Report No: FIN-2020-32(E)

11th August 2020

MALE' WATER AND SEWERAGE COMPANY PRIVATE LIMITED

FINANCIAL YEAR 2019

އޮޑިޓަރ ޖެނެރަލްގެ އޮފީސް

AUDITOR GENERAL'S OFFICE

TABLE OF CONTENTS

AUDITOR GENERAL'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF MALE' WATER AND SEWERAGE COMPANY PRIVATE LIMITED

Opinion

We have audited the financial statements of Male' Water and Sewerage Company Private Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

This report is made solely to the Group's members, as a body, in accordance with section 71 of the Companies Act No. 10 of 1996. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditors' report and for no other purpose. Therefore, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

11 August 2020

Hassan Ziyath
Auditor General

AUDITOR GENERAL'S OFFICE

Male' Water and Sewerage Company Private Limited
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2019

		COMPANY		GROUP	
	Note	Year ended 31-12-2019 MVR	Year ended 31-12-2018 MVR	Year ended 31-12-2019 MVR	Year ended 31-12-2018 MVR
Revenue	3	1,009,756,365	1,254,442,095	1,057,423,167	1,310,470,181
Cost of sales		(456,857,134)	(624,295,888)	(471,016,574)	(641,514,178)
Gross profit		552,899,231	630,146,207	586,406,593	668,956,003
Other income	4	86,470,366	105,164,451	82,598,250	101,390,313
Administrative expenses		(235,368,856)	(230,293,860)	(257,425,756)	(248,502,150)
Selling and marketing expenses		(25,572,736)	(12,569,299)	(33,848,892)	(18,692,199)
Operating profit	5	378,428,005	492,447,499	377,730,195	503,151,967
Net finance cost	6	(16,994,674)	(9,955,210)	(18,756,871)	(11,909,455)
Profit before tax from continuing operations		361,433,331	482,492,289	358,973,324	491,242,512
Business profit tax expense	7	(52,643,043)	(71,048,300)	(53,488,241)	(72,017,431)
Profit for the year		308,790,288	411,443,989	305,485,083	419,225,081
Other comprehensive income		-	-	-	-
Total comprehensive income		308,790,288	411,443,989	305,485,083	419,225,081
Attributable to:					
Equity holders of the parent		308,790,288	411,443,989	305,006,533	414,503,944
Non-controlling interest	22	-	-	478,550	4,721,137
		308,790,288	411,443,989	305,485,083	419,225,081
Earnings per share	8	1,157	1,541	1,142	1,552

The accounting policies and notes on pages 8 through 43 form an integral part of the financial statements.

Male' Water & Sewerage Company Pvt. Ltd. MWSC Reg. No. C-67/95 Male', Maldives

AUDITOR GENERAL'S OFFICE

Male' Water and Sewerage Company Private Limited
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

		COMPANY		GROUP	
		As at	As at	As at	As at
		31-12-2019	31-12-2018	31-12-2019	31-12-2018
Assets	Note	MVR	MVR	MVR	MVR
Non-current assets					
Property, plant and equipment	9	744,768,683	761,787,189	837,252,608	819,792,697
Capital work-in-progress	10	618,470,129	498,346,450	642,009,407	545,038,276
Right-of-use assets	24.2	89,155,520	-	95,780,924	-
Intangible assets	11	4,743,280	6,266,404	5,417,003	6,784,066
Investment in subsidiary	12	7,650,000	7,650,000	-	-
Investment property	13	17,608,538	9,157,119	17,608,538	9,157,119
		1,482,396,150	1,283,207,162	1,598,068,480	1,380,772,158
Current assets					
Inventories	14	294,274,017	253,143,841	299,820,801	258,030,937
External project work-in progress	15	13,781	13,781	13,781	13,781
Contract assets	16	37,539,995	56,658,814	37,539,995	56,658,814
Trade and other receivables	17	387,597,507	386,767,004	327,492,530	353,052,297
Other current financial assets	18	6,123,187	6,027,581	6,123,187	6,027,581
Cash and cash equivalents	19	221,458,410	196,231,947	235,557,288	209,571,603
		947,006,897	898,842,968	906,547,582	883,355,013
Total assets		2,429,403,047	2,182,050,130	2,504,616,062	2,264,127,171
Equity and liabilities					
Share capital	20	267,000,000	267,000,000	267,000,000	267,000,000
Share application money		-	13,924,260	-	13,924,260
Share allotment gain	21	3,042	3,042	3,042	3,042
General reserve		785,991,603	641,986,207	785,991,603	641,986,207
Assets replacement reserve		107,681,776	87,109,577	107,681,776	87,109,577
Retained earnings		328,679,129	431,332,829	344,278,685	450,716,140
Equity attributable to the equity holders of the company		1,489,355,550	1,441,355,915	1,504,955,106	1,460,739,226
Non-controlling interest	22	-	-	24,560,897	25,970,802
Total equity		1,489,355,550	1,441,355,915	1,529,516,003	1,486,710,028
Non-current liabilities					
Interest-bearing loans and borrowings	23	134,684,844	37,538,989	148,983,499	59,846,369
Lease liabilities	24.3	87,488,688	-	91,166,163	-
Government grants	25	12,942,568	-	12,942,568	-
Deferred tax liability	7.2	7,429,785	10,605,314	8,406,265	11,158,108
		242,545,885	48,144,303	261,498,495	71,004,477
Current liabilities					
Interest-bearing loans and borrowings	23	41,961,736	41,287,913	49,970,428	51,104,398
Lease liabilities	24.3	789,111	-	3,915,237	-
Government grants	25	928,284	-	928,284	-
Contract liabilities	26	37,547,273	73,360,333	37,547,273	74,160,419
Trade and other payables	27	596,497,163	531,705,881	602,296,536	534,472,940
Business profit tax liability	7.4	19,778,045	46,195,785	18,943,806	46,674,909
		697,501,612	692,549,912	713,601,564	706,412,666
Total equity and liabilities		2,429,403,047	2,182,050,130	2,504,616,062	2,264,127,171

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

Signed for and on behalf of the Board by,

Name of the Director **Signature**

1) Ahmed Mausoom ....

2) Hassan Shah ....

The accounting policies and notes on pages 8 through 43 form an integral part of the financial statements.

