



Report No: FIN-2025-76(E)

30th June 2025

FENAKA CORPORATION LIMITED

FINANCIAL YEAR 2023



آڈیٹر جنرل آف پاکستان

AUDITOR GENERAL'S OFFICE

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AUDITOR GENERAL'S REPORT

TO THE SHAREHOLDER AND BOARD OF DIRECTORS OF FENAKA CORPORATION LIMITED

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of Fenaka Corporation Limited (“the Company”), which comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies exhibited on pages 8 to 44.

We do not express an opinion on the accompanying financial statements of the Company as at 31 December 2023. 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. We were unable to satisfy ourselves as to the accuracy and completeness of the opening balances total equity as at 1st January 2023 since the disclaimer audit opinion that has been issued on the financial statements as at and for the year ended 31st December 2022. Since those opening balances entered into the determination of the results of operations and cash flows of the Company for the year ended 31st December 2023, we were unable to determine whether adjustments to the statement of financial position, results of operations and cash flows for the year ended as at 31st December 2023 might have been necessary.
2. The Company was unable to provide the complete list of journal entries for the year ended 31st December 2023. 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 2023, and in the statement of financial position as at 31st December 2023.
3. 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 78,145,674 (2022: MVR 43,637,856). We noted a difference between invoice listing and general ledger for the year ended 31st December 2023 in relation to revenue from sale of water, electricity and ice amounting to MVR 4,760,382 (2022: 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 results, 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 2023, and in the statement of financial position as at 31st December 2023 and comparative year ended 31st December 2022.



Basis for Disclaimer of Opinion (Continued)

4. As disclosed in Notes 06 and 07 to the financial statements, the Company has recorded revenue from subcontracted projects amounting to MVR 72,540,615 (2022: MVR 117,978,388) and the corresponding expenses amounting to MVR 264,156,124 (2022: 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 2023. 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 2023, and in the statement of financial position as at 31st December 2023 and comparative year ended 31st December 2022.
5. As disclosed in Note 07 to the financial statements, the Company has incurred cost of diesel and lube oil amounting to MVR 1,069,047,843 (2022: MVR 930,236,603) for the year ended 31st December 2023. Due to unavailability of sufficient and appropriate audit evidence, we were unable to verify the completeness 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, statement of financial position and cash flows during the years ended 31st December 2023 and comparative year ended 31st December 2022.
6. As disclosed in Note 07 to the financial statements, the Company has incurred cost of spares amounting to MVR 76,010,540 (2022: MVR 78,033,731) for the year ended 31st December 2023. 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, statement of financial position and statement of cash flows during the years ended 31st December 2023 and comparative year ended 31st December 2022.
7. We observed a difference amounting to MVR 22,377,018 (2022: MVR 17,256,927) between general ledger and payroll reconciliation for the year ended 31st December 2023. 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, statement of financial position and cash flows during the years ended 31st December 2023 and comparative year ended 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 2023, and for the comparative years ended 31st December 2022 and 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 2023, and for the comparative years ended 31st December 2022 and 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 2023. The Company had control and ownership of these assets during the year 2023. 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 2023, and the related depreciation expenses in the statements of comprehensive income, changes in equity and cash flows for the year ended as at 31st December 2023, and for the comparative 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 4,133,913,761 (2022: MVR 3,564,563,489) and accumulated depreciation of MVR 1,054,337,292 (2022: MVR 768,994,994) as of 31st December 2023. However, the fixed asset register reflects a cost of MVR 4,125,240,466 (2022: MVR 3,555,890,193) and accumulated depreciation of MVR 1,021,296,833 (2022: MVR 725,065,919), resulting in an unreconciled difference of MVR 8,673,295 (2022: MVR 8,673,296) in cost and MVR 33,040,459 (2022: 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, statement of financial position and cash flows during the years ended 31st December 2023 and comparative year ended 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 2023 and for the comparative years ended 31st December 2022 and 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 9,720,681 (2022: MVR 9,555,230) as of 31st December 2023. 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 (2022: MVR 5,191,463) in cost and MVR 5,440,837 (2022: 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, statement of financial position and cash flows during the years ended 31st December 2023 and comparative year ended 31st December 2022.
14. As disclosed in Note 15 to the financial statements, an amount of MVR 760,321,550 (2022: MVR 873,690,087) has been recognized as inventory as at 31st December 2023. Furthermore, as disclosed in Note 7 to the financial statements, inventory amounting to MVR 260,079 (2022: MVR 27,389,746) have been written off by the Company during the year ended 31st December 2023. It was identified that a balance of MVR 67,774,887 existed as Inventory Accrual during the year ended 31st December 2023, which is due to goods received but not invoiced. 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, statement of financial position and cash flows during the years ended 31st December 2023 and comparative year ended 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 during 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 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 16.1 to the financial statements, an amount of MVR 104,738,878 has been recognized as the allowance for trade receivables as at 31st December 2023. However, out of this amount, MVR 54,994,326 has not been reflected in the statement of comprehensive income for the year then ended. Due to the unavailability of sufficient and appropriate audit evidence, we were unable to verify the completeness, existence, and accuracy of the impairment assessment related to this balance. Therefore, 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 2023, and in the statement of financial position as at 31st December 2023.
17. As disclosed in Note 16 to the financial statements, an amount of MVR 170,109,487 (2022: MVR 145,661,492) has been recorded as advances to suppliers and MVR 151,683,146 (2022: MVR 88,525,211) as other receivable as at 31st December 2023. The other receivables amount of MVR 151,683,146 for the year ended 31st December 2023 comprises of GST receivable for the same amount which is not recoverable as it had been incorrectly recorded as a receivable during the year ended 31st December 2023 and 31st December 2022. The Company has, by way of a board resolution, written off this amount of MVR 151,683,146 representing the GST receivable classified under other receivables, into the statement of comprehensive income for the year ended 31st December 2023. 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, statement of financial position and cash flows during the years ended 31st December 2023 and comparative year ended 31st December 2022.



