



Report No: FIN-2025-42(E)

27th May 2025

FENAKA CORPORATION LIMITED

FINANCIAL YEAR 2022



آڈیٲر جنرل آف فنانس اور اکاؤنٲس

AUDITOR GENERAL'S OFFICE

Contents

Auditor General’s Report

Financial Statement

Statement of Comprehensive Income.....	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows.....	10
Notes to the Financial Statements	11-42

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 31st December 2022, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statements, comprising significant accounting policies and other explanatory information set out in pages 7 to 42.

We do not express an opinion on the accompanying financial statements of the Company as at 31st December 2022. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. The Company was unable to provide the complete list of journal entries for the year ended 31st December 2022. As a result, we could not verify the existence, accuracy and completeness of the journal entries posted during the year. Accordingly, we were unable to determine the possible effects on the statements of comprehensive income, changes in equity, and cash flows for the year ended 31st December 2022, and in the statement of financial position as at 31st December 2022.
2. As disclosed in Note 06 to the financial statements, the Company has recorded revenue from sale of water and sale of ice amounting to MVR 43,637,856. We noted a difference between invoice listing and general ledger for the year ended 31st December 2022 in relation to revenue from sale of water and ice amounting to MVR 1,118,127. Due to the unavailability of sufficient and appropriate audit evidence, we were unable to verify the completeness, existence, and accuracy of these balances. As a result, we were unable to determine whether any adjustments might have been necessary in respect of these balances in the statements of comprehensive income, changes in equity, and cash flows for the year ended 31st December 2022, and in the statement of financial position as at 31st December 2022.
3. As disclosed in Notes 06 and 07 to the financial statements, the Company has recorded revenue from subcontracted projects amounting to MVR 117,978,388 and the corresponding expenses amounting to MVR 70,814,399. We noted that there was no proper mechanism for recognizing these amounts in the financial statements for the year ended 31st December 2022. Due to the unavailability of sufficient and appropriate audit evidence, we were unable to verify the completeness, existence and accuracy of these balances. As a result, we were unable to determine whether any adjustments might have been necessary in relation to these balances in the statements of comprehensive income, changes in equity, and cash flows for the year ended 31st December 2022, and in the statement of financial position as at 31st December 2022.

Basis for Disclaimer of Opinion (Continued)

4. As disclosed in Note 07 to the financial statements, the Company has incurred cost of diesel and lube oil amounting to MVR 930,236,603 for the year ended 31st December 2022. Due to unavailability of sufficient and appropriate audit evidence, we were unable to verify the completeness, existence, and accuracy of these balances. Therefore, we were unable to determine whether any adjustments might have been necessary in respect of these balances in the statements of comprehensive income, changes in equity, and cash flows for the year ended 31st December 2022, and in the statement of financial position as at 31st December 2022.
5. As disclosed in Note 07 to the financial statements, the Company has incurred cost of spares amounting to MVR 78,033,731 for the year ended 31st December 2022. Due to unavailability of sufficient appropriate audit evidence, we were unable to verify the completeness, existence, and accuracy of this balance. Therefore, we were unable to determine whether any adjustments might have been necessary in respect of this balance in the statements of comprehensive income, changes in equity, and cash flows for the year ended 31st December 2022, and in the statement of financial position as at 31st December 2022.
6. We observed a difference amounting to MVR 4,183,102 between the recorded amount of pension contribution expense in the financial statements and the amount reflected in the supporting documents for the year ended 31st December 2022. Furthermore, due to the unavailability of sufficient and appropriate audit evidence, including through alternative procedures, we were unable to verify the completeness, existence, and accuracy of this balance. As a results, we were unable to determine whether any adjustments might have been necessary in respect of this balance in the statements of comprehensive income, changes in equity, and cash flows for the year ended 31st December 2022, and in the statement of financial position as at 31st December 2022.
7. We observed a difference amounting to MVR 17,256,927 between general ledger and payroll reconciliation for the year ended 31st December 2022. Due to the unavailability of sufficient and appropriate audit evidence, including through alternative procedures, we were unable to verify the accuracy of Personnel Costs of the Company. As a result, we were unable to determine whether any adjustments might have been necessary in respect of this balance in the statements of comprehensive income, changes in equity, and cash flows for the year ended 31st December 2022, and in the statement of financial position as at 31st December 2022.
8. On 07th January 2013, the Company had entered into agreements with six utility companies to transfer the custody, control and possession of assets of those six utility companies to the Company. According to the section 3(d) of the agreement, “a valuation of all the assets in the revised asset register must be completed and submitted to the Ministry of Finance and Treasury within 3 months of the completion of the verification process”. The Company has carried out a valuation as at 30th June 2019, with the final report dated in December 2020. A gain on revaluation has been recognized as an addition to the share capital during the year ended 31st December 2019. As a result, the Company has recognized revaluation gains associated with the assets acquired subsequent to the merger, i.e. between 07th January 2013 to December 2020, in the share capital. Therefore, we were unable to verify the completeness, existence and accuracy of share capital, unrecognized revaluation gains/losses related to assets acquired from 07th January 2013 and its related deferred tax impact as at 31st December 2022 and for the comparative year ended 31st December 2021.



Basis for Disclaimer of Opinion (Continued)

9. In relation to Note 12 to the financial statements, the Company has been using the assets developed by the Ministry of Environment and Energy relating to sewerage and water systems to provide related services to the communities based in the islands where the Company has established its power stations to generate and distribute electricity to the community. The income derived from the supply of water has been recognized as part of Company's financial statements. However, the related assets and the depreciation expense have not been recorded in the Company's books of accounts to date. Accordingly, due to lack of sufficient and appropriate audit evidence, we were unable to determine whether any adjustments might have been necessary in respect of the carrying value of property, plant and equipment, share capital and retained earnings in the financial statements as at 31st December 2022 and for the comparative year ended 31st December 2021.
10. In relation to Note 12 to the financial statements, the Company has been using assets of the "Ice Plants," which were received from Maldives Industrial Fisheries Company Limited (MIFCO) during the year 2022. The Company had control and ownership of these assets during the year 2022. However, the Company has not recognized these assets in the financial statements. As a result, we were unable to determine whether any adjustments might have been necessary in respect of property plant and equipment in the statement of financial position as at 31st December 2022, and the related depreciation expenses in the statements of comprehensive income, changes in equity and cash flows for the year ended 31st December 2022.
11. As disclosed in Note 12 to the financial statements, the Company has reported Property, Plant, and Equipment with a cost of MVR 3,564,563,489 and accumulated depreciation of MVR 768,994,992 as of 31st December 2022. However, the fixed asset register reflects a cost of MVR 3,555,890,193 and accumulated depreciation of MVR 725,065,919, resulting in an unreconciled difference of MVR 8,673,296 in cost and MVR 43,929,073 in accumulated depreciation. We were unable to verify the completeness, existence, and accuracy of this balance due to unavailability of sufficient and appropriate audit evidence. Therefore, we were unable to determine whether any adjustments might have been necessary in respect of these balances in the statements of comprehensive income, changes in equity, and cash flows during the year ended 31st December 2022 and in the statement of financial position as at 31st December 2022.
12. As disclosed in Note 12 to the financial statements, the Company has recorded property, plant and equipment at fair value. The fair value of such property, plant and equipment was determined by an external independent valuer using desktop valuation method for the purpose of assessing the fair value as at 30th June 2019. However, we noted below discrepancies in relation to the valuation exercise and the valuation report;
- Assets purchased during the period from August 2017 to 29th June 2019 with a total cost of MVR 162,628,672 were not revalued but carrying at cost.
 - Though the revaluation was performed as at 30th June 2019, assessments and related adjustments were made effective from 1st January 2019.
 - The Company has used an assumption whereas for assets with no available data and/or insufficient data provided by the Company, values of such assets were considered as 1 MVR.
 - For assets where the date of construction date of acquisition was not available and therefore assumed as 31st December 2012.