9 August 2020

Male'

AUDITOR GENERAL'S OFFICE

Male' Water & Sewerage Company Pvt. Ltd. MWSC Reg. No. C67/95 Male', Maldives

Male' Water and Sewerage Company Private Limited
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2019

	COMPANY						
	Share capital MVR	Share application money MVR	Share allotment gain MVR	Assets replacement reserve MVR	General reserve MVR	Retained earnings MVR	Total equity MVR
Balance as at 01 January 2018	267,000,000	13,924,260	3,042	73,871,237	549,317,830	284,655,632	1,188,772,001
Transferred to reserves	-	-	-	13,238,340	92,668,377	(105,906,717)	-
Dividends for year 2017	-	-	-	-	-	(158,860,075)	(158,860,075)
Profit for the year	-	-	-	-	-	411,443,989	411,443,989
Balance as at 31 December 2018	267,000,000	13,924,260	3,042	87,109,577	641,986,207	431,332,829	1,441,355,915
Transferred to reserves	-	-	-	20,572,199	144,005,396	(164,577,595)	-
Transferred to government grants	-	(13,924,260)	-	-	-	-	(13,924,260)
Dividends for year 2018	-	-	-	-	-	(246,866,393)	(246,866,393)
Profit for the year	-	-	-	-	-	308,790,288	308,790,288
Balance as at 31 December 2019	267,000,000	-	3,042	107,681,776	785,991,603	328,679,129	1,489,355,550

The accounting policies and notes on pages 8 through 43 form an integral part of the financial statements.

Male' Water and Sewerage Company Private Limited
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2019

	GROUP							
	Share capital MVR	Share application money MVR	Share allotment gain MVR	Assets replacement reserve MVR	General reserve MVR	Retained earnings MVR	Non-Controlling Interest MVR	Total equity MVR
Balance as at 01 January 2018	267,000,000	13,924,260	3,042	73,871,237	549,317,830	300,978,988	23,030,846	1,228,126,203
Transferred to reserves	-		-	13,238,340	92,668,377	(105,906,717)	-	-
Dividends for year 2017	-		-	-	-	(158,860,075)	(1,781,181)	(160,641,256)
Profit for the year	-		-	-	-	414,503,944	4,721,137	419,225,081
Balance as at 31 December 2018	267,000,000	13,924,260	3,042	87,109,577	641,986,207	450,716,140	25,970,802	1,486,710,028
Transferred to reserves	-		-	20,572,199	144,005,396	(164,577,595)	-	-
Transferred to government grants	-	(13,924,260)	-	-	-	-	-	(13,924,260)
Dividends for year 2018	-		-	-	-	(246,866,393)	(1,888,455)	(248,754,848)
Profit for the year	-		-	-	-	305,006,533	478,550	305,485,083
Balance as at 31 December 2019	267,000,000	-	3,042	107,681,776	785,991,603	344,278,685	24,560,897	1,529,516,003

The accounting policies and notes on pages 8 through 43 form an integral part of the financial statements.

Male' Water and Sewerage Company Private Limited
CONSOLIDATED STATEMENT OF CASH FLOW
Year ended 31 December 2019

		COMPANY		GROUP	
	Note	Year ended 31-12-2019 MVR	Year ended 31-12-2018 MVR	Year ended 31-12-2019 MVR	Year ended 31-12-2018 MVR
Operating activities					
Profit before tax from continuing operation		361,433,331	482,492,289	358,973,324	491,242,512
Adjustments to reconcile profit before tax to net cash flows					
Non-cash:					
Depreciation of Property plant and equipment	9.2	82,638,531	83,210,650	90,567,619	90,050,619
Depreciation of right of use assets	24.2	3,108,556	-	5,392,121	-
Amortisation	11	2,383,300	2,355,174	2,507,051	2,450,192
Finance income	6.1	(515,943)	(789,162)	(515,943)	(789,162)
Finance cost	6.2	17,510,617	10,744,372	19,625,900	12,698,617
Provision for impairment receivables	17.6	17,707,089	2,941,288	18,452,003	3,009,001
Loss on disposal of property, plant and equipment		8,118	1,973,975	8,118	1,973,975
Provision for slow and non moving inventories	14	2,395,878	950,086	2,395,878	950,086
Release of government grant	25	(53,408)	-	(53,408)	-
Working capital adjustments:					
(Increase) in inventories	14	(43,526,054)	(46,187,428)	(44,185,742)	(46,356,702)
Decrease/(increase) in contract assets		19,118,819	(38,480,420)	19,118,819	(38,480,420)
Decrease in trade and other receivables	17	(18,537,592)	268,975,168	7,107,764	270,688,662
Increase in contract liabilities		(35,813,060)	(179,293,863)	(36,613,146)	(179,131,639)
(Decrease)/ increase in trade and other payables	27	(32,701,818)	32,213,659	(29,669,504)	34,780,553
External project work in progress		-	(10,946)	-	(10,946)
		375,156,364	**621,094,842**	**413,110,854**	**643,075,348**
Interest received	6.1	515,943	789,162	515,943	789,162
Interest paid	6.2	(17,510,617)	(10,744,372)	(19,625,900)	(12,698,617)
Income tax paid	7.4	(82,236,312)	(47,052,363)	(83,971,187)	(48,661,852)
Net cash flows from operating activities		**275,925,378**	**564,087,269**	**310,029,710**	**582,504,041**
Investing activities					
Purchases and construction of property, plant and equipment	9	(17,715,382)	(24,290,904)	(25,224,533)	(25,035,886)
Purchases of intangible assets	11	(309,054)	(3,758,049)	(588,866)	(3,821,505)
Investment in other financial assets	18	(95,606)	(90,027)	(95,606)	(90,027)
Investment in investment property	13	(9,002,541)	-	(9,002,541)	-
Cost incurred on construction of capital work-in-progress	10	(171,452,083)	(211,238,861)	(183,197,889)	(245,433,515)
Net cash used in investing activities		**(198,574,666)**	**(239,377,841)**	**(218,109,435)**	**(274,380,933)**
Financing activities					
Proceeds from borrowings	23	140,190,788	22,706,159	140,190,788	42,706,159
Repayment of borrowings	23	(42,371,110)	(67,658,665)	(52,187,628)	(74,511,567)
Payment of principle portion of lease liabilities		(570,634)	-	(2,676,002)	-
Dividends paid to equity holder of the parent		(149,373,293)	(191,368,021)	(151,261,748)	(193,149,202)
Net cash used in financing activities		**(52,124,249)**	**(236,320,527)**	**(65,934,590)**	**(224,954,610)**
Net increase in cash and cash equivalents		25,226,463	88,388,901	25,985,685	83,168,498
Cash and cash equivalents at 1 January		196,231,947	107,843,046	209,571,603	126,403,105
Cash and cash equivalents at 31 December	19	**221,458,410**	**196,231,947**	**235,557,288**	**209,571,603**

The accounting policies and notes on pages 8 through 43 form an integral part of the financial statements.

AUDITOR GENERAL'S OFFICE

Male' Water & Sewerage Company Pvt. Ltd. MWSC Reg. No C-67/95 Male', Maldives

1. Corporate information

Male' Water Sewerage Company Private Limited is a limited liability Company incorporated and domiciled in Republic of Maldives since 1 April 1995. The Company is engaged in the treatment and distribution of water, providing sewerage facilities and water related construction contacts in the Maldives including supplying electricity facility in Dhavaafaru Island. The registered office of the Company is located at 20-04, Ameenee Magu, Machchangolhi, Male', Republic of Maldives.