Basis for Disclaimer of Opinion (Continued)

18. As disclosed in Note 17 to the financial statements, an amount of MVR 25,396,593 (2022: MVR 7,144,587) has been recorded as cash and cash equivalents as at 31st December 2023. However, we were unable to verify the completeness, existence, and accuracy of this 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, statement of financial position and cash flows during the years ended 31st December 2023 and comparative year ended 31st December 2022.
19. In relation to Note 22 to the financial statements, the Company has recorded an overdraft amounting to MVR 48,336,407 (2022: MVR 48,336,407) in the financial statements, which has been classified under trade and other payables as at 31st December 2023. 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, statement of financial position and cash flows during the years ended 31st December 2023 and comparative year ended 31st December 2022.
20. As disclosed in Note 19 to the financial statements, the Company has recorded loans and borrowings amounting to MVR 1,517,433,402 (2022: MVR 127,127,077) as at 31st December 2023. As we have not received the balance confirmations for these balances, we were unable to verify the existence, 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, statement of financial position and cash flows during the years ended 31st December 2023 and comparative year ended 31st December 2022.
21. 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. During the year ended 31st December 2023, the Company has adjusted the carrying value of the right of use asset and lease liability from the balance recorded in the financial statements to the cashflow as per the agreements by writing off an amount of MVR 8,482,892 in the right of use asset and an amount of MVR 8,698,667 into the lease liability, resulting in a net write-back of MVR 216,175 to other income. Accordingly, we were unable to determine whether any other adjustments might have been necessary in respect of these balances in the statements of comprehensive income, statement of financial position, changes in equity, and cash flows for the year the years ended 31st December 2023 and comparative year ended 31st December 2022.
22. As disclosed in Note 21 to the financial statements, an amount of MVR 55,439,388 (2022: MVR 45,127,619) has been recorded as defined benefit obligation as at 31st December 2023. 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, statement of financial position and cash flows during the years ended 31st December 2023 and comparative year ended 31st December 2022.



Basis for Disclaimer of Opinion (Continued)

23. 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 for the year ended 31st December 2022, however, this amount has not been recognized as a loan in the financial statements for the year ended 31st December 2022. During the year ended 31st December 2023, a loan of MVR 618,001,569 has been recognized as “Tariff Difference Subsidy Advance”, however, we were unable to obtain any formal agreement established with the Government of Maldives regarding this balance. Due to the absence of recognition and documentation outlining the nature of these balances, 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 ended 31st December 2023 and comparative year ended 31st December 2022.
24. In relation to Note 22 to the financial statements, an amount of MVR 22,172,247 (2022: MVR 21,904,989) has been recognized as construction retention payable balance as of 31st December 2023. 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, statement of financial position and cash flows during the years ended 31st December 2023 and comparative year ended 31st December 2022.
25. 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 and 31st December 2023. 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, statement of financial position and cash flows during the years ended 31st December 2023 and comparative year ended 31st December 2022.
26. 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 2023 and comparative year ended 31st December 2022.
27. We draw attention to Note 29 to the financial statements, which indicates that the Company has reported a loss of MVR 813,447,455 (2022: MVR 425,246,758) for the year ended 31st December 2023 and accumulated losses of MVR 1,637,301,119 (2022: MVR 823,853,664) as at 31st December 2023. Further, the Company's total current liabilities exceeded its total current assets by MVR 2,744,607,664 (2022: MVR 1,948,786,304) as at 31st December 2023. 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 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, the management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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.

30th June 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	2023 MVR	2022 MVR
Revenue	6	2,250,112,791	1,970,318,826
Cost of operations	7	(1,409,474,586)	(1,106,474,479)
Gross profit		<u>840,638,205</u>	<u>863,844,347</u>
Other income	8	58,498,023	40,571,765
Administration expenses		(1,535,553,672)	(1,242,113,234)
Sales and marketing expenses		(2,605,075)	(2,894,445)
Allowance for impairment loss on trade receivables	16.1	(49,744,552)	(53,608,842)
Loss from operations		<u>(688,767,071)</u>	<u>(394,200,409)</u>
Finance costs	9	(29,538,002)	(2,529,069)
Loss before tax	10	<u>(718,305,073)</u>	<u>(396,729,478)</u>
Taxation	11	(92,965,244)	(22,161,095)
Loss for the year		<u><u>(811,270,317)</u></u>	<u><u>(418,890,573)</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	(2,177,138)	(6,356,185)
Total other comprehensive income		<u>(2,177,138)</u>	<u>(6,356,185)</u>
Total comprehensive income for the year		<u><u>(813,447,455)</u></u>	<u><u>(425,246,758)</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 12 to 44. The report of the independent auditors is given on pages 1 to 7.