Accordingly, we were unable to determine whether any adjustments relating to the carrying value of property, plant and equipment, retained earnings and share capital was necessary in the financial statements as at 31st December 2022 and for the comparative year ended 31st December 2021.



Basis for Disclaimer of Opinion (Continued)

13. As disclosed in the Note 13 to the financial statements, the Company has reported intangible assets with a cost of MVR 9,720,681 and accumulated amortization of MVR 9,555,230 as of 31st December 2022. However, the intangible asset register reflects a cost of MVR 4,529,218 and accumulated amortization of MVR 4,280,393, resulting in an unreconciled difference of MVR 5,191,463 in cost and MVR 5,274,837 in accumulated amortization. We were unable to verify the completeness, existence, and accuracy of these balances due to unavailability of sufficient and appropriate audit evidence. Therefore, we were unable to determine whether any adjustments might have been necessary in respect of these balances in the statements of comprehensive income, changes in equity, and cash flows during the year ended 31st December 2022 and in the statement of financial position as at 31st December 2022.
14. As disclosed in Note 15 to the financial statements, an amount of MVR 873,690,087 has been recognized as inventory as at 31st December 2022. Furthermore, as disclosed in Note 7 to the financial statements, inventory amounting to MVR 27,389,746 have been written off by the Company during the year ended 31st December 2022. We were unable to verify the completeness, existence, accuracy and valuation of these balances due to the unavailability of sufficient and appropriate audit evidence. Therefore, we were unable to determine whether any adjustments might have been necessary in respect of these balances in the statements of comprehensive income, changes in equity, and cash flows for the year ended 31st December 2022, and in the statement of financial position as at 31st December 2022.
15. As disclosed in Note 16 to the financial statements, an amount of MVR 305,305,542 has been recognized as trade receivables. Due to the unavailability of sufficient and appropriate audit evidence, we were unable to verify the completeness, existence and accuracy of trade receivables and the impact on related impairment assessment on this balance. As a result, we were unable to determine whether any adjustments might have been necessary in relation to this balance in the statements of comprehensive income, changes in equity, and cash flows for the year ended 31st December 2022, and in the statement of financial position as at 31st December 2022.
16. As disclosed in Note 16 to the financial statements, an amount of MVR 145,661,492 has been recorded as advances to suppliers and MVR 88,525,211 as other receivable as at 31st December 2022. However, we were unable to verify completeness, existence and accuracy of these balances due to the unavailability of sufficient and appropriate audit evidence. Therefore, we were unable to determine whether any adjustment might have been necessary in respect of these balances in the statements of comprehensive income, changes in equity, and cash flows during the year ended 31st December 2022 and in the statement of financial position as at 31st December 2022.
17. As disclosed in Note 17 to the financial statements, an amount of MVR 7,144,587 has been recorded as cash and cash equivalents as at 31st December 2022. However, we were unable to verify the completeness, existence, and accuracy of MVR 3,628,383 of the total balance due to the unavailability of sufficient and appropriate audit evidence including through alternative procedures. As a result, we were unable to determine whether any adjustments might have been necessary in respect of this balance in the statements of comprehensive income, changes in equity, and cash flows for the year ended 31st December 2022, and in the statement of financial position as at 31st December 2022.



Basis for Disclaimer of Opinion (Continued)

18. In relation to Note 17 and 22 to the financial statements, the Company has recorded an overdraft amounting to MVR 48,336,407 in the financial statements, which has been classified under trade and other payables as at 31st December 2022. However, we were unable to verify the completeness, existence, and accuracy of this balance due to the unavailability of sufficient and appropriate audit evidence. As a result, we were unable to determine whether any adjustments might have been necessary in respect of this balance in the statements of comprehensive income, changes in equity, and cash flows for the year ended 31st December 2022, and in the statement of financial position as at 31st December 2022.
19. As disclosed in Note 19 to the financial statements, the Company has recorded loans and borrowings amounting to MVR 127,127,077 as at 31st December 2022. However, we noted a difference of MVR 30,027,615 between the written balance confirmation provided by the Ministry of Finance and Treasury (MoFT) and the Company's records. Furthermore, we have not received the balance confirmation from State Trading Organization PLC for the loan balance amounting to MVR 38,804,493/-. Therefore, we were unable to verify the accuracy and completeness of this balance due to lack of sufficient and appropriate audit evidence. As a result, we could not determine whether any adjustments might have been necessary in respect of this balance in the statements of comprehensive income, changes in equity, and cash flows for the year ended 31st December 2022, and in the statement of financial position as at 31st December 2022.
20. In relation to Note 20 and 23(ii) to the financial statements, we were unable to satisfy ourselves regarding the accuracy and completeness of the opening balances for the right-of-use assets and lease liabilities as at 01st January 2022. The Company adjusted these balances through the statement of comprehensive income for the year ended 31st December 2022, resulting in an overstatement of the reported loss by MVR 1,047,647 and exclusion of total unrecognized rent payments amounting to MVR 22,819,291. Furthermore, we noted that the contractual cash flows disclosed under lease liabilities in the liquidity risk disclosure in Note 23(ii) were less than the related carrying amounts as at 31st December 2022. Accordingly, we were unable to determine whether any adjustments might have been necessary in respect of these balances in the statements of comprehensive income, changes in equity, and cash flows for the year ended 31st December 2022, and in the statement of financial position and related disclosures as at 31st December 2022.
21. As disclosed in Note 21 to the financial statements, an amount of MVR 45,127,619 has been recorded as defined benefit obligation as at 31st December 2022. However, we were unable to verify the completeness and accuracy of this balance due to the unavailability of sufficient and appropriate audit evidence. As a result, we were unable to determine whether any adjustments might have been necessary in respect of this balance in the statements of comprehensive income, changes in equity, and cash flows for the year ended 31st December 2022, and in the statement of financial position as at 31st December 2022.
22. As disclosed in Note 22 to the financial statements, a "Tariff Loss Advance" amounting to MVR 116,102,279 has been recorded under trade and other payables. However, this amount has not been recognized as a loan in the financial statements, nor has there been any formal agreement established with the Government of Maldives regarding the tariff loss advances provided during the year. Due to the absence of recognition and documentation outlining the nature of these advances, we were unable to determine whether any adjustments might have been necessary in respect to the classification and presentation of the tariff loss advance as at 31st December 2022.



Basis for Disclaimer of Opinion (Continued)

23. In relation to Note 22 to the financial statements, an amount of MVR 21,904,989 has been recognized as construction retention payable balance as of 31st December 2022. We were unable to verify the completeness, existence, and accuracy of this balance due to unavailability of sufficient and appropriate audit evidence. Therefore, we were unable to determine whether any adjustment might have been necessary in respect of this balance in the statements of comprehensive income, changes in equity, and cash flows during the year ended 31st December 2022 and in the statement of financial position as at 31st December 2022.
24. As mentioned above, we were unable to obtain sufficient and appropriate audit evidence in relation to above balances in the financial statements, on which a disclaimer of opinion has been expressed. As the tax expense is inherently dependent on and derived from these balances, we were unable to verify the accuracy and completeness of the income tax and deferred tax balances for the year ended 31st December 2022. Accordingly, we could not determine whether any adjustments might have been necessary in respect of these balances in the statements of comprehensive income, changes in equity, and cash flows for the year ended 31st December 2022, and in the statement of financial position as at 31st December 2022.
25. In relation to Note 28 to the financial statements, which discloses related party transactions, we were unable to verify the completeness, existence, and accuracy of the related balances and transactions due to the unavailability of sufficient appropriate audit evidence. Accordingly, we were unable to determine whether any adjustments might have been necessary in respect of the aforementioned disclosure for the year ended 31st December 2022.
26. We draw attention to Note 29 to the financial statements, which indicates that the Company has reported a loss of MVR 425,246,758 for the year ended 31st December 2022 and accumulated losses of MVR 823,853,664 as at 31st December 2022. Further, the Company's total current liabilities exceeded its total current assets by MVR 1,948,786,304 as at 31st December 2022. However, as described above, we were unable to obtain sufficient and appropriate audit evidence regarding multiple material elements of the financial statements. Because of the significance of these matters, we are unable to determine whether any adjustments might have been necessary, including those that may affect the appropriateness of the use of the going concern basis of accounting. Accordingly, we do not express an opinion on the Company's ability to continue as a going concern.