The Government of Maldives (GOM) has a controlling interest in the shares of the Company.

The Group consists of the Company's interest in a subsidiary undertaking, Island Beverage Maldives Private Limited, a limited liability Company incorporated and domiciled in the Republic of Maldives, which produces, supplies and sells bottled mineral water in the Republic of Maldives. The Company owns 51% of authorized and issued share capital of the subsidiary.

2. Basis of preparation and other significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Male' Water and Sewerage Company Private Limited and the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standard Board (IASB). The Consolidated financial statements are prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

The preparation of consolidated financial statement in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumption and estimates are significant are set out. No adjustments are made for inflationary factors affecting these consolidated financial statements. The consolidated financial statements are presented in Maldivian Rufiyaa (MVR) and all the values are rounded to nearest integral, except when otherwise indicated.

The consolidated financial statements of Male' Water and Sewerage Company Private Limited for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the board of directors on 9 August 2020.

2.2 Going concern

The Board of Directors is satisfied that the Group has adequate resources to continue its operations in the foreseeable future. When making going concern assessment, Directors have taken into consideration the existing and anticipated effects of the Covid-19 outbreak on the Group's business activities. Since the Group has a long history of profitable operations, the Directors have concluded that the going concern basis of accounting is appropriate for the year 2019 and they do not intend either to liquidate or cease trading. Although the company has the ability to continue for a foreseeable future, due to the COVID 19 impact, they may expect the following likelihood impact in the year of 2020:

- Domestic customers would be provided with 1000 Litres of free water consumption, in March 2020.
- a 30% discount would be provided on domestic water bills for the month of April and May 2020,
- Water Sales from commercial customers are expected to decrease by 60% as a result of fall in operations in businesses such as, restaurants, cafes, guest houses, offices, etc.
- Trading revenue is expected a reduction of 50% as majority of products and services in this segment are sold to hotels and resorts.

AUDITOR GENERAL'S OFFICE

Male' Water & Sewerage Company Pvt. Ltd.
MWSC
Reg. No. C-67/95
Male', Maldives

2. Basis of preparation and other significant accounting policies (continue)

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2019. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with the Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Company loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.4 Changes in accounting policies and disclosures

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

- **New and amended standards and interpretations**

In these financial statements, the Group has applied IFRS 16 Leases, effective for annual periods beginning on or after 1 January 2019, for the first time which not require restatement of previous financial statements.

<u>IFRS 16</u>

IFRS 16 eliminates the classification of leases as either operating leases or finance leases for lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of these lease payments and showing them either as lease assets (right-of-use assets) or together with property plant and equipment. If lease payments are made over time, the company also recognises a financial liability representing its obligations to make sure future lease payments.

(Continued)

2. Basis of preparation and other significant accounting policies (continue)
2.3 Changes in accounting policies and disclosures (continue)

➢ Changes to classification and measurement

The Group changed its accounting policies as a result of adopting IFRS 16. the Group elected to adopt the new rules retrospectively but recognized the cumulative effect of initial applying the new standard on 1 January 2019. This is disclosed in note 24. the other amendment listed above did not have any impact on the amount recognized in prior periods and are not expected to significantly affect the current or future periods.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio rate to a portfolio of leases with reasonably similar to characteristics.
- Relying on previous assessments on whether leases are onerous as an alternative to performing on impairment review - there was no onerous contracts as at January 2019.
- Accounting for operating leases with a remaining lease term of less than 12 months as at 01 January 2019 as short-term leases
- Excluding the initial direct costs for measurement of the right of use asset at the initial application, and
- Using hindsight in determining the lease term where the contract contains option for extend or termination of lease

The Group also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contract entered into before the transition date the Group relied on its assessment made applying IAS 17 and interpretation 4 determining whether an arrangement contains a lease.

2.5 Summary of other significant accounting policies

2.4.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an

(Continued)

AUDITOR GENERAL'S OFFICE

Male' Water & Sewerage Company Pvt. Ltd.
MWSC
Reg. No. C-67/95
Male', Maldives

2.4 Summary of other significant accounting policies (Continued)
2.4.1 Business combinations and goodwill (Continued)

excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.4.2 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sell or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting date

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability at least twelve months after the reporting date.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.4.3 Conversion of foreign currencies

The Group's financial statements are presented in Maldivian Rufiyaa (MVR) which is the Group's functional and presentation currency.

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

AUDITOR GENERAL'S OFFICE

Male' Water & Sewerage Company Pvt. Ltd. MWSC Reg. No. C-61/95 Male', Maldives

2.4 Summary of other significant accounting policies (Continued)

2.4.4 Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

2.4 Summary of other significant accounting policies (Continued)

2.4.5 Revenue from contracts with customers

The Group is largely in the business of sale of water, electricity and Contracting of water & sewerage projects on behalf of the government. Revenue from contracts with customers is recognised when the control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

a) Sale of water and Electricity

Revenue from Sale of water and Electricity is recognised at the point in time when control of the asset is transferred to the customer, generally on consumption of water and Electricity. The normal credit term is 30 days upon consumed.

b) Construction projects – Water & sewerage

The Group water & sewerage construction projects under long-term contracts with government. Such contracts are entered into before construction of such projects begins. Under the terms of the contracts, the Group is contractually restricted from redirecting the properties to another customer and has an enforceable right to payment for work done. Revenue from Water & sewerage construction projects are therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Management considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

The Group becomes entitled to invoice customers for construction of Water & sewerage projects based on achieving a series of performance-related milestones. When a particular milestone is reached, the customer is sent a relevant statement of work signed by a third-party assessor and an invoice for the related milestone payment. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method, then the Group recognises a contract liability for the difference. It is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the milestone payment is always less than one year.

c) Sale of goods – Water bottles, pipes and other water related item

The group sells Water bottles, pipes and other water related items directly to customers.

For sale of Water bottles, pipes and other water related items to customers, revenue is recognised by the group at a point in time when control of the goods has transferred to customer.

2.4.6 Government grant

Government grants are recognised when there is a reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.4 Summary of other significant accounting policies (Continued)

2.4.7 Expenditure recognition

Expenses are recognised in the consolidated statements of comprehensive Income on the basis of a 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.

Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

2.4.8 Taxation

a) Current tax

Provision for business profit tax is based on the elements of income and expenditure as reported in the consolidated financial statements and is computed in accordance with the provisions of the relevant tax statutes.

b) Deferred tax

Deferred taxation is the tax attributable to the temporary differences that arise when taxation authorities recognise and measure assets and liabilities with rules that differ from those of the consolidated financial statements. Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, unused tax credits and tax losses carried forward to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the unused tax credits and tax losses carried forward can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

c) Sales tax

Revenue, expenses assets are recognised net of the amount of sales tax. Receivable 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 consolidated statement of financial position.