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

AS AT 31ST DECEMBER

	Note	2023 MVR	2022 MVR
ASSETS			
Non-current assets			
Property, plant and equipment	12	4,450,181,591	3,694,728,991
Intangible assets	13	3,047,668	3,213,119
Right of use assets	14	12,632,236	23,266,239
Total non-current assets		<u>4,465,861,495</u>	<u>3,721,208,349</u>
Current assets			
Inventories	15	760,321,550	873,690,087
Trade and other receivables	16	365,197,844	371,703,538
Cash and cash equivalents	17	25,396,593	7,144,587
Total current assets		<u>1,150,915,987</u>	<u>1,252,538,212</u>
Total assets		<u>5,616,777,482</u>	<u>4,973,746,561</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	18.2	2,507,592,102	2,507,592,102
Accumulated losses		(1,637,301,119)	(823,853,664)
Total equity		<u>870,290,983</u>	<u>1,683,738,438</u>
Non-current liabilities			
Loans and borrowings	19.2	694,195,536	3,939,293
Lease liabilities	20.2	5,920,363	15,745,546
Employee defined benefit liabilities	21	52,024,752	42,331,684
Deferred tax liabilities	11.5	102,761,490	26,667,084
Total non-current liabilities		<u>854,902,141</u>	<u>88,683,607</u>
Current liabilities			
Employee defined benefit liabilities	21	3,414,636	2,795,935
Loans and borrowings	19.3	823,237,866	123,187,784
Lease liabilities	20.1	7,154,793	8,217,223
Trade and other payables	22	3,057,777,063	3,067,123,574
Total current liabilities		<u>3,891,584,358</u>	<u>3,201,324,516</u>
Total liabilities		<u>4,746,486,499</u>	<u>3,290,008,123</u>
Total equity and liabilities		<u>5,616,777,482</u>	<u>4,973,746,561</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 12 to 44. The report of the independent auditors is given on pages 1 to 7.

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

Name of the Director

Major (Retd) Mohamed Najah

Shimad Ibrahim

Signature

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

FOR THE YEAR ENDED 31ST DECEMBER 2023

	Share capital	Accumulated	Total
	MVR	losses	equity
	MVR	MVR	MVR
Balance as at 1 st January 2022	2,507,592,102	(398,606,906)	2,108,985,196
<i>Total comprehensive loss 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 31 st December 2022	<u>2,507,592,102</u>	<u>(823,853,664)</u>	<u>1,683,738,438</u>
Balance as at 1 st January 2023	2,507,592,102	(823,853,664)	1,683,738,438
<i>Total comprehensive loss for the year</i>			
Loss for the year	-	(811,270,317)	(811,270,317)
Other comprehensive income for the year	-	(2,177,138)	(2,177,138)
Balance as at 31 st December 2023	<u>2,507,592,102</u>	<u>(1,637,301,119)</u>	<u>870,290,983</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 12 to 44. The report of the independent auditors is given on pages 1 to 7.



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

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2023 MVR	2022 MVR
Cash flows from operating activities			
Loss before tax		(718,305,073)	(396,729,478)
<i>Adjustments for:</i>			
Depreciation on property plant and equipment	12	285,342,302	249,958,914
Amortization of intangible assets	13	165,451	382,012
Depreciation on right of use assets	14	8,466,147	9,310,677
Interest on loans and borrowings	9	26,803,982	195,198
Interest expense on lease liabilities	9	658,150	657,624
Allowance for impairment loss of trade receivables	16.1	104,738,878	53,608,842
Gain on lease liability write back		(216,175)	-
Current service cost and interest expense of retirement benefit obligation	21	8,054,885	7,172,532
Operating loss before working capital changes		<u>(284,291,453)</u>	<u>(75,443,679)</u>
Changes in working capital;			
Inventories		113,368,537	(369,547,910)
Trade and other receivables		(97,464,783)	(176,282,055)
Trade and other payables		(9,346,511)	1,626,946,850
Cash (used in) / generated from operating activities		<u>(277,734,210)</u>	<u>1,005,673,206</u>
Interest paid		(6,770,767)	(657,624)
Net adjustment on income tax	11	(17,255,039)	(2,831,615)
Retirement benefits paid	21	(304,455)	-
Net cash (used in) / generated from operating activities		<u>(302,064,471)</u>	<u>1,002,183,967</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	12	(326,844,613)	(608,388,435)
Acquisition of intangible assets	13	-	(199,980)
Cost incurred on construction of capital work-in-progress	12.1	(713,950,289)	(383,316,044)
Net cash used in investing activities		<u>(1,040,794,902)</u>	<u>(991,904,459)</u>
Cash flows from financing activities			
Loan obtained during the year	19	1,383,455,569	-
Repayment of loans	19	(13,840,609)	-
Adjustment on loans and borrowings	19	-	961,324
Lease repayments	20	(8,503,582)	(10,009,964)
Net cash generated from / (used in) financing activities		<u>1,361,111,379</u>	<u>(9,048,640)</u>
Net increase in cash and cash equivalents		18,252,006	1,230,868
Cash and cash equivalents at beginning of the year		7,144,587	5,913,719
Cash and cash equivalents at end of the year	17	<u>25,396,593</u>	<u>7,144,587</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 12 to 44. The report of the independent auditors is given on pages 1 to 7.



**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. MATERIAL 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 Changes in Material Accounting Policies

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 4 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

3.2 Financial instruments

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.

3.3 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.



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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (Continued)

(i) Classification and subsequent measurement (Continued)

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;
- 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.



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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (Continued)

(i) Classification and subsequent measurement (Continued)

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

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.

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.



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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Financial instruments (Continued)

(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.

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.



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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.4 Impairment

(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.

3.5 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.

3.6 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.



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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.6 Property, plant and equipment (Continued)

(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

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

3.7 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.

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.9 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.

3.10 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.