Responsibilities of the 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 IFRS Accounting Standards as issued by the International Accounting Standards Board 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.



Auditors' Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Corporation's financial statements in accordance with International Standards on Auditing ("ISA") and to issue an auditors' report. However, because of the matters 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* (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

27th May 2025



Hussain Niyazy
Auditor General



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2022 MVR	2021 MVR
Revenue	6	1,970,318,826	1,782,241,082
Cost of operations	7	(1,106,474,479)	(1,003,594,347)
Gross profit		<u>863,844,347</u>	<u>778,646,735</u>
Other income	8	40,571,765	38,170,191
Administration expenses		(1,242,113,234)	(769,428,845)
Sales and marketing expenses		(2,894,445)	(850,425)
Allowance for impairment loss on trade receivables	16.1	(53,608,842)	(24,515,387)
(Loss) / Profit from operations		<u>(394,200,409)</u>	<u>22,022,269</u>
Finance costs	9	(2,529,069)	(2,453,371)
(Loss) / Profit before tax	10	<u>(396,729,478)</u>	<u>19,568,898</u>
Tax expense	11	(22,161,095)	(2,286,945)
(Loss) / Profit for the year		<u><u>(418,890,573)</u></u>	<u><u>17,281,953</u></u>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of defined benefit liability - net of tax	21	(6,356,185)	3,086,462
Total other comprehensive income		<u>(6,356,185)</u>	<u>3,086,462</u>
Total comprehensive income for the year		<u><u>(425,246,758)</u></u>	<u><u>20,368,415</u></u>

The figures in brackets indicate deductions.

These financial statements are to be read in conjunction with the related notes which form an integral part of these financial statements of the Company set out on pages 11 to 42.



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF FINANCIAL POSITION**

AS AT 31ST DECEMBER

	Note	2022 MVR	2021 MVR
ASSETS			
Non-current assets			
Property, plant and equipment	12	3,694,728,991	2,952,983,426
Intangible assets	13	3,213,119	3,395,151
Right of use assets	14	23,266,239	22,158,790
Total non-current assets		<u>3,721,208,349</u>	<u>2,978,537,367</u>
Current assets			
Inventories	15	873,690,087	504,142,177
Trade and other receivables	16	371,703,538	249,030,325
Cash and cash equivalents	17	7,144,587	5,913,719
Total current assets		<u>1,252,538,212</u>	<u>759,086,221</u>
Total assets		<u>4,973,746,561</u>	<u>3,737,623,588</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	18.2	2,507,592,102	2,507,592,102
Accumulated losses		(823,853,664)	(398,606,906)
Total equity		<u>1,683,738,438</u>	<u>2,108,985,196</u>
Non-current liabilities			
Loans and borrowings	19.2	3,939,293	3,939,293
Lease liabilities	20.2	15,745,546	15,040,456
Employee defined benefit liabilities	21	42,331,684	28,490,816
Deferred tax liabilities	11.5	26,667,084	8,459,284
Total non-current liabilities		<u>88,683,607</u>	<u>55,929,849</u>
Current liabilities			
Employee defined benefit liabilities	21	2,795,935	1,986,406
Loans and borrowings	19.3	123,187,784	122,031,262
Lease liabilities	20.1	8,217,223	8,514,151
Trade and other payables	22	3,067,123,574	1,440,176,724
Total current liabilities		<u>3,201,324,516</u>	<u>1,572,708,543</u>
Total liabilities		<u>3,290,008,123</u>	<u>1,628,638,392</u>
Total equity and liabilities		<u>4,973,746,561</u>	<u>3,737,623,588</u>

The figures in brackets indicate deductions.

These financial statements are to be read in conjunction with the related notes which form an integral part of these financial statements of the Company set out on pages 11 to 42.

These financial statements were approved by the Board of Directors and signed on its behalf by;

Name of the Director

MAJOR (RETIRED) MOHAMED NAJAH
SHIMAD IBRAHIM

Signature






**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 31ST DECEMBER 2022

	Share capital	Accumulated losses	Total equity
	MVR	MVR	MVR
Balance as at 1st January 2021	2,507,592,102	(418,975,321)	2,088,616,781
<i>Total comprehensive income for the year</i>			
Profit for the year	-	17,281,953	17,281,953
Other comprehensive income for the year	-	3,086,462	3,086,462
Balance as at 31st December 2021	<u>2,507,592,102</u>	<u>(398,606,906)</u>	<u>2,108,985,196</u>
Balance as at 1st January 2022	2,507,592,102	(398,606,906)	2,108,985,196
<i>Total comprehensive income for the year</i>			
Loss for the year	-	(418,890,573)	(418,890,573)
Other comprehensive income for the year	-	(6,356,185)	(6,356,185)
Balance as at 31st December 2022	<u>2,507,592,102</u>	<u>(823,853,664)</u>	<u>1,683,738,438</u>

The figures in brackets indicate deductions.

These financial statements are to be read in conjunction with the related notes which form an integral part of these financial statements of the Company set out on pages 11 to 42.



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2022 MVR	2021 MVR
Cash flows from operating activities			
(Loss) / Profit before tax		(396,729,478)	19,568,898
<i>Adjustments for:</i>			
Depreciation on property plant and equipment	12	249,958,914	202,888,967
Amortization of intangible assets	13	382,012	617,410
Depreciation on right of use assets	14	9,310,677	8,884,231
Interest on loans and borrowings	9	195,198	-
Interest expense on lease liabilities	9	657,624	1,339,966
Allowance for impairment loss of trade receivables	16.1	53,608,842	24,515,387
Write back of interest payable during the year	19	-	(704,766)
Current service cost and interest expense of retirement benefit obligation	21	7,172,532	4,100,159
Operating (loss) / profit before working capital changes		<u>(75,443,679)</u>	<u>261,210,252</u>
Changes in working capital;			
Inventories		(369,547,910)	(55,086,985)
Trade and other receivables		(176,282,055)	44,886,239
Trade and other payables		1,626,946,850	363,348,787
Cash from operating activities		<u>1,005,673,206</u>	<u>614,358,293</u>
Interest paid		(657,624)	(1,339,966)
Net adjustment on income tax	11	(2,831,615)	-
Retirement benefits paid	21	-	(300,510)
Net cash from operating activities		<u>1,002,183,967</u>	<u>612,717,817</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	12	(608,388,435)	(312,394,908)
Acquisition of intangible assets	13	(199,980)	-
Cost incurred on construction of capital work-in-progress	12.1	(383,316,044)	(286,264,931)
Net cash used in investing activities		<u>(991,904,459)</u>	<u>(598,659,839)</u>
Cash flows from financing activities			
Repayment of loans	19	-	(6,666,667)
Adjustment on loans and borrowings	19	961,324	-
Lease payments	20	(10,009,964)	(9,931,878)
Net cash used in financing activities		<u>(9,048,640)</u>	<u>(16,598,545)</u>
Net increase / (decrease) in cash and cash equivalents		1,230,868	(2,540,567)
Cash and cash equivalents at beginning of the year		<u>5,913,719</u>	<u>8,454,286</u>
Cash and cash equivalents at end of the year	17	<u>7,144,587</u>	<u>5,913,719</u>

The figures in brackets indicate deductions.