AUDITOR GENERAL'S OFFICE

Male' Water & Sewerage Company Pvt. Ltd.
MWSC
Reg. No. C-67/95
Male', Maldives

2.4. Summary of other significant accounting policies (Continued)

2.4.9 Property, plant and equipment

All property, plant and equipment, which are initially recorded at historical cost, are stated at cost less depreciation. Cost includes the transfer value of the assets, or their purchase cost, or the cost of construction, together with any incidental expenses of acquisition. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is

probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful life, commencing from the date in which the assets were purchased up to the date of disposal, except for leased land and buildings constructed therein, which are depreciated over the unexpired period of lease, as follows:

Public rainwater scheme and new water scheme	- 40 years
Sewerage system	- 20 years
Reverse Osmosis (RO) plant, generator, bore well and machinery	- 15 years
Motor vehicles	- 04 years
Office equipment	- 04 years
Other equipment	- 05 years
Furniture and fittings	- 08 years
Computer hardware	- 03 years
Computer software	- 05 years
Desalination building and fuel farm	- 20 years
Leasehold Land right	- 50 years
Vessels	- 20 years

The assets residual value and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Cost of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produces while bringing the asset to that location and condition are capitalised, as part of the cost of the asset.

Gain and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.4.10 Intangible asset

a) Brand name

Brand name is shown at historical cost. Brand name has a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the statement of comprehensive income. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

b) Computer software

Cost associated with maintaining computer software programmed are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognized as intangible assets when the required criteria are met. Computer software development costs recognised as assets are amortized over their estimated useful lives, which does not exceed four year.

2.4 Summary of other significant accounting policies (Continued)

2.4.11 Investment properties

Investment properties are measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Cost of the investment property is amortised over the useful life of the property.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of changes in use.

2.4.12 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non- financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.4.13 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets

I. Initial recognition and measurement

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

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

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

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

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

(Continued)

2.4 Summary of other significant accounting policies (Continued)
2.4.13 Financial instruments – initial recognition and subsequent measurement (Continued)
a) Financial assets (Continued)

II. **Subsequent measurement**

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

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

III. **Financial assets at amortised cost (debt instruments)**

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

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

And

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

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

The Group's financial assets at amortised cost includes trade receivables, and loan to an associate and loan to a director included under other non-current financial assets.

IV. **Financial assets at fair value through OCI (debt instruments)**

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

And

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

V. **Financial assets designated at fair value through OCI (equity instruments)**

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.
The Group elected to classify irrevocably its non-listed equity investments under this category.

2.4 Summary of other significant accounting policies (Continued)
2.4.13 Financial instruments – initial recognition and subsequent measurement (Continued)
a) Financial assets (Continued)

VI. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

VII. Derecognition

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

The rights to receive cash flows from the asset have expired

Or

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

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

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

AUDITOR GENERAL'S OFFICE

Male' Water & Sewerage Company Pvt. Ltd.
MWSC
Reg. No. C67/95
Male' Maldives

2.4 Summary of other significant accounting policies (Continued)
2.4.13 Financial instruments – initial recognition and subsequent measurement (Continued)

VIII. Impairment of financial assets

The Group applies a simplified approach in calculating ECLs for trade receivables and contract assets. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

a) Financial liabilities

I. Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

II. Subsequent measurement

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

III. Loans and borrowings

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

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

IV. De-recognition

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

2.4 Summary of other significant accounting policies (Continued)

2.4.14 Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement within 'selling and marketing costs. Trade receivables are carried at anticipated realizable value. A general provision is made for doubtful receivables based on a review of all outstanding amounts from customers at the year end. Bad debts are written off during the year in which they are identified.

2.4.15 Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

2.4.16 Inventories

Inventories are stated at the lower cost and net realized value. Cost is determined using the weighted average cost method. Cost of inventory includes purchases, transport and handling costs. Net realizable value is the estimated selling price in the ordinary courses of business, less the costs of completion and variable selling expenses. Where necessary, provision is made in the financial statements for obsolete, slow-moving and defective inventory.

The stock of desalinated water is not valued and is therefore not reflected in the consolidated financial statements. The stock quantity of desalinated water held from year to year is not expected to vary substantially to have a material effect on the financial results for the year.

2.4.17 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise of cash at banks and cash in hand, other short-term highly liquid investments with original maturities of three months or less. For the purpose of cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Cash flow statement is prepared in "indirect method".

2.4.18 Other Liabilities and provisions

All known liabilities have been accounted for in preparing the financial statements. The materiality of the events occurring after the reporting period have been considered and appropriate adjustments and provisions have been made in the financial statements where necessary.

Liabilities classified as current liabilities in the statement of financial position are those, which fall due for payment on demand or within one year from the end of the reporting period. Non-current liabilities are those balances, which fall due for payment after one year from the end of the reporting period.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

AUDITOR GENERAL'S OFFICE

Male' Water & Sewerage Company Pvt. Ltd.
MWSC
Reg. No. C-67/95
Male', Maldives

2.4 Summary of other significant accounting policies (Continued)

2.4.19 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.4.20 Defined contribution plans

Employees are eligible for Maldives Retirement Pension Scheme in line with the respective statutes and regulations. The Group contributes 7% of basic salary of Maldivian employees to Maldives Retirement Pension Scheme.

2.5 Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements requires the application of certain critical judgements, estimates and assumptions relative to the future. Further, it requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) Useful lifetime of the Property, Plant and Equipment

The Group reviews the residual values, useful lives and methods of depreciation of assets at each reporting date. Management estimates these values, rates, methods and hence they are subject to uncertainty.

b) Tax

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as differing interpretations of tax regulations by the Group and the responsible tax authority. Such differences of

interpretation may arise on a wide variety of issues depending on the conditions prevailing in the Maldives.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based

upon the likely timing and the level of future taxable profits together with future tax planning strategies.

c) Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the group has the resources to continue in business for the foreseeable future. Furthermore, In the going concern assessment the management have taken into consideration the existing and anticipated effects of the Covid-19 outbreak on the entity's business activities. Since the Group has made profit for the past few years, the financial statements are prepared on the going concern basis.