(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.

3.11 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.



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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.12 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.

3.13 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.

3.14 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.

3.15 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.



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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.15 Revenue (Continued)

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.

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.

3.16 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.

3.17 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.



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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.17 Leases (Continued)

(i) As a lessee (Continued)

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.

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. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.17 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.

3.18 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.

3.19 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.

3.20 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**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.20 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 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

- *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*
- *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)*

Other standards

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

- *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*
- *Lack of Exchangeability (Amendments to IAS 21)*



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

FOR THE YEAR ENDED 31ST DECEMBER 2023

6 REVENUE	2023	2022
	MVR	MVR
Revenue from sale of electricity to;		
- Businesses	219,506,716	183,436,760
- Businesses under special rates	112,431,185	98,839,382
- Domestic customers	701,554,054	589,115,389
- The Government	380,691,923	321,852,715
	<u>1,414,183,878</u>	<u>1,193,244,246</u>
Compensation for tariff rate difference (Note 6.1)	689,789,864	615,458,336
Total revenue from sale of electricity	<u>2,103,973,742</u>	<u>1,808,702,582</u>
Revenue from sale of water	60,088,721	40,774,394
Revenue from sale of ice	13,509,713	2,863,462
Revenue from subcontracted projects	72,540,615	117,978,388
	<u>2,250,112,791</u>	<u>1,970,318,826</u>

6.1 Compensation for tariff rate difference

Tariff rate differences arise due to tariff loss, which is applicable to 3 categories, domestic, tertiary and business. The Company incurs tariff losses as a result of tariff reductions implemented by the Government, which is subsidized by the Government and sets off against the funds provided to the Company in arrears.

7 COST OF OPERATIONS	2023	2022
	MVR	MVR
Cost of diesel	1,033,880,675	898,262,050
Cost of lube oil	35,167,168	31,974,553
Cost of spares	76,010,540	78,033,731
Subcontracted expenses	264,156,124	70,814,399
Written off spares	260,079	27,389,746
	<u>1,409,474,586</u>	<u>1,106,474,479</u>
8 OTHER INCOME	2023	2022
	MVR	MVR
Other sales	5,519,607	6,557,863
Fines on electricity and water sales	46,180,832	33,939,717
Miscellaneous income	6,797,584	74,185
	<u>58,498,023</u>	<u>40,571,765</u>
9 FINANCE COSTS	2023	2022
	MVR	MVR
Interest on loans and borrowings (Note 19)	26,803,982	195,198
Interest expense on define benefit obligation (Note 21)	2,075,870	1,676,247
Interest expense on lease liabilities (Note 20)	658,150	657,624
	<u>29,538,002</u>	<u>2,529,069</u>
10 LOSS BEFORE TAX	2023	2022
	MVR	MVR

Is stated after charging all the expenses including the following:

Depreciation on property, plant and equipment (Note 12)	285,342,302	249,958,914
Amortization of intangible assets (Note 13)	165,451	382,012
Depreciation on right of use assets (Note 14)	8,466,147	9,310,677
Personnel costs (Note 10.1)	810,415,220	675,600,779



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10 LOSS PROFIT BEFORE TAX (CONTINUED)	2023	2022
	MVR	MVR
10.1 Personnel Costs		
Salaries and wages	348,327,170	282,486,975
Overtime	35,939,603	47,476,822
Bonus	127,500	336,500
Contribution to MRPS	29,367,700	19,741,868
Staff training expenses	8,018,345	1,550,437
Staff compensation	926,005	792,900
Directors salary and allowances	717,639	680,463
Service allowance	151,625,224	122,931,482
Other expenses and allowances	235,366,034	199,603,332
	<u>810,415,220</u>	<u>675,600,779</u>
11 TAX EXPENSE	2023	2022
	MVR	MVR
Current tax expense (Note 11.1)	-	-
Net deferred tax liabilities recognized / assets reversed during the year (Note 11.3 and 11.4)	75,710,205	19,329,480
Net adjustment on deferred tax assets and liabilities	17,255,039	2,831,615
	<u>92,965,244</u>	<u>22,161,095</u>
11.1 Reconciliation between accounting loss and tax loss;		
Loss before tax	(718,305,073)	(396,729,478)
Add: Depreciation and amortization charge for the year	285,507,753	250,340,926
Other disallowable expenses	92,321,511	84,701,026
Less: Capital allowances	(340,311,990)	(268,218,717)
Other allowable expenses	(34,791,956)	(26,279,206)
Total tax loss	<u>(715,579,755)</u>	<u>(356,185,449)</u>
Income tax @ 15%	<u>-</u>	<u>-</u>
<p>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.</p>		
11.2 Accumulated tax losses	31/12/2023	31/12/2022
	MVR	MVR
Opening balance	419,095,401	62,909,952
Tax loss for the year	715,579,755	356,185,449
Closing balance	<u>1,134,675,156</u>	<u>419,095,401</u>



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11 TAX EXPENSE (CONTINUED)