These financial statements are to be read in conjunction with the related notes which form an integral part of these financial statements of the Company set out on pages 11 to 42. The report of the independent auditors is given on pages 1 to 6.



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

1. REPORTING ENTITY

Fenaka Corporation Limited is a Company incorporated and domiciled in the Republic of Maldives, which is fully owned by the Government of Maldives as a limited liability company since 01st 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.

Principal business activities of the Company include supply of electricity, water and sewerage services in the Maldives except in Greater Male' region.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

The Company's financial statements are presented in Maldivian Rufiyaa, which is the Company's functional and presentation currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Company's financial statements is included in the respective notes.



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Company.

3.1 Transactions in foreign currencies

Transactions in currencies other than Maldivian Rufiyaa are translated to Maldivian Rufiyaa at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in currencies other than Maldivian Rufiyaa are translated to Maldivian Rufiyaa at the exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognized in the profit or loss.

Non-monetary assets and liabilities, which are measured at historical cost, denominated in currencies other than Maldivian Rufiyaa, are translated to Maldivian Rufiyaa at the exchange rates ruling at the dates of transactions. Non-monetary assets and liabilities, which are stated at fair value, denominated in currencies other than Maldivian Rufiyaa, are translated to Maldivian Rufiyaa at the exchange rates ruling at the dates the values were determined.

3.2 Financial instruments

(i) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI (fair value through other comprehensive income) – debt investment; FVOCI – equity investment; or FVTPL (fair value through profit and loss).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company’s management;



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (Continued)

(i) Classification and subsequent measurement (Continued)

Financial assets - Business model assessment (Continued)

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par-amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (Continued)

(i) Classification and subsequent measurement (Continued)

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de-recognition is also recognized in profit or loss.

(ii) De-recognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfer nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (Continued)

(ii) De-recognition (Continued)

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in profit or loss.

3.3 Impairment

(i) Financial assets (Including receivables)

The Company recognize loss allowance for ECLs (Expected Credit Loss) on financial assets measured at amortized cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which measured at 12-month ECLs.

- Debt instruments that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information. ECLs are probability- weighted estimate of credit losses. Credit losses are measured as the present value of all the cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 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.

3.5 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of for the current and comparative periods are as follows:

Buildings	Over 20 years
Distribution equipment	Over 12 years
Generation equipment	Over 10 years
Fuel storage facilities	Over 14 years
Machinery and equipment	Over 10 years
Tools and equipment	Over 7 years
Motor vehicles and vessels	Over 7 years
Furniture and fittings and communication equipment	Over 7 years
Computer and office equipment	Over 5 years
Water and sewage systems	Over 10 years
Environmental survey	Over 7 years



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property, plant and equipment (Continued)

(iii) Depreciation (Continued)

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The charge for the deprecation commences from the date in which the property, plant and equipment are ready for use.

3.6 Capital work in progress

Assets under construction as at the reporting date represents the costs incurred or accrued for the projects which are not commissioned for commercial operation as at the reporting date.

3.7 Intangible Assets

Intangible assets acquired by the Company are stated at cost less accumulated amortization and 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 expenditure is recognized in profit or loss when incurred.

Amortization

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of assets unless such lives are indefinite. The estimated useful lives are as follows:

Computer Software	Over 3 years
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3.8 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The value of each category of Inventory is determined on weighted average cost (WAC) basis.

3.9 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

All local (Maldivian National) Employees are eligible for Maldives Retirement Pension Scheme (MRPS) contribution according to the terms of the Maldives Pension Act Law No. 8/2009 handled by Maldives Pension Administration Office (MPAO) from May 2011.



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Employee benefits (Continued)

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that amount to determine its present value. The calculation is performed by a professional actuary every year in compliance with accounting requirements.

(iii) Short-term 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 the employee and the obligation can be estimated reliably.

3.10 Cash and cash equivalents

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

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

3.11 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of that asset.

3.12 Dividends

The Company recognizes a liability to pay a dividend when the distribution is authorized, and the distribution is no longer at the discretion of the Company. As per the corporate laws of Maldives, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.14 Revenue

Revenue recognition

The Company recognises the following revenues from contracts with customers:

- Revenue from sale of electricity;
- Revenue from sale of water;
- Revenue from electricity and water connections;
- Revenue from subcontracted projects; and
- Other income.

Revenue from sale of electricity

Revenue from sale of electricity is recognised in the accounting period in which the services are rendered. Revenue from sale of electricity is recognised when customers are invoiced for their electricity consumption measured in kilowatt / hours. Since electricity has no form or shape of its own, the transfer of control is evidenced when a particular bill is generated which forms the basis of consumption of the electricity for the month. There is no unfulfilled obligation that could affect the acceptance of the goods and services.

The performance obligation underlying the revenue stream is not a separate performance obligation and forms part of the bundle services in form of provision of electricity to customers. The payment for such service is due after transfer of the services. Therefore, revenue is recognised at a point in time once the services are transferred to the customer and bills are issued.

Revenue from sale of water

Revenue from sale of water is recognised in the accounting period in which the services are rendered. Revenue from sale of water is recognised when customers are invoiced for their water consumption measured in liters. Since water has no form or shape of its own, the transfer of control is evidenced when a particular bill is generated which forms the basis of consumption of the water for the month. There is no unfulfilled obligation that could affect the acceptance of the goods and services.

Revenue from electricity connections

Revenue from new electricity and water connections received from customers is recognised when significant risks and rewards of the ownership of electrical and water connection meters have been transferred to the customers.



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue (Continued)

Revenue from subcontracted projects

Revenue from subcontracted project comprises of income from projects which are contracted to the Company by the government of Maldives, and mainly relate to projects carried out in relation to provision of water, electricity and sewage services. In addition to these projects, the Company is awarded for other projects which is through an initiative by the government to improve the welfare for the public, and such projects are overseen by the Ministries of the government.

Other income

Other income comprises fines on late payment of electricity and water bills, sale of scrap/unusable assets/inventories, etc. The revenue is recognized upon satisfaction of the related performance obligation.

3.15 Expenses

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 profit for the year.

3.16 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Leases (Continued)

(i) As a lessee (Continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company presents right-of-use assets that do not meet the definition of investment property in "Right-of-Use Asset" and lease liability in "Lease Liability" in the statement of financial position.



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Leases (Continued)

(i) As a lessee (Continued)

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.17 Events occurring after the reporting date

The materiality of the events occurring after the reporting date has been considered and appropriate adjustments and provisions have been made in the financial statements wherever necessary.

3.18 Finance income and finance costs

Finance income comprises foreign exchange gains.

Finance cost comprises interest expense on borrowings and lease liabilities. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognized in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis.

3.19 Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss.

• **Current tax**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

• **Deferred tax**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax rate enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Tax expense (Continued)

• **Deferred tax (Continued)**

A deferred tax asset is recognized for unused tax losses, tax credits deductible temporary difference to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it no longer probable that the related tax benefits will be provided.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.