AUDITOR GENERAL'S OFFICE

Male' Water & Sewerage Company Pvt. Ltd. MWSC Reg. No C-67/95 Male', Maldives

2.5 Significant accounting judgements, estimates and assumptions (Continued)

d) Impairment of non-financial assets

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

2.6 Standards issued but not yet effective

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

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

AUDITOR GENERAL'S OFFICE

Male' Water & Sewerage Company Pvt. Ltd. MWSC Reg. No. C-67/95 Male', Maldives

3 Revenue from contract with customers

3.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contract with customers,

	COMPANY				
	For the year ended 31 December 2019				
Segment	Water, electricity and sewerage	Construction project	Bottled water and flake Ice	Pipe & other water related items	Total
Type of goods or services	MVR	MVR	MVR	MVR	MVR
Supply of utilities	780,976,806	-	-	-	780,976,806
Construction revenue	-	90,899,051	-	-	90,899,051
Sale of bottled water & flake Ice	-	-	127,924,287	-	127,924,287
Sale of pipe and other water related items	-	-	-	9,956,221	9,956,221
Total revenue from contracts with customers	780,976,806	90,899,051	127,924,287	9,956,221	1,009,756,365
Timing of revenue recognition					
Service transferred over time	780,976,806	-	-	-	780,976,806
Performance-related milestones	-	90,899,051	-	-	90,899,051
Goods transferred at a point in time	-	-	127,924,287	9,956,221	137,880,508
Total revenue from contracts with customers	780,976,806	90,899,051	127,924,287	9,956,221	1,009,756,365

	COMPANY				
	For the year ended 31 December 2018				
Segment	Water, electricity and sewerage	Construction project	Bottled water and flake Ice	Pipe & other water related items	Total
Type of goods or services	MVR	MVR	MVR	MVR	MVR
Supply of utilities	701,718,763	-	-	-	701,718,763
Construction revenue	-	426,032,355	-	-	426,032,355
Sale of bottled water & flake Ice	-	-	118,742,367	-	118,742,367
Sale of pipe and other water related items	-	-	-	7,948,610	7,948,610
Total revenue from contracts with customers	701,718,763	426,032,355	118,742,367	7,948,610	1,254,442,095
Timing of revenue recognition					
Service transferred over time	701,718,763	-	-	-	701,718,763
Performance-related milestones	-	426,032,355	-	-	426,032,355
Goods transferred at a point in time	-	-	118,742,367	7,948,610	126,690,977
Total revenue from contracts with customers	701,718,763	426,032,355	118,742,367	7,948,610	1,254,442,095

(Continued)

3 Revenue from contract with customers (continued)

3.1 Disaggregated revenue information(continued)

	Group				
	For the year ended 31 December 2019				
Segment Type of goods or services	Water, electricity and sewerage MVR	Construction project MVR	Bottled water and flake Ice MVR	Pipe & other water related items MVR	Total MVR
Supply of utilities	772,845,202	-	-	-	772,845,202
Construction revenue	-	90,899,051	-	-	90,899,051
Sale of bottled water & flake Ice	-	-	9,943,559	-	9,943,559
Sale of pipe and other water related items	-	-	-	183,735,355	183,735,355
Total revenue from contracts with customers	772,845,202	90,899,051	9,943,559	183,735,355	1,057,423,167
Timing of revenue recognition					
Service transferred over time	772,845,202	-	-	-	772,845,202
Performance-related milestones	-	90,899,051	-	-	90,899,051
Goods transferred at a point in time	-	-	9,943,559	183,735,355	193,678,914
Total revenue from contracts with customers	772,845,202	90,899,051	9,943,559	183,735,355	1,057,423,167

	For the year ended 31 December 2018				
Segment Type of goods or services	Water, electricity and sewerage MVR	Construction project MVR	Bottled water and flake Ice MVR	Pipe & other water related items MVR	Total MVR
Supply of utilities	701,718,763	-	-	-	701,718,763
Construction revenue	-	426,032,355	-	-	426,032,355
Sale of bottled water & flake Ice	-	-	174,770,453	-	174,770,453
Sale of pipe and other water related items	-	-	-	7,948,610	7,948,610
Total revenue from contracts with customers	701,718,763	426,032,355	174,770,453	7,948,610	1,310,470,181
Timing of revenue recognition					
Service transferred over time	701,718,763	-	-	-	701,718,763
Performance-related milestones	-	426,032,355	-	-	426,032,355
Goods transferred at a point in time	-	-	174,770,453	7,948,610	182,719,063
Total revenue from contracts with customers	701,718,763	426,032,355	174,770,453	7,948,610	1,310,470,181

		COMPANY		GROUP	
		Year ended 31-12-2019 MVR	Year ended 31-12-2018 MVR	Year ended 31-12-2019 MVR	Year ended 31-12-2018 MVR
4	**Other income**				
	Fixed monthly charges	17,728,016	16,698,989	17,728,016	16,698,989
	Operational income	26,798,298	27,661,666	26,931,717	25,741,410
	Rental and management income	10,506,761	6,752,850	8,466,761	6,752,850
	Penalties, surcharges and fines	8,209,243	26,696,387	8,209,243	26,696,387
	Income from disconnection/ reconnection/relocation/termination	21,209,105	25,500,677	21,209,105	25,500,677
	Government grant	53,408	-	53,408	-
	Dividend income	1,965,535	1,853,882	-	-
		86,470,366	105,164,451	82,598,250	101,390,313
5	**Profit from operating activities stated after charging,**				
	Staff costs (Note 5.1)	127,172,855	107,171,404	137,577,751	116,130,581
	Directors' fees	1,022,991	1,087,017	1,527,895	1,588,217
	Depreciation and amortisation	25,874,596	26,156,232	28,994,585	28,440,628
	Bank service charges and commission	12,157,117	11,388,364	12,172,548	11,403,734
	Import duty and freight charges	11,086,939	11,258,656	11,086,939	11,258,949
	Repair and maintenance	12,395,647	12,172,880	13,057,002	12,288,809
	Transport and travelling expenses	1,790,297	1,163,585	2,050,806	1,508,039
	Land and office rentals	567,662	9,791,655	1,319,843	12,126,622
	Insurance expense	6,073,221	7,036,260	6,802,587	7,500,896
	Water expense	5,915,551	2,801,966	5,952,194	2,860,608
	Electricity expense	1,283,549	5,801,458	1,306,162	5,889,675
	Fuel expense	1,930,107	2,483,157	1,930,107	2,483,157
	Telephone and postage expense	2,940,584	2,965,726	3,448,185	3,527,961
	Printing and stationary expense	1,538,611	1,595,937	2,012,727	2,004,565
	Board meeting expenses	53,870	21,216	53,870	21,216
	Entertainment expense	1,632,067	1,171,103	2,689,025	2,304,062
	Donations expense	2,472,614	4,558,934	2,472,614	4,558,934
	Legal expenses	81,200	321,200	81,200	321,200
5.1	**Staff costs**				
	Salaries and wages	47,724,738	44,310,283	52,153,140	47,863,108
	Staff bonus	22,011,277	13,238,340	22,493,026	13,692,723
	Allowances expense	37,872,432	36,993,582	37,872,432	36,993,582
	Overtime expense	5,914,176	5,925,133	5,914,176	5,925,133
	Overseas training expenses	7,751,517	3,038,409	7,751,517	3,038,409
	Staff welfare expense	980,736	113,236	5,622,607	4,652,203
	Local training expenses	1,109,858	62,227	1,558,255	146,060
	Staff provident fund	3,366,718	3,104,950	3,771,195	3,434,119
	Staff recruitment and work permit expenses	441,403	385,244	441,403	385,244
		127,172,855	107,171,404	137,577,751	116,130,581
6	**Net finance cost**				
6.1	**Finance income**				
	Interest income on short term deposits	515,943	789,162	515,943	789,162
6.2	**Finance expenses**				
	Interest expense on borrowings	9,345,067	10,061,686	10,526,315	12,015,931
	Net foreign exchange loss	1,579,374	682,686	1,683,374	682,686
	Interest expense on lease liabilities	6,586,176	-	7,063,125	-
		17,510,617	10,744,372	19,272,814	12,698,617
	Net finance cost	16,994,674	9,955,210	18,756,871	11,909,455
7	**Business profit tax expenses**				
	Tax on business profit (Note 7.1)	55,818,572	70,970,109	56,240,084	72,213,478
	Deferred tax on temporary differences (Note 7.3)	(3,175,529)	78,191	(2,751,843)	(196,047)
	Income tax expense reported in the income statement	52,643,043	71,048,300	53,488,241	72,017,431

