776,485	77,522,070
Bank overdrafts	-	-
	38,776,485	**77,522,070**

14 Share capital

	2018 MVR	2017 MVR
Authorised share capital		
10,000,000 ordinary shares of MVR 100/= each	**1,000,000,000**	**1,000,000,000**
Issued and fully paid		
5,317,999 ordinary shares of MVR 100/= each	**538,848,934**	**538,848,934**

15 Interest bearing loans and borrowings

	STO MVR	MoFT MVR	Total MVR
Balance as at 01.01.2018	-	94,302,456	94,302,456
Addition during the year	120,000,000	-	120,000,000
Repayments during the year	(43,333,333)	(2,854,872)	(46,188,205)
Balance as at 31.12.2018	**76,666,667**	**91,447,584**	**168,114,251**
15.1 Amount repayable within one year	40,000,000	18,750,000	58,750,000
Amount repayable after one year	36,666,667	72,697,584	109,364,251
	76,666,667	**91,447,584**	**168,114,251**

15.2 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 2018.

15.3 State Trading Organization (STO)

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

In accordance with Shariah concept, State Trading Organization PLC (STO) and Fenaka Corporation Limited entered in to a Mudharabah Financial Arrangement on 12 November 2017 to repay outstanding invoices owing to Fuel Supplies Maldives Private Limied, 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/-.

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16 Deferred income

	2018 MVR	2017 MVR
Non-current		
Government grants	372,649,692	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.

17 Trade and other payables

	2018 MVR	2017 MVR
Trade payables	618,098,644	437,086,156
Accrued expenses	362,501	907,669
Other payables	2,008,994	155,029,274
	620,470,139	**593,023,099**
As at 31 December	-	-

18 Capital commitments and contingent liabilities

The Company had no significant capital commitments approved or contracted as at 31 December 2018.

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.

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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 2018 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.

21.2 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, 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, delay dividend, or renegotiate with lenders, suppliers and customers.

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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:

	2018 MVR	2017 MVR
Salary and allowances	2,816,204	1,224,444

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) / receivable balance as at 01.01.2018 MVR	Transfer in MVR	Transfer out / (Payment received) MVR	(Payable) / receivable balance as at 31.12.2018 MVR
Ministry of Finance and Treasury	Shareholder	(1,145,320)	(245,710,668)	243,194,506	(3,661,482)
State Trading Organization PLC (STO)	Government affiliate	(121,762,710)	(8,313,346)	40,636,833	(89,439,223)
Fuel Supplies Maldives (FSM)	Government affiliate	(406,848,928)	(634,349,385)	346,612,258	(694,586,055)
		(529,756,959)	(888,373,399)	630,443,597	(787,686,760)

FENAKA CORPORATION LIMITED
DETAILED STATEMENT OF EXPENSES
For the year ended 31 December 2018

	2018 MVR	2017 MVR
I Cost of sales		
Cost of diesel	710,960,666	603,299,369
Cost of lube oil	18,950,526	16,630,670
Cost of spares	45,173,379	27,553,756
Cost of other fuel and chemicals	925	203,776
Cost of waste management	5,000	82,166
cost of customer service	-	346,530
	775,090,496	**648,116,267**
II Administration expenses		
Directors remuneration	742,922	490,480
Salaries and wages	133,058,197	126,900,995
Staff allowances	140,353,892	135,384,892
Staff pension	9,022,710	8,506,696
Professional fee	7,642,956	2,607,444
Depreciation	105,359,732	100,121,575
Amortization	1,862,090	36,670
Subcontracted expenses	1,847,204	7,504,047
Repair and maintenance	18,452,718	9,287,160
Insurance expenses	294,941	353,841
Rent expenses	7,631,281	4,124,261
Travel and transportation	15,987,785	16,365,442
Printing and postage	1,051,146	2,344,018
Office supplies	10,387,597	4,920,493
Utility charges	13,812,868	13,749,850
Staff entertainment	225,240	468,516
Custom duty and clearance	5,028,361	3,050,644
Bank charges	1,250,207	514,402
License and permits	473,437	1,672,792
Work visa expenses	1,560	20,000
Fine expenses	43,399	245,926
Compensation expenses	284,680	63,917
Miscellaneous expenses	18,087,597	9,060,462
Demurrage charges	-	-
Donation and contributions	1,858,727	1,109,965
	494,761,247	**448,904,488**
III Selling and distribution expenses		
Advertising and publishing	**2,329,334**	**954,006**
IV Finance cost		
LC interest	396	323,446
Interest expenses	5,131,164	1,443,000
	5,131,560	**1,766,446**

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