• **Sales tax**

Revenues, expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables that are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. DETERMINATION OF FAIR VALUES (CONTINUED)

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after 01st January 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

- Deferred Tax related to Assets and Liability arising from a Single Transaction (Amendments to IAS 12).
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- IFRS 17 Insurance Contracts and amendment to IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimate (Amendments to IAS 8)



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2022

6 REVENUE	2022 MVR	2021 MVR
Revenue from sale of electricity to:		
- Businesses	183,436,760	157,511,012
- Businesses under special rates	98,839,382	88,355,080
- Domestic customers	589,115,389	532,398,113
- The Government	321,852,715	290,991,654
	<u>1,193,244,246</u>	<u>1,069,255,859</u>
Compensation for tariff rate difference	615,458,336	589,096,281
COVID-19 subsidy	-	25,271,306
Total revenue from sale of electricity	<u>1,808,702,582</u>	<u>1,683,623,446</u>
Revenue from sale of water	40,774,394	26,792,413
Revenue from sale of ice	2,863,462	-
Revenue from electricity and water connections	-	719,400
Revenue from subcontracted projects	117,978,388	71,105,823
	<u>1,970,318,826</u>	<u>1,782,241,082</u>
7 COST OF OPERATIONS	2022 MVR	2021 MVR
Cost of diesel	898,262,050	831,479,527
Cost of lube oil	31,974,553	28,811,881
Cost of spares	78,033,731	95,835,759
Subcontracted expenses	70,814,399	47,467,180
Written off spares	27,389,746	-
	<u>1,106,474,479</u>	<u>1,003,594,347</u>
8 OTHER INCOME	2022 MVR	2021 MVR
Other sales	6,557,863	4,487,306
Fines on electricity and water sales	33,939,717	32,822,724
Write back of interest payable	-	704,766
Miscellaneous income	74,185	155,395
	<u>40,571,765</u>	<u>38,170,191</u>
9 FINANCE COSTS	2022 MVR	2021 MVR
Exchange loss	-	52,600
Interest on loans and borrowings (Note 19)	195,198	-
Interest expense on define benefit obligation (Note 21)	1,676,247	1,060,805
Interest expense on lease liabilities (Note 20)	657,624	1,339,966
	<u>2,529,069</u>	<u>2,453,371</u>
10 (LOSS) / PROFIT BEFORE TAX	2022 MVR	2021 MVR
<i>Is stated after charging all the expenses including the following:</i>		
Depreciation on property, plant and equipment (Note 12)	249,958,914	202,888,967
Amortization of intangible assets (Note 13)	382,012	617,410
Depreciation on right of use assets (Note 14)	9,310,677	8,884,231
Personnel costs (Note 10.1)	675,600,779	438,942,193



FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2022

10 (LOSS) / PROFIT BEFORE TAX (CONTINUED)	2022	2021
	MVR	MVR
10.1 Personnel Costs		
Salaries and wages	282,486,975	186,372,728
Overtime	47,476,822	67,801,556
Bonus	336,500	125,000
Contribution to MRPS	19,741,868	13,128,215
Staff training expenses	1,550,437	1,447,520
Staff compensation	792,900	421,025
Directors salary and allowances	680,463	747,907
Service allowance	122,931,482	59,071,334
Other expenses and allowances	199,603,332	109,826,908
	<u>675,600,779</u>	<u>438,942,193</u>

11 TAX EXPENSE	2022	2021
	MVR	MVR
Current tax expense (Note 11.1)	-	-
Net deferred tax liabilities recognized / assets reversed during the year (Note 11.3 and 11.4)	19,329,480	2,286,945
Net adjustment on deferred tax assets and liabilities	2,831,615	-
	<u>22,161,095</u>	<u>2,286,945</u>

11.1 Reconciliation between accounting (loss) / profit and (tax loss) / taxable income;

(Loss) / Profit before tax	(396,729,478)	19,568,898
Add: Depreciation and amortization charge for the year	250,340,926	203,506,377
Other disallowable expenses	84,701,026	44,433,169
Less: Capital allowances	(268,218,717)	(211,100,779)
Other allowable expenses	(26,279,206)	(18,473,687)
Offset against taxable income	-	(37,933,978)
Total tax loss	<u>(356,185,449)</u>	<u>-</u>
Income tax @ 15%	<u>-</u>	<u>-</u>

In accordance with the provisions of the Income Tax Act No. 25 of 2019 and the Income Tax Regulation No: 2020/R-21 and amendments thereto, the Company is liable for income tax at the rate of 15% on its taxable income. However, no provision for income tax has been made in this financial statements since the Company has not generated any taxable income for the year.

11.2 Accumulated tax losses	31/12/2022	31/12/2021
	MVR	MVR
Opening balance	62,909,952	151,279,919
Tax loss for the year	356,185,449	-
Offset against taxable income	-	(37,933,978)
Written off during the year	-	(50,435,989)
Closing balance	<u>419,095,401</u>	<u>62,909,952</u>



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2022

11 TAX EXPENSE (CONTINUED)

11.3 Deferred tax assets	31/12/2022	31/12/2021
	MVR	MVR
Opening balance	31,136,819	40,689,729
<i>Items recognized in profit or loss</i>		
Recognized / (Reversed) during the year	802,393	(9,552,910)
Closing balance	<u>31,939,212</u>	<u>31,136,819</u>
11.4 Deferred tax liabilities	31/12/2022	31/12/2021
	MVR	MVR
Opening balance	39,596,103	46,317,398
<i>Items recognized in other comprehensive income</i>		
(Reversed) / Recognized during the year	(1,121,680)	544,670
<i>Items recognized in profit or loss</i>		
Recognized / (Reversed) during the year	20,131,873	(7,265,965)
Closing balance	<u>58,606,296</u>	<u>39,596,103</u>
11.5 Net deferred tax liabilities	<u>26,667,084</u>	<u>8,459,284</u>

11.6 Recognized deferred tax assets	31/12/2022		31/12/2021	
	Temporary	Tax Effect	Temporary	Tax Effect
	Difference		Difference	
	MVR	MVR	MVR	MVR
Allowance for impairment loss on trade receivables	167,800,461	25,170,069	114,191,619	17,128,743
Employee defined benefit liabilities	45,127,619	6,769,143	30,477,222	4,571,583
Accumulated tax losses	-	-	62,909,952	9,436,493
	<u>212,928,080</u>	<u>31,939,212</u>	<u>207,578,793</u>	<u>31,136,819</u>

11.7 Recognized deferred tax liabilities	31/12/2022		31/12/2021	
	Temporary	Tax Effect	Temporary	Tax Effect
	Difference		Difference	
	MVR	MVR	MVR	MVR
Employee defined benefit liabilities	(7,477,865)	(1,121,680)	3,631,132	544,670
Property, plant and equipment and intangible assets	398,186,505	59,727,976	260,342,887	39,051,433
	<u>390,708,640</u>	<u>58,606,296</u>	<u>263,974,019</u>	<u>39,596,103</u>



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2022

11 TAX EXPENSE (CONTINUED)

11.8 Unrecognized deferred tax asset

	31/12/2022		31/12/2021	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	MVR	MVR	MVR	MVR
Accumulated tax losses	419,095,401	62,864,310	-	-
	<u>419,095,401</u>	<u>62,864,310</u>	<u>-</u>	<u>-</u>

Deferred tax assets have not been recognised in respect of the above item, because it is not probable that future taxable income will be available against which the Company can use the benefits therefrom.



FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2022

12 PROPERTY PLANT AND EQUIPMENT

	Land		Buildings		Distribution equipment		Generation equipment		Fuel Storage facilities		Machinery and equipment		Tools and equipment		Motor Vehicles and Vessels		Furniture, fittings and communication equipment		Computer and office equipment		Water and sewerage systems		Environmental Survey		Total			
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	
Cost/ Revalued amount																												
Opening balance	155,502,869	867,175,948	766,331,785	881,624,134	87,485,097	15,660,863	17,318,138	16,108,355	25,043,004	43,720,111	18,189,000	2,132,826	2,896,292,130	2,489,560,522														
Additions during the year	-	342,967	298,332,209	267,686,015	680,000	10,870,438	2,119,297	4,304,559	5,389,710	12,334,782	6,328,458	-	608,388,435	312,394,908														
Transferred from CWIP	-	58,600,356	-	1,282,568	-	-	-	-	-	-	-	-	59,882,924	94,336,700														
Closing balance	155,502,869	926,119,271	1,064,663,994	1,149,310,149	89,447,665	26,531,301	19,437,435	20,412,914	30,432,714	56,054,893	24,517,458	2,132,826	3,564,563,489	2,896,292,130														
Accumulated depreciation																												
Opening balance	-	98,453,368	127,910,470	231,448,857	15,397,866	3,705,986	5,421,044	8,152,474	8,045,064	16,085,450	3,348,172	1,067,327	519,036,078	316,147,111														
Charge for the year	-	44,122,407	72,939,536	103,489,690	6,181,855	2,166,613	2,774,882	2,894,072	4,173,712	8,775,047	2,120,388	320,712	249,958,914	202,888,967														
Closing balance	-	142,575,775	200,850,006	334,938,547	21,579,721	5,872,599	8,195,926	11,046,546	12,218,776	24,860,497	5,468,560	1,388,039	768,994,992	519,036,078														
As at 31 st December 2022	155,502,869	783,543,496	863,813,988	814,371,602	67,867,944	20,658,702	11,241,509	9,366,368	18,213,938	31,194,396	19,048,898	744,787	2,795,568,497	2,377,256,052														
As at 31 st December 2021	155,502,869	768,722,580	638,421,315	650,175,277	72,087,231	11,954,877	11,897,094	7,955,881	16,997,940	27,634,661	14,840,828	1,065,499	899,160,494	575,727,374														
Capital work in progress (Note 12.1)																												
Net carrying value																												
3,694,728,991	2,952,983,426																											
899,160,494	575,727,374																											
383,316,044	286,264,931																											
(59,882,924)	(94,336,700)																											
899,160,494	575,727,374																											

12.1 Capital work in progress (CWIP)

Opening balance
Additions during the year
Transferred to property, plant and equipment
Closing balance

12.2 The capital work in progress represents the costs incurred for the construction and relocation of power houses, construction of office blocks, fuel tanks and construction and extension of store facilities in various islands.



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2022

13 INTANGIBLE ASSETS	31/12/2022	31/12/2021
	MVR	MVR
Cost		
Opening balance	9,520,701	9,520,701
Additions during the year	199,980	-
Closing balance	<u>9,720,681</u>	<u>9,520,701</u>
Accumulated amortization		
Opening balance	9,173,218	8,555,808
Amortization during the year	382,012	617,410
Closing balance	<u>9,555,230</u>	<u>9,173,218</u>
Capital work in progress	3,047,668	3,047,668
Net carrying value	<u>3,213,119</u>	<u>3,395,151</u>
Intangible assets of the Company include computer software which are amortized over a period of 3 years.		
14 RIGHT-OF-USE ASSETS	31/12/2022	31/12/2021
	MVR	MVR
Cost		
Opening balance	45,860,137	41,067,262
Additions during the year	9,804,231	4,792,875
Adjustment due to reassessment	613,895	-
Closing balance	<u>56,278,263</u>	<u>45,860,137</u>
Accumulated depreciation		
Opening balance	23,701,347	14,817,116
Charge for the year	9,310,677	8,884,231
Closing balance	<u>33,012,024</u>	<u>23,701,347</u>
Net carrying value	<u>23,266,239</u>	<u>22,158,790</u>
15 INVENTORIES	31/12/2022	31/12/2021
	MVR	MVR
Fuel stock	34,822,475	28,579,798
Lube oil	10,195,310	9,816,138
Engineering, electrical and distribution spares	773,399,796	427,303,983
Tools and general items	55,272,506	38,442,258
	<u>873,690,087</u>	<u>504,142,177</u>



FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2022

16 TRADE AND OTHER RECEIVABLES	31/12/2022	31/12/2021
	MVR	MVR
Trade receivables	305,305,542	313,657,855
Less: Allowance for impairment of trade receivables (Note 16.1)	<u>(167,800,461)</u>	<u>(114,191,619)</u>
	137,505,081	199,466,236
Advances to suppliers	145,661,492	49,075,095
Other receivables	88,525,211	477,950
Deposits	11,754	11,044
	<u>371,703,538</u>	<u>249,030,325</u>
16.1 Allowance for impairment of trade receivables	31/12/2022	31/12/2021
	MVR	MVR
Opening balance	114,191,619	89,676,232
Recognized during the year	53,608,842	24,515,387
Closing balance	<u>167,800,461</u>	<u>114,191,619</u>
17 CASH AND CASH EQUIVALENTS	31/12/2022	31/12/2021
	MVR	MVR
Cash in hand	2,927,299	3,139,240
Cash at banks	4,217,288	2,774,479
Cash and cash equivalents for the cash flow purpose	<u>7,144,587</u>	<u>5,913,719</u>
18 SHARE CAPITAL	31/12/2022	31/12/2021
	MVR	MVR
18.1 Authorized share capital		
280,000,000 ordinary shares of MVR 10/- each	<u>2,800,000,000</u>	<u>2,800,000,000</u>
18.2 Issued and fully paid		
250,759,210 ordinary shares of MVR 10/- each	<u>2,507,592,102</u>	<u>2,507,592,102</u>

18.3 Dividends and voting rights

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company.

No dividends have been declared by the Board of Directors of the Company for the year ended 31st December 2022 (2021: Nil).



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2022

18 SHARE CAPITAL (CONTINUED)

18.4 Revaluation surplus

Property, plant and equipment of the Company was revalued by Mr. Kunal K. Vikamsey, MRICS, B. E. (CIVIL), M. VAL (R.E. & P.M.) from Kanti Karamsey & Co. Advisors LLP, a professional valuer, subcontracted by FJS Associates. Except for land, the valuation was performed based on the "Cost Approach" as at 30th June 2019 and land has been valued using "Market Approach" as at 30th June 2019. The revaluation surplus of the Company amounting to MVR 1,968,743,168/- has been credited to the share capital during the year ended 31st December 2019.

19 LOANS AND BORROWINGS	31/12/2022	31/12/2021	
	MVR	MVR	
Opening balance	125,970,555	133,341,987	
Interest capitalized during the year	195,198	-	
Repayments during the year	-	(6,666,667)	
Adjustment made during the year	961,324	-	
Interest written off during the year	-	(704,765)	
Closing balance	<u>127,127,077</u>	<u>125,970,555</u>	
19.1 Sources of finance	31/12/2022	31/12/2021	
	MVR	MVR	
Unsecured loans			
Ministry of Finance and Treasury (MoFT) (Note 19.5)	88,322,584	88,322,584	
State Trading Organization (STO) (Note 19.6)	38,804,493	37,647,971	
Total loans and borrowings	<u>127,127,077</u>	<u>125,970,555</u>	
19.2 Non-current liability			
Ministry of Finance and Treasury (MoFT)	3,939,293	3,939,293	
	<u>3,939,293</u>	<u>3,939,293</u>	
19.3 Current liability			
Ministry of Finance and Treasury (MoFT)	84,383,291	84,383,291	
State Trading Organization (STO)	38,804,493	37,647,971	
	<u>123,187,784</u>	<u>122,031,262</u>	
19.4 Maturity analysis	0-12	1-2	Balance at
	Months	Years	31/12/2022
	MVR	MVR	MVR
Ministry of Finance and Treasury (MoFT)	84,383,291	3,939,293	88,322,584
State Trading Organization	38,804,493	-	38,804,493
	<u>123,187,784</u>	<u>3,939,293</u>	<u>127,127,077</u>



FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2022

19 LOANS AND BORROWINGS (CONTINUED)

19.5 Ministry of Finance and Treasury (MoFT)

In accordance with Shariah concept, Maldives Islamic Bank PLC (MIB/Seller) and Fenaka Corporation Limited (Purchaser) entered in to a Murabahah Financial Arrangement on 21st 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/-, which includes a profit margin of MVR 5,784,202/- (Cost: MVR 97,621,787/-). 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 31st December 2020. The loan carries fixed interest rate of 1.39% per annum and the loan has to be repaid after a grace period of 6 months over 96 monthly installments of MVR 1,562,500/- each starting from April 2015.