(Continued)

AUDITOR GENERAL'S OFFICE

Male' Water & Sewerage Company Pvt. Ltd. MWSC Reg. No C-67/95 Male', Maldives

7 **Business profit tax expenses (continue)**

7.1 Business Profit tax has been calculated at 15% on the taxable profit for the year ended in accordance with the Business Profit Tax Act No. 05/2011. A reconciliation between tax expense and the product of accounting profit multiplied by Maldives's domestic tax rate for the year ended 31 December is as follows:

	COMPANY		GROUP	
	Year ended 31-12-2019 MVR	Year ended 31-12-2018 MVR	Year ended 31-12-2019 MVR	Year ended 31-12-2018 MVR
Profit before tax from operating activities	361,433,331	482,492,289	363,228,534	493,096,394
Add: Depreciation charge for the period	88,130,389	85,565,930	96,183,680	92,500,915
Other disallowable expenses	46,232,696	26,804,310	54,855,185	29,976,624
Less: Capital allowances	(96,556,912)	(95,408,071)	(107,418,634)	(104,547,426)
Other allowable expenses	(26,865,693)	(26,070,399)	(33,741,184)	(29,103,323)
Taxable profit before adjustments	372,373,811	473,384,058	373,107,581	481,923,183
Less: Tax free allowance	(250,000)	(250,000)	(500,000)	(500,000)
Taxable profit	372,123,811	473,134,058	372,607,581	481,423,183
Income tax on taxable profit at 15%	55,818,572	70,970,109	56,240,084	72,213,478

	COMPANY		GROUP	
7.2 **Deferred tax**	As at 31-12-2019	As at 31-12-2018	As at 31-12-2019	As at 31-12-2018
Temporary difference,	MVR	MVR	MVR	MVR
On property, plant and equipment	141,653,321	140,609,589	149,892,518	140,609,589
On ROU assets	(2,537,922)	-	(2,716,119)	-
On voluntary retirement provision	-	(426,964)	-	(426,964)
On debtors general provision	(80,758,496)	(63,051,407)	(82,309,628)	(63,051,407)
On stock general provision	(8,825,002)	(6,429,124)	(8,825,002)	(6,429,124)
	49,531,901	70,702,094	56,041,769	74,387,386
Tax rate	15%	15%	15%	15%
Deferred tax liability as at 31 December	7,429,785	10,605,314	8,406,265	11,158,108

Deferred tax liabilities are calculated on all temporary differences under the liability method using the effective tax rate of 15%. Deferred business profit tax liabilities/assets for the Group and the Company are arising from accelerated tax depreciation and the provision for bad debt. The net movement on the deferred income tax is as follows:

	COMPANY		GROUP	
7.3 **Movement in deferred tax (assets)/liabilities**	As at 31-12-2019 MVR	As at 31-12-2018 MVR	As at 31-12-2019 MVR	As at 31-12-2018 MVR
At 1 January	10,605,314	10,527,123	11,158,108	11,354,155
Provision made during the year	(3,175,529)	78,191	(2,751,843)	(196,047)
As at 31 December	7,429,785	10,605,314	8,406,265	11,158,108

7.4 **Business profit tax payable**				
As at 1 January	46,195,785	22,278,039	46,674,909	23,123,283
Tax charge for the year	55,818,572	70,970,109	56,240,084	72,213,478
Paid during the year	(82,236,312)	(47,052,363)	(83,971,187)	(48,661,852)
As at 31 December	19,778,045	46,195,785	18,943,806	46,674,909

8 **Earnings per share**

8.1 Earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

(Continued)

8 **Earnings per share (continue)**

8.2 The following reflects the income and share data used in the basic earnings per share computation.

	COMPANY		GROUP	
	Year ended 31-12-2019 MVR	Year ended 31-12-2018 MVR	Year ended 31-12-2019 MVR	Year ended 31-12-2018 MVR
Profit attributable to equity holders- -of the company	308,790,288	411,443,989	305,006,533	414,503,944
Weighted average number of - - ordinary shares in issue	267,000	267,000	267,000	267,000
Basic earnings per share	1,157	1,541	1,142	1,552

8.3 **Dividends per share**

At the 27th annual general meeting held on 10 April 2019, a final dividend in respect of the financial year 2018 of MVR 925/- per share (2017: MVR 595/- per share) amounting to a total of MVR 246,866,393/- (2018: MVR 158,860,075/-) was declared. These financial statements reflects this dividend, which has been accounted for under statement of changes in equity as an appropriation of retained earnings during the year.