11.3 Deferred tax assets	31/12/2023		31/12/2022	
	MVR		MVR	
Opening balance	31,939,212		31,136,819	
<i>Items recognized in profit or loss</i>				
Recognized during the year	17,641,798		802,393	
Closing balance	<u>49,581,010</u>		<u>31,939,212</u>	
11.4 Deferred tax liabilities	31/12/2023		31/12/2022	
	MVR		MVR	
Opening balance	58,606,296		39,596,103	
<i>Items recognized in other comprehensive income</i>				
Recognized / (Reversed) during the year	384,201		(1,121,680)	
<i>Items recognized in profit or loss</i>				
Recognized during the year	93,352,003		20,131,873	
Closing balance	<u>152,342,500</u>		<u>58,606,296</u>	
11.5 Net deferred tax liabilities	<u>102,761,490</u>		<u>26,667,084</u>	
11.6 Recognized deferred tax assets	31/12/2023		31/12/2022	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	MVR	MVR	MVR	MVR
Allowance for impairment loss on trade receivables (Note 16.1)	272,539,339	40,880,901	167,800,461	25,170,069
Employee defined benefit liabilities loss (Npte 21.2)	2,561,339	384,201	-	-
Employee defined benefit liabilities (Note 21)	55,439,388	8,315,908	45,127,619	6,769,143
	<u>330,540,066</u>	<u>49,581,010</u>	<u>212,928,080</u>	<u>31,939,212</u>
11.7 Recognized deferred tax liabilities	31/12/2023		31/12/2022	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	MVR	MVR	MVR	MVR
Property, plant and equipment and intangible assets (Note 12)	1,015,616,664	152,342,500	398,186,505	59,727,976
Employee defined benefit liabilities (Note 21)	-	-	(7,477,865)	(1,121,680)
	<u>1,015,616,664</u>	<u>152,342,500</u>	<u>390,708,640</u>	<u>58,606,296</u>



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11 TAX EXPENSE (CONTINUED)

11.8 Unrecognized deferred tax asset

	31/12/2023		31/12/2022	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	MVR	MVR	MVR	MVR
Accumulated tax losses	1,134,675,156	170,201,273	419,095,401	62,864,310
	<u>1,134,675,156</u>	<u>170,201,273</u>	<u>419,095,401</u>	<u>62,864,310</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.



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13 INTANGIBLE ASSETS	31/12/2023 MVR	31/12/2022 MVR
Cost		
Opening balance	9,720,681	9,520,701
Additions during the year	-	199,980
Closing balance	<u>9,720,681</u>	<u>9,720,681</u>
Accumulated amortization		
Opening balance	9,555,230	9,173,218
Amortization during the year	165,451	382,012
Closing balance	<u>9,720,681</u>	<u>9,555,230</u>
Capital work in progress	3,047,668	3,047,668
Net carrying value	<u><u>3,047,668</u></u>	<u><u>3,213,119</u></u>
13.1 Intangible assets of the Company include computer software which are amortized over a period of 3 years.		
14 RIGHT-OF-USE ASSETS	31/12/2023 MVR	31/12/2022 MVR
Cost		
Opening balance	56,278,263	45,860,137
Additions during the year	6,314,636	9,804,231
Adjustment due to reassessment	(8,482,492)	613,895
Closing balance	<u>54,110,407</u>	<u>56,278,263</u>
Accumulated depreciation		
Opening balance	33,012,024	23,701,347
Charge for the year	8,466,147	9,310,677
Closing balance	<u>41,478,171</u>	<u>33,012,024</u>
Net carrying value	<u><u>12,632,236</u></u>	<u><u>23,266,239</u></u>
15 INVENTORIES	31/12/2023 MVR	31/12/2022 MVR
Fuel stock	33,162,158	34,822,475
Lube oil	7,695,960	10,195,310
Engineering, electrical and distribution spares	673,020,150	773,399,796
Tools and general items	46,443,282	55,272,506
	<u>760,321,550</u>	<u>873,690,087</u>



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16 TRADE AND OTHER RECEIVABLES	31/12/2023	31/12/2022
	MVR	MVR
Trade receivables	250,493,900	305,305,542
Trade receivables - related parties	160,769,936	-
Less: Allowance for impairment of trade receivables (Note 16.1)	<u>(272,539,339)</u>	<u>(167,800,461)</u>
	138,724,497	137,505,081
Advances to suppliers	170,109,487	145,661,492
Other receivables	-	88,525,211
Other receivables - related party	56,352,106	-
Deposits	11,754	11,754
	<u>365,197,844</u>	<u>371,703,538</u>
16.1 Allowance for impairment of trade receivables	31/12/2023	31/12/2022
	MVR	MVR
Opening balance	167,800,461	114,191,619
Recognized during the year	<u>104,738,878</u>	<u>53,608,842</u>
Closing balance	<u>272,539,339</u>	<u>167,800,461</u>
17 CASH AND CASH EQUIVALENTS	31/12/2023	31/12/2022
	MVR	MVR
Cash in hand	3,308,952	2,927,299
Cash at banks	22,087,641	4,217,288
Cash and cash equivalents for the cash flow purpose	<u>25,396,593</u>	<u>7,144,587</u>
18 SHARE CAPITAL	31/12/2023	31/12/2022
	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 2023 (2022: Nil).