19.6 State Trading Organization (STO)

In accordance with Sharia concept, State Trading Organization PLC (STO) and Fenaka Corporation Limited entered in to a Mudharabah Financial Arrangement on 12th 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/-. The loan carries fixed interest rate of 4.7% per annum and the loan has to be repaid over 36 monthly installments of MVR 3,333,333/- each starting from December 2017.

20 LEASE LIABILITIES		31/12/2022	31/12/2021
		MVR	MVR
Opening balance		23,554,607	28,693,610
Additions during the year		9,804,231	4,792,875
Adjustment due to reassessment		613,895	-
Interest expense for the year		657,624	1,339,966
Repayment during the year		<u>(10,667,588)</u>	<u>(11,271,844)</u>
Closing balance		<u>23,962,769</u>	<u>23,554,607</u>
20.1 Current liabilities	Maturity	31/12/2022	31/12/2021
		MVR	MVR
Port Complex Building	2024	4,648,372	4,953,162
Danka House	2024	1,719,857	1,719,857
L.Gan Naasaree Building	2034	60,000	32,768
M. Alimasvaadhee	2024	1,115,898	1,115,898
All other leases	2022	673,096	692,466
		<u>8,217,223</u>	<u>8,514,151</u>



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2022

20 LEASE LIABILITIES (CONTINUED)

20.2 Non-current liabilities	Maturity	31/12/2022 MVR	31/12/2021 MVR
Port Complex Building	2024	10,138,673	10,138,673
Danka House	2024	3,224,177	3,224,177
L.Gan Naasaree Building	2034	939,914	531,752
M. Alimasvaadhee	2024	1,145,854	1,145,854
All other leases	2022	296,928	-
		<u>15,745,546</u>	<u>15,040,456</u>

21 DEFINED BENEFIT OBLIGATION	31/12/2022 MVR	31/12/2021 MVR
Opening balance	30,477,222	30,308,705
Current service cost	5,496,285	3,039,354
Interest cost	1,676,247	1,060,805
Actuarial loss / (gain) on obligation	7,477,865	(3,631,132)
Benefits paid during the year	-	(300,510)
Closing balance	<u>45,127,619</u>	<u>30,477,222</u>
Employee defined benefit liabilities - Current	2,795,935	1,986,406
Employee defined benefit liabilities - Non-current	42,331,684	28,490,816
	<u>45,127,619</u>	<u>30,477,222</u>

Following amounts are recognized in profit or loss and other comprehensive income during the year in respect of retirement benefit obligation.

Amounts recognized in profit or loss

Current service cost	5,496,285	3,039,354
Interest cost	1,676,247	1,060,805
	<u>7,172,532</u>	<u>4,100,159</u>

Amount recognized in other comprehensive income

Actuarial loss / (gain) on obligation	7,477,865	(3,631,132)
Tax impact	(1,121,680)	544,670
Actuarial loss / (gain) on obligation net of tax	<u>6,356,185</u>	<u>(3,086,462)</u>

The actuarial valuation as at 31st December 2022 was carried out by a professionally qualified actuary, Charan Gupta Consultants Private Limited based on the following key assumptions. The Valuer used projected unit credit (PUC) actuarial method to assess the plan's liabilities allowing for retirement, death-in service and withdrawal and also compensated absence while in service.



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2022

21 DEFINED BENEFIT OBLIGATION (CONTINUED)

	2022	2021
Discounting rate	4.60%	3.50%
Future salary increase	5.00%	5.00%
Retirement age	65	65
Mortality rate inclusive of provision for disability	Global Health Observatory Data	Global Health Observatory Data

Sensitivity Analysis

Values appearing in the financial statements are very sensitive to the changes in financial and non financial assumptions used.

A sensitivity analysis was carried out as follows,

	2022	
	MVR +0.5%	MVR -0.5%
Impact of the change in salary increase		
- Impact to present value of obligation at the end of the year	2,150,936	(2,011,051)
Impact of the change in discount rate		
- Impact to present value of obligation at the end of the year	(2,009,185)	2,170,224

22 TRADE AND OTHER PAYABLES

	31/12/2022	31/12/2021
	MVR	MVR
Trade payables	2,874,367,041	1,417,632,147
Tariff loss advance	116,102,279	-
Accrued expenses	593,017	569,010
Refundable deposits	128,971	172,531
Construction retention	21,904,989	17,597,251
Other payables	54,027,277	4,205,785
	<u>3,067,123,574</u>	<u>1,440,176,724</u>

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2022

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Overview

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	31/12/2022	31/12/2021
	MVR	MVR
Trade receivables	305,305,542	313,657,855
Less: Allowance for impairment of trade receivables	(167,800,461)	(114,191,619)
	<u>137,505,081</u>	<u>199,466,236</u>
Other receivables	88,525,211	477,950
Balances with banks	4,217,288	2,774,479
	<u><u>230,247,580</u></u>	<u><u>202,718,665</u></u>

Expected credit loss assessment under IFRS 9

The Company uses an allowance matrix to measure the ECLs of trade receivables. Loss rate are based on actual credit loss experience over past years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which historical data has been collected, current condition and company's view of economic condition of expected lives of the receivables.

Scalar factors are based on actual and forecast GDP growth rates and normalized average GDP used for ECL assessment.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2022

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(i) Credit Risk (Continued)

Expected credit loss assessment under IFRS 9 (Continued)

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no concentration of credit risk geographically.

Impairment Losses	31/12/2022			31/12/2021		
	Weighted average loss rate	Gross carrying amount	Loss allowance	Weighted average loss rate	Gross carrying amount	Loss allowance
		MVR	MVR		MVR	MVR

The aging of trade receivables at the reporting date was:

0-30 days past due	5%	109,938,719	5,781,827	4%	132,923,477	4,923,711
31-60 days past due	29%	18,453,889	5,317,658	26%	27,729,448	7,110,740
61-90 days past due	47%	11,535,267	5,408,763	41%	18,792,946	7,661,570
91-120 days past due	63%	21,731,099	13,772,463	57%	9,260,433	5,296,708
121-150 days past due	71%	21,252,050	15,125,232	77%	8,063,365	6,217,050
151-180 days past due	100%	5,890,708	5,890,708	49%	6,678,995	3,295,061
181-365 days past due	100%	30,488,644	30,488,644	56%	38,118,524	21,275,910
Over 365 days	100%	86,015,166	86,015,166	81%	72,090,667	58,410,869
Total		<u>305,305,542</u>	<u>167,800,461</u>		<u>313,657,855</u>	<u>114,191,619</u>

The Company believes that the unimpaired amounts that are outstanding are still collectible, based on historic payment behavior. Based on historic default rates, the Company believes that, apart from the above, no additional provision is required.

Balances with banks

The Company held cash and equivalents (cash at bank) of MVR 4,217,288/- as at 31st December 2022 (2021: MVR 2,774,479/-). These balances are held with banks that Management believes are of high credit quality and accordingly, minimal credit risk exists.



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2022

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(a) Interest rate risk

Profile

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying Amount	
	31/12/2022	31/12/2021
	MVR	MVR
Fixed rate instruments		
Loans and borrowings	127,127,077	125,970,555
	<u>127,127,077</u>	<u>125,970,555</u>

(b) Currency risk

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	31/12/2022	31/12/2021
	USD	USD
Cash and cash equivalents	6,535	6,839
Trade and other payables	(2,212,164)	(2,212,164)
Gross Exposure	<u>(2,205,629)</u>	<u>(2,205,325)</u>

The following significant exchange rates were applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2022	2021	31/12/2022	31/12/2021
1 US\$: MVR	15.42	15.42	15.42	15.42

In respect of the monetary assets and liabilities denominated in MVR, the Company has limited currency risk exposure on such balances since the Maldivian Rufiyaa is pledged to the US Dollar within a band to fluctuate within $\pm 20\%$ of the mid-point of exchange rate.



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2022

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iv) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and level of dividends to ordinary shareholders.