9 **Property, plant and equipment**

9.1 **Gross carrying amounts**

	GROUP			
	Balance as at 01.01.2019 MVR	Additions/ transfers MVR	Disposal/ transfers MVR	Balance as at 31.12.2019 MVR
Leasehold land, building desalination plant and fuel farm	286,996,424	26,683,816	(16,158,717)	297,521,523
Public rain water scheme and new water supply scheme	200,469,204	-	-	200,469,204
Sewerage system	134,320,879	-	-	134,320,879
Shrink film blowing machine and preform system	120,503,385	15,689,379	-	136,192,764
Reserve osmosis (RO) plants,- generator, borewell and control	544,069,169	56,170,493	-	600,239,662
Motor vehicles	88,250,293	5,712,765	-	93,963,058
Office and other equipment	63,097,091	4,152,245	(162,329)	67,087,007
Furniture and fittings	20,074,945	1,433,139	-	21,508,084
Computer hardware	39,675,102	1,494,454	(1,150,575)	40,018,981
Vessels	69,665,831	115,000	-	69,780,831
	1,567,122,323	111,451,291	(17,471,621)	1,661,101,993

9.2 **Accumulated Depreciation**

	Balance as at 01.01.2019 MVR	Charge for the year MVR	Disposal/ transfers MVR	Balance as at 31.12.2019 MVR
Leasehold land, building desalination plant and fuel farm	109,337,964	10,610,882	(12,743,075)	107,205,771
Public rain water scheme and new water supply scheme	79,394,168	5,004,313	-	84,398,481
Sewerage system	97,443,645	3,521,875	-	100,965,520
Shrink film blowing machine and preform system	37,464,034	9,075,114	-	46,539,148
Reserve osmosis (RO) plants,- generator, borewell and control	259,182,811	34,152,128	-	293,334,939
Motor vehicles	70,401,985	9,870,904	-	80,272,889
Office and other equipment	47,761,716	6,801,511	(162,329)	54,400,898
Furniture and fittings	15,428,610	1,011,869	-	16,440,479
Computer hardware	27,494,730	7,226,245	(1,142,456)	33,578,519
Vessels	3,419,963	3,292,778	-	6,712,741
	747,329,626	90,567,619	(14,047,860)	823,849,385
	819,792,697			837,252,608

(Continued)

Male' Water & Sewerage Company Pvt. Ltd. Reg. No. C-67/95 Male' Maldives

9 Property, plant and equipment (Continued)

	COMPANY			
9.1 Gross carrying amounts	Balance as at 01-01-2019 MVR	Additions/ transfers MVR	Disposal/ transfers MVR	Balance as at 31-12-2019 MVR
Leasehold Land, building desalination plant and fuel farm	226,431,961	11,728,837	(16,158,717)	222,002,081
Public rain water scheme and new water supply scheme	200,469,204	-	-	200,469,204
Sewerage system	134,320,879	-	-	134,320,879
Shrink film blowing machine and preform system	120,503,385	15,689,379	-	136,192,764
Reserve osmosis (RO) plants,- generator, borewell and control pumps	538,976,380	36,227,118	-	575,203,498
Motor vehicles	78,689,824	1,715,915	-	80,405,739
Office and other equipment	62,111,132	2,822,061	(162,329)	64,770,864
Furniture and fittings	16,710,664	13,515	-	16,724,179
Computer hardware	36,575,036	846,961	(1,150,575)	36,271,422
Vessels	53,243,734	-	-	53,243,734
	1,468,032,199	69,043,786	(17,471,621)	1,519,604,364

9.2 Accumulated Depreciation	Balance as at 01-01-2019 MVR	Charge for the year MVR	Disposal / transfers MVR	Balance as at 31-12-2019 MVR
Leasehold Land, building desalination plant and fuel farm	87,536,287	10,209,506	(12,743,075)	85,002,718
Public rain water scheme and new water supply scheme	79,394,168	5,004,313	-	84,398,481
Sewerage system	97,443,645	3,521,875	-	100,965,520
Shrink film blowing machine and preform system	37,464,034	9,075,114	-	46,539,148
Reserve osmosis (RO) plants,- generator, borewell and control pumps	252,799,949	29,847,524	-	282,647,473
Motor vehicles	62,669,947	8,448,345	-	71,118,292
Office and other equipment	47,031,702	6,538,351	(162,329)	53,407,724
Furniture and fittings	13,199,845	624,508	-	13,824,353
Computer hardware	26,115,247	6,706,808	(1,142,456)	31,679,599
Vessels	2,590,186	2,662,187	-	5,252,373
	706,245,010	82,638,531	(14,047,860)	774,835,681
Total carrying amount of property plant and equipment	761,787,189			744,768,683

9.3 The value of fully depreciated property, plant and equipment at the reporting date amounted to MVR 283,507,171/- (2018: MVR 276,858,574/-) of the Group and MVR 266,306,561/-(2018: MVR 260,792,473/-) of the Company.

9.4 Depreciation expenses of MVR 64,080,539/- (2018: MVR 64,060,180/-) has been charged in cost of sales and MVR 26,487,534/- (2018: MVR 25,997,892/-) in administrative expenses of the Group.

9.5 Depreciation expenses of MVR 59,147,237/- (2018: MVR 59,409,592/-) has been charged in cost of sales and MVR 23,491,296/- (2018: MVR 23,808,513/-) in administrative expenses of the Company.

10	Capital work-in-progress	COMPANY		GROUP	
		As at 31-12-2019 MVR	As at 31-12-2018 MVR	As at 31-12-2019 MVR	As at 31-12-2018 MVR
	At 1 January	498,346,450	378,422,722	545,038,276	395,544,482
	Additions	171,452,083	211,238,862	183,197,889	245,433,515
	Capitalised during the year to property, plant and equipment	(51,328,404)	(91,315,134)	(86,226,758)	(95,939,721)
	At 31 December	618,470,129	498,346,450	642,009,407	545,038,276
10.1	In the course of construction				
	Land reclamation and development - Gulhifalhu	195,866,751	195,866,751	195,866,751	195,866,751
	Hulhumale' water & sewer network phase 2	106,619,217	27,503,764	106,619,217	27,503,764
	RO Facility building at Haveeree Hingun - Male'	13,384,343	28,172,456	13,384,343	28,172,456
	Gulhifalhu warehouse building	3,588,186	9,229,348	3,588,186	9,229,348
	RO plant building extension - Hulhumale'	8,387,026	7,896,133	8,387,026	7,896,133
	New CS building - Male'	47,268,038	39,427,146	47,268,038	39,427,146
	VAF pre-filteration system	25,007,452	2,335,238	25,007,452	2,335,238
	Total utility solutions to L. Baresdhoo	2,413,849	2,768,902	2,413,849	2,768,902
	Switchgear for Thilafushi operations	1,791,504	2,090,821	1,791,504	2,090,821
	2 New boreholes - Male	3,105,916	3,546,206	3,105,916	3,546,206
	Construction of boreholes - Gulhifalhu	9,488,406	1,530,340	9,488,406	1,530,340
	Facility building - Gulhifalhu	2,837,674	2,320,550	2,837,674	2,320,550
	Ventilation system	3,788,075	1,789,048	3,788,075	1,789,048
	New preform machine	1,879,330	19,759,179	1,879,330	19,759,179
	1.5 MVA transformer w/LV box	2,090,821	1,791,504	2,090,821	1,791,504
	Other capital projects	138,870,325	152,319,064	138,870,325	159,092,336
	Construction of preform building - Gulhifalhu	43,143,391	-	43,143,391	-
	Borehole construction 300m3/hr - Maafushi	1,162,158	-	1,162,158	-
	Reject line modification - Vilimale	2,675,370	-	2,675,370	-
	3PAR Stores	2,307,953	-	2,307,953	-
	PVC pipe commercializing	1,073,256	-	1,073,256	-
	Jetting machine	1,721,088	-	1,721,088	-
	Kulhudhuffushi project	-	-	-	28,469,175
	BPH project	-	-	23,539,278	11,449,379
		618,470,129	498,346,450	642,009,407	545,038,276

10.2 During the year, the company has incurred borrowing cost amounting to MVR 1,854,633 (2018: Nil) on qualifing assets in capital work-in-progress.