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FOR THE YEAR ENDED 31ST DECEMBER 2023

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	31/12/2023	31/12/2022
	MVR	MVR
Opening balance	127,127,077	125,970,555
Loans obtained during the year	1,383,455,569	-
Interest charged during the year	26,803,982	195,198
Repayment of capital during the year	(13,840,609)	-
Repayment of interest during the year	(6,112,617)	-
Adjustment made during the year	-	961,324
Closing balance	<u>1,517,433,402</u>	<u>127,127,077</u>
19.1 Sources of finance	31/12/2023	31/12/2022
	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	38,804,493
Treasury Loan from Ministry of Finance (Note 19.7)	250,142,022	-
Diminishing Musharaka Financing Facility 1 (Note 19.8)	200,000,000	-
Diminishing Musharaka Financing Facility 2 (Note 19.9)	200,000,000	-
Contractor Financing Arrangement - Smart Meter Project (Note 19.10)	122,162,734	-
Tariff Difference Subsidy Advance	618,001,569	-
Total loans and borrowings	<u>1,517,433,402</u>	<u>127,127,077</u>
19.2 Non-current liability		
Ministry of Finance and Treasury (MoFT)(Note 19.5)	88,322,584	3,939,293
Treasury Loan from Ministry of Finance(Note 19.7)	234,725,952	-
Diminishing Musharaka Financing Facility 1(Note 19.8)	122,078,422	-
Diminishing Musharaka Financing Facility 2(Note 19.9)	128,687,477	-
Contractor Financing Arrangement - Smart Meter Project(Note 19.10)	120,381,101	-
	<u>694,195,536</u>	<u>3,939,293</u>
19.3 Current liability		
Ministry of Finance and Treasury (MoFT)(Note 19.5)	-	84,383,291
State Trading Organization (STO)(19.6)	38,804,493	38,804,493
Treasury Loan from Ministry of Finance(Note 19.7)	15,416,070	-
Diminishing Musharaka Financing Facility 1(Note 19.8)	77,921,578	-
Diminishing Musharaka Financing Facility 2(Note 19.9)	71,312,523	-
Contractor Financing Arrangement - Smart Meter Project(Note 19.10)	1,781,633	-
Tariff Difference Subsidy Advance (Note 19.11)	618,001,569	-
	<u>823,237,866</u>	<u>123,187,784</u>
19.4 Maturity analysis		
With in one year	827,177,159	123,187,784
More than one year, less than two years	180,002,600	3,939,293
More than two years	279,914,169	-
	<u>1,287,093,928</u>	<u>127,127,077</u>



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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.

19.7 Treasury Loan from Ministry of Finance

The Company obtained a loan from Ministry of Finance on 22nd February 2023 for the payment of outstanding bills owed to State Trading Organization PLC, for an amount of MVR 231,300,000/- at a rate of 10%, with a grace period of 12 months, repayable in 10 years.

19.8 Diminishing Musharaka Financing Facility 1 from Maldives Islamic Bank

The Company has obtained a sale and leaseback facility from Maldives Islamic Bank as a Musharakah facility for the construction of Power Houses in different islands, for a total project value of MVR 253,304,993/-, where the Maldives Islamic Bank's Musharakah share amounts to MVR 200,000,000/- representing 79% share. This loan has a monthly payment of MVR 6,972,884/- with a rental rate of 3.5% per annum, for a period of 3 years.

19.9 Diminishing Musharaka Financing Facility 2 from Maldives Islamic Bank

The Company has obtained a sale and lease back facility from Maldives Islamic Bank as a Musharakah facility for the construction of Power Houses in different islands, for a total project value of MV258,667,430/-, where the Maldives Islamic Bank's Musharakah share amounts to MVR 200,000,000, representing 77% share. The loan has a monthly payment of MVR 6,972,298/- with a rental rate of 29% per annum, for a period of 3 years.



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19 LOANS AND BORROWINGS (CONTINUED)

19.10 Contractor Financing Arrangement - Smart Meter Project

The Company has obtained goods from Yantai Dongfang Wisdom Electric Co. Ltd for the Smart Meter Project as a loan, amounting to USD 8,700,000/- at an annual interest rate of 4%. This loan has a grace period of 12 months and a repayment period of 7 years.

19.11 Tariff Difference Subsidy Advance

The Company has recorded a Tariff Difference Subsidy Advance amounting to MVR 618,001,569/- during the year ended 31st December 2023. This is in relation to the compensation for the tariff losses incurred by the Company due to the reduction in tariff rates by the government.

20 LEASE LIABILITIES	31/12/2023	31/12/2022
	MVR	MVR
Opening balance	23,962,769	23,554,607
Additions during the year	6,314,636	9,804,231
Adjustment due to reassessment	(8,698,667)	613,895
Interest expense for the year	658,150	657,624
Repayment during the year	(9,161,732)	(10,667,588)
Closing balance	<u>13,075,156</u>	<u>23,962,769</u>

20.1 Current liabilities	Maturity	31/12/2023	31/12/2022
		MVR	MVR
Port Complex Building	2024	5,199,320	4,648,372
Head Office	2024	1,813,847	-
Danka House	2024	-	1,719,857
L.Gan Naasaree Building	2034	36,057	60,000
M. Alimasvaadhee	2024	-	1,115,898
All other leases	2024	105,569	673,096
		<u>7,154,793</u>	<u>8,217,223</u>

20.2 Non-current liabilities	Maturity	31/12/2023	31/12/2022
		MVR	MVR
Port Complex Building	2025	5,456,177	10,138,673
Danka House	2025	-	3,224,177
L.Gan Naasaree Building	2025	464,186	939,914
M. Alimasvaadhee	2025	-	1,145,854
All other leases	2025	-	296,928
		<u>5,920,363</u>	<u>15,745,546</u>



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21 DEFINED BENEFIT OBLIGATION	31/12/2023 MVR	31/12/2022 MVR
Opening balance	45,127,619	30,477,222
Current service cost	5,979,015	5,496,285
Interest cost	2,075,870	1,676,247
Actuarial loss on obligation	2,561,339	7,477,865
Benefits paid during the year	(304,455)	-
Closing balance	<u>55,439,388</u>	<u>45,127,619</u>
Employee defined benefit liabilities - Current	3,414,636	2,795,935
Employee defined benefit liabilities - Non-current	<u>52,024,752</u>	<u>42,331,684</u>
	<u>55,439,388</u>	<u>45,127,619</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	5,979,015	5,496,285
Interest cost	2,075,870	1,676,247
	<u>8,054,885</u>	<u>7,172,532</u>

Amount recognized in other comprehensive income

Actuarial loss on obligation	2,561,339	7,477,865
Tax impact	(384,201)	(1,121,680)
Actuarial loss on obligation net of tax	<u>2,177,138</u>	<u>6,356,185</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.