The Company's debt to adjusted capital ratio at the end of the reporting period was as follows:

	31/12/2022	31/12/2021
	MVR	MVR
Total liabilities	3,290,008,123	1,628,638,392
Less: Cash and cash equivalents	<u>(7,144,587)</u>	<u>(5,913,719)</u>
Net debt	3,282,863,536	1,622,724,673
Total equity	1,683,738,438	2,108,985,196
Debt to capital ratio	<u>1.95</u>	<u>0.77</u>

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

24 EVENTS AFTER THE REPORTING DATE

No circumstances have arisen since reporting date which require adjustments to/ or disclosure in the financial statements.

25 DIRECTORS' RESPONSIBILITY

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

26 CONTINGENT LIABILITIES

There were no contingent liabilities which require disclosure in the financial statements as at the reporting date other than above.

27 CAPITAL COMMITMENTS

There were no capital commitments, which required adjustments to / or disclosure in the finance statements at end of the reporting period.



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2022

28 RELATED PARTY TRANSACTIONS

The Government of Maldives holds 100% (2021: 100%) of the voting rights of the Company as at 31st December 2022 and has significant influence over the financial and operating policies of the Company. Accordingly, the Company has considered the Government of Maldives as a related party according to International Accounting Standards 24 Related Party Disclosures.

During the year ended 31st December 2022, the Company has carried out transactions with the Government of Maldives and other Government related entities in the ordinary course of business.

(i) Transactions	2022	2021
	MVR	MVR
Services Provided		
State Trading Organization PLC	9,814,511	9,814,511
Maldives Transport and Contracting Company PLC	3,680,142	3,680,142
Road Development Corporation	485,695	485,695
Waste Management Corporation Limited	287,063	287,063
Maldives Ports Limited	208,708	208,708
Male' Water & Sewerage Company Private Limited	212,101	212,101
	<u>14,688,220</u>	<u>14,688,220</u>

Purchases	2022	2021
	MVR	MVR
Maldives Transport and Contracting Company PLC	5,372,356	5,372,356
Male' Water & Sewerage Company Private Limited	11,035,281	11,035,281
Fuel Supplies Maldives Private Limited	841,799,757	841,799,757
Maldives Customs Service	2,752,570	2,752,570
Island Aviation Services Limited	1,727,482	1,727,482
State Electric Company Limited	2,511,561	2,511,561
	<u>865,199,007</u>	<u>865,199,008</u>

(ii) Loans and borrowings	2022		2021	
	Loan	Interest	Loan	Interest
	MVR	MVR	MVR	MVR
Ministry of Finance and Treasury (MoFT)	88,322,584	-	88,322,584	-
State Trading Organization (STO)	38,804,493	-	37,647,971	-
	<u>127,127,077</u>	<u>-</u>	<u>125,970,555</u>	<u>-</u>

(Refer **Note 19** for the movement in the current year)



**FENAKA CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2022

28 RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Collectively, but not individually significant transactions

The Company has transactions with entities directly or indirectly controlled by the Government of Maldives through its authorities, agencies, affiliations and other organizations, collectively referred to as government entities. The Company has transactions with other government related entities including but not limited to rendering of services, purchases, loans and use of public utilities.

(iv) Transactions with the key management personnel

The Board of Directors and Managing Director of the Company are the members of key management personnel. The Company has paid MVR 680,463/- as emoluments to key management personnel during the year ended 31st December 2022 (2021: MVR 747,907).

29 ASSESSMENT OF GOING CONCERN

The Company has reported a loss of MVR 425,246,758/- for the year ended 31st December 2022 and accumulated losses of MVR 823,853,664/- as at 31st December 2022. Further, the Company's total current liabilities exceeded its total current assets by MVR 1,948,786,304/- as at 31st December 2022.

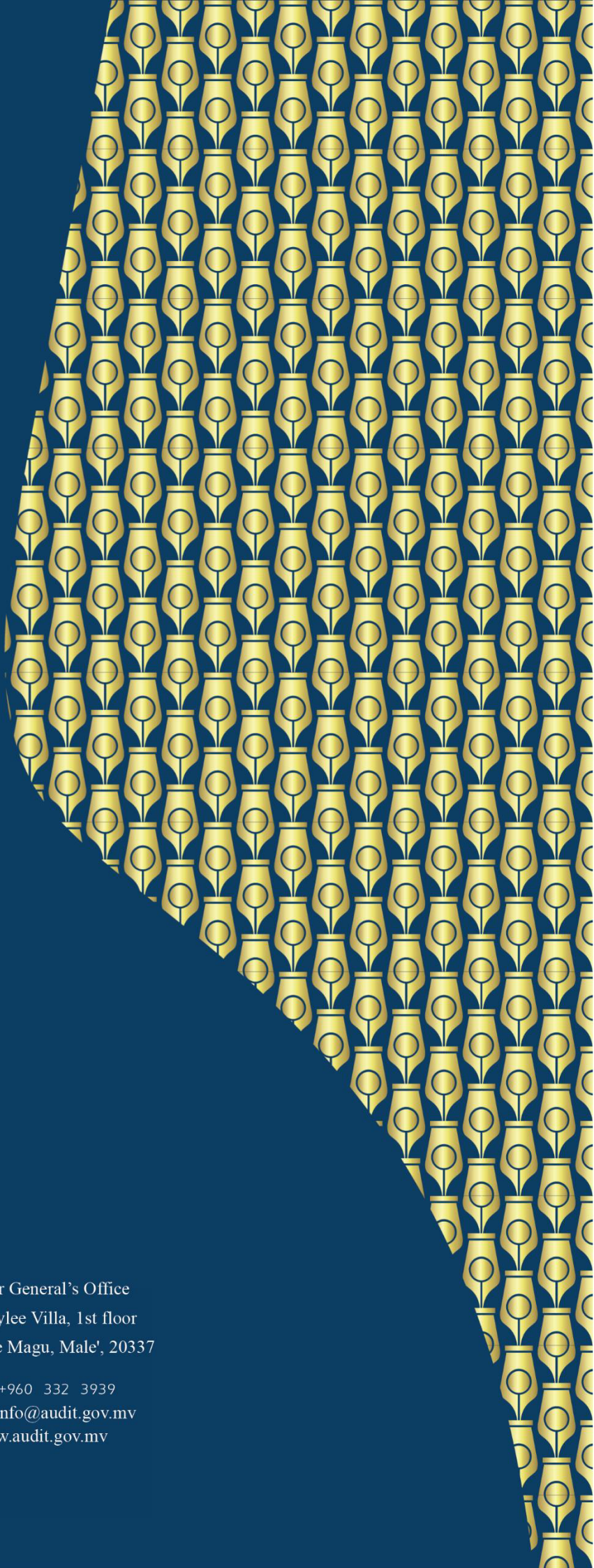
Notwithstanding the challenges faced, the financial statements have been prepared on a going-concern basis because the Government of Maldives and other government-related entities continue to provide routine financial support—such as extended credit terms and other concessions—in the ordinary course of business, and the Board of Directors has no intention to liquidate or otherwise cease operations within 12 months of the date on which these financial statements were authorised for issue.

30 COMPARATIVE FIGURES

Certain reclassifications have been made to the comparative figures to enhance comparability and fair presentation of financial statements. As a result, the following balances have been amended in the financial statements and the related notes as shown below. These reclassifications have not resulted in changes to the profit for the year, total assets, total liabilities or total net assets previously reported as at and for the year ended 31st December 2021.

	As previously Reported MVR	Classification MVR	Reclassified Amount MVR
<u>Statement of comprehensive income</u>			
Administration expenses	770,489,650	(1,060,805)	769,428,845
Finance costs	1,392,566	1,060,805	2,453,371





Auditor General's Office
Chanbeylee Villa, 1st floor
Majeedhee Magu, Male', 20337

Tel: +960 332 3939
Email: info@audit.gov.mv
www.audit.gov.mv