11	Intangible assets	COMPANY		
11.1	Gross carrying amount at cost	Balance as at 01-01-2019 MVR	Additions MVR	Balance as at 31-12-2019 MVR
	Computer software	26,725,574	309,054	27,034,628
	Accumulated amortisation and impairment at cost	Balance as at 01-01-2019 MVR	Charge for the year MVR	Balance as at 31-12-2019 MVR
	Computer software	20,459,170	1,832,178	22,291,348
	Net carrying amount	6,266,404		4,743,280

(Continued)

11 Intangible assets

11.2 Gross carrying amount at cost

	GROUP		
	Balance as at 01-01-2019 MVR	Additions MVR	Balance as at 31-12-2019 MVR
Computer software	27,158,448	588,866	27,747,314
Brand name	25,000	-	25,000
ISO and HACCP Certificate	234,788	-	234,788
	27,418,236	588,866	28,007,102

Accumulated amortisation and impairment at cost	Balance as at 01-01-2019 MVR	Charge for the year MVR	Balance as at 31-12-2019 MVR
Computer software	20,589,331	1,939,026	22,528,357
Brand name	18,751	1,250	20,001
ISO and HACCP Certificate	26,088	15,653	41,741
	20,634,170	1,955,929	22,590,099
Net carrying amount	6,784,066		5,417,003

12 Investment in subsidiaries

	COMPANY	
	As at 31-12-2019 MVR	As at 31-12-2018 MVR
Island Beverages Maldives Private Limited	7,650,000	7,650,000

Investment in subsidiary comprises investment made by the Company in Island Beverages Maldives Private Limited, a company incorporated in the Republic of Maldives. The Company holds 51% of the issued shares.

13 Investment Property

13.1 Gross carrying amount at cost

	COMPANY		
	Balance as at 01-01-2019 MVR	Additions MVR	Balance as at 31-12-2019 MVR
West coast beach - pavilion	9,681,536	-	9,681,536
CS Building 3rd and 4th floor	-	9,002,541	9,002,541
	9,681,536	9,002,541	18,684,077

Accumulated amortisation and impairment at cost	Balance as at 01-01-2019 MVR	Charge for the year MVR	Balance as at 31-12-2019 MVR
West coast beach - pavilion	524,417	484,076	1,008,493
CS Building 3rd and 4th floor	-	67,046	67,046
	524,417	551,122	1,075,539
Net carrying amount	9,157,119		17,608,538

(Continued)

13 Investment Property

13.2 Gross carrying amount at cost	GROUP Balance as at 01-01-2019 MVR	Additions MVR	Balance as at 31-12-2019 MVR
West coast beach - pavilion	9,681,536	-	9,681,536
CS Building 3rd and 4th floor	-	9,002,541	9,002,541
	9,681,536	9,002,541	18,684,077

Accumulated amortisation and impairment at cost	Balance as at 01-01-2019 MVR	Charge for the year MVR	Balance as at 31-12-2019 MVR
West coast beach - pavilion	524,417	484,076	1,008,493
CS Building 3rd and 4th floor	-	67,046	67,046
	524,417	551,122	1,075,539
Net carrying amount	9,157,119		17,608,538

The Group has rented out one of it's buildings at Rasfannu(West coast beach pavilion) and CS Building 3rd and 4th floor to third parties with the intention of earning monthly rental income, and company has adopted cost model to measure the investment property since fair value of the property cannot be reliably estimated.

	COMPANY		GROUP	
14 Inventories	As at 31-12-2019 MVR	As at 31-12-2018 MVR	As at 31-12-2019 MVR	As at 31-12-2018 MVR
Raw materials	36,418,990	36,630,076	39,451,723	38,977,337
Consumable stock	240,241,537	211,785,818	242,355,520	213,606,595
Finished goods	8,730,665	9,002,584	9,130,733	9,721,642
	285,391,192	257,418,478	290,937,976	262,305,574
Less:				
Impairment for slow and non-moving items	(8,825,002)	(6,429,124)	(8,825,002)	(6,429,124)
	276,566,190	250,989,354	282,112,974	255,876,450
Work-in-progress				
Employee housing unit	17,707,827	2,154,487	17,707,827	2,154,487
	294,274,017	253,143,841	299,820,801	258,030,937
15 External project work-in-progress				
External projects	13,781	13,781	13,781	13,781
16 Contract assets				
Unbilled water consumptions	30,094,060	26,344,483	30,094,060	26,344,483
Construction retention	7,445,935	30,314,331	7,445,935	30,314,331
	37,539,995	56,658,814	37,539,995	56,658,814

16.1 Amounts relating to contract assets are balances due from customers from water consumption and construction retentions.

16.2 Unbilled water consumption includes water consumption as end of the reporting period which are not opened for billing cycle.

16.3 Construction retention is held by customers until the agreed related milestones are achieved.

16.4 Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

AUDITOR GENERAL'S OFFICE

Male' Water & Sewerage Company Pvt. Ltd. MWSC Reg. No. C67/95 Male' Maldives

17 Trade and other receivables

	COMPANY		GROUP	
	As at 31-12-2019 MVR	As at 31-12-2018 MVR	As at 31-12-2019 MVR	As at 31-12-2018 MVR
Trade receivables	125,709,709	100,617,840	129,784,347	105,001,443
Amounts due from related parties (Note 31)	229,684,007	255,471,269	163,871,738	215,829,335
Less: provision for impairments of trade receivable (Note 17.6)	(80,758,496)	(63,051,407)	(82,309,628)	(63,857,626)
	274,635,220	293,037,702	211,346,457	256,973,152
Deposit and prepayments	57,762,515	56,578,453	60,482,216	58,461,673
Other receivables	55,199,772	37,150,849	55,663,857	37,617,472
	112,962,287	93,729,302	116,146,073	96,079,145
Trade and other receivables	387,597,507	386,767,004	327,492,530	353,052,297

17.1 There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

17.2 During the year the Group has billed MVR 67,954,701/-(2018: MVR 61,137,582/-) to the Ministry of Finance (Government of Maldives) as loss of revenue from selling water at subsidy rate in Greater male area ,since Group has not received money as of reporting date no accounting treatment has been applied for the invoices due to the uncertainty of the receivables .

17.2 The amounts due from related parties are unsecured, interest free and have no fixed repayment terms. Accordingly, these amounts are