	2023	2022
Discounting rate	4.60%	4.60%
Future salary increase	5.00%	5.00%
Retirement age	65	65
Mortality rate inclusive of provision for disability	Global Health	Global Health



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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21 DEFINED BENEFIT OBLIGATION (CONTINUED)

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%
<i>Impact of the change in salary increase</i>		
- Impact to present value of obligation at the end of the year	2,150,936	(2,011,051)
<i>Impact of the change in discount rate</i>		
- Impact to present value of obligation at the end of the year	(2,009,185)	2,170,224
22 TRADE AND OTHER PAYABLES	31/12/2023	31/12/2022
	MVR	MVR
Trade payables	2,996,210,211	2,874,367,041
Tariff loss advance	-	116,102,279
Accrued expenses	165,942	593,017
Refundable deposits	26,574	128,971
Construction retention	22,172,247	21,904,989
Other payables	39,202,089	54,027,277
	<u>3,057,777,063</u>	<u>3,067,123,574</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

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.



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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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	
	31/12/2023	31/12/2022
	MVR	MVR
Trade receivables	411,263,836	305,305,542
Less: Allowance for impairment of trade receivables	(272,539,339)	(167,800,461)
	<u>138,724,497</u>	<u>137,505,081</u>
Other receivables	56,352,106	88,525,211
Balances with banks	22,087,641	4,217,288
	<u>217,164,244</u>	<u>230,247,580</u>

Expected credit loss assessment under IFRS 9

The Company uses an allowance matrix to measure the ECLs of trade receivables. Loss rates 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
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2023

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	31/12/2023			31/12/2022		
	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	8%	109,645,639	8,497,599	5%	109,938,719	5,781,827
31-60 days past due	35%	30,424,877	10,641,096	29%	18,453,889	5,317,658
61-90 days past due	54%	20,119,537	10,879,873	47%	11,535,267	5,408,763
91-120 days past due	70%	21,644,181	15,090,263	63%	21,731,099	13,772,463
121-150 days past due	86%	14,375,351	12,376,256	71%	21,252,050	15,125,232
151-180 days past due	100%	10,901,069	10,901,069	100%	5,890,708	5,890,708
181-365 days past due	100%	63,031,754	63,031,754	100%	30,488,644	30,488,644
Over 365 days	100%	141,121,428	141,121,428	100%	86,015,166	86,015,166
Total		<u>411,263,836</u>	<u>272,539,338</u>		<u>305,305,542</u>	<u>167,800,461</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 22,087,641/- as at 31st December 2023 (2022: MVR 4,217,288/-). These balances are held with banks that Management believes are of high credit quality and accordingly, minimal credit risk exists.



**FENAKA CORPORATION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities as at the reporting date.

	Carrying Amount		Contractual Cashflows		0-12 Months		1-2 Years		2-5 Years		More than 5 years	
	MVR		MVR		MVR		MVR		MVR		MVR	
31st December 2023												
Financial liabilities (Non-derivative)												
Trade and other payables	3,057,750,489		3,057,750,489		3,057,750,489		-		-			-
Loans and borrowings	1,517,433,402		1,517,433,402		887,956,715		290,660,093		267,629,087			71,187,507
Lease liabilities	13,075,156		16,174,108		8,219,372		7,429,736		180,000			345,000
	<u>4,588,259,047</u>		<u>4,591,357,999</u>		<u>3,953,926,576</u>		<u>298,089,829</u>		<u>267,809,087</u>			<u>71,532,507</u>
31st December 2022												
Financial liabilities (Non-derivative)												
Trade and other payables	2,950,892,324		2,950,892,324		2,950,892,324		-		-			-
Loans and borrowings	127,127,077		127,127,077		123,187,784		3,939,293		-			-
Lease liabilities	23,962,769		16,174,108		8,219,372		7,429,736		180,000			345,000
	<u>3,101,982,170</u>		<u>3,094,193,509</u>		<u>3,082,299,480</u>		<u>11,369,029</u>		<u>180,000</u>			<u>345,000</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.



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FOR THE YEAR ENDED 31ST DECEMBER 2023

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:

	<u>Carrying Amount</u>	
	<u>31/12/2023</u>	<u>31/12/2022</u>
	MVR	MVR
Fixed rate instruments		
Loans and borrowings	1,517,433,402	127,127,077
	<u>1,517,433,402</u>	<u>127,127,077</u>

(b) Currency risk

Exposure to currency risk

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

	<u>31/12/2023</u>	<u>31/12/2022</u>
	USD	USD
Cash and cash equivalents	27,524	6,535
Trade and other payables	(2,212,164)	(2,212,164)
Gross Exposure	<u>(2,184,640)</u>	<u>(2,205,629)</u>

The following significant exchange rates were applied during the year:

	<u>Average Rate</u>		<u>Reporting Date Spot Rate</u>	
	<u>2023</u>	<u>2022</u>	<u>31/12/2023</u>	<u>31/12/2022</u>
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.



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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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:

	31/12/2023	31/12/2022
	MVR	MVR
Total liabilities	4,746,486,499	3,290,008,123
Less: Cash and cash equivalents	<u>(25,396,593)</u>	<u>(7,144,587)</u>
Net debt	4,721,089,906	3,282,863,536
Total equity	870,290,983	1,683,738,438
Debt to capital ratio	<u>5.42</u>	<u>1.95</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 financial 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 2023

28 RELATED PARTY TRANSACTIONS

The Government of Maldives holds 100% (2022: 100%) of the voting rights of the Company as at 31st December 2023 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 2023, the Company has carried out transactions with the Government of Maldives and other Government related entities in the ordinary course of business.

(i) Transactions

	2023	2022
	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

	2023	2022
	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>865,199,007</u>

(ii) Loans and borrowings

	2023		2022	
	Loan MVR	Interest MVR	Loan MVR	Interest MVR
Ministry of Finance and Treasury (MoFT)	88,322,584	-	88,322,584	-
State Trading Organization (STO)	38,804,493	-	38,804,493	195,198
Treasury Loan from Ministry of Finance	250,142,022	18,842,022	-	-
Diminishing Musharaka Financing Facility - 1	200,000,000	2,333,333	-	-
Diminishing Musharaka Financing Facility - 2	200,000,000	2,916,667	-	-
Contractor Financing Arrangement - Smart Meter Pro	122,162,734	2,711,960	-	-
Tariff Difference Subsidy Advance	618,001,569	-	-	-
	<u>1,517,433,402</u>	<u>26,803,982</u>	<u>127,127,077</u>	<u>195,198</u>

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

(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



**FENAKA CORPORATION LIMITED
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28 RELATED PARTY TRANSACTIONS (CONTINUED)

(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 717,638/- as emoluments to key management personnel during the year ended 31st December 2023 (2021: MVR 680,463).

29 ASSESSMENT OF GOING CONCERN

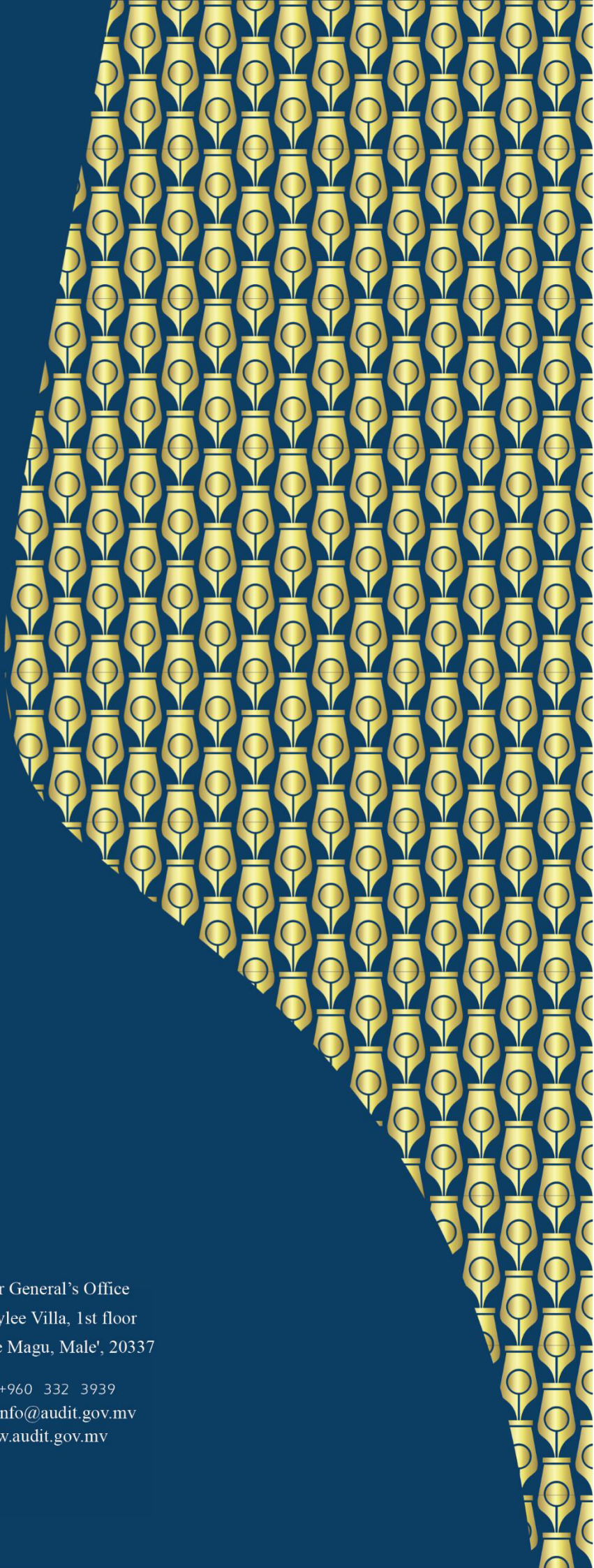
The Company has reported a loss of MVR 813,447,455/- (2022: MVR 425,246,758/-) for the year ended 31st December 2023 and accumulated losses of MVR 1,637,301,119/- (2022: MVR 823,853,664/-) as at 31st December 2023. Further, the Company's total current liabilities exceeded its total current assets by MVR 2,744,607,664/- (2022: MVR 1,948,786,304/-) as at 31st December 2023.

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

Comparative figures have been reclassified wherever appropriate to be in line with current year's classifications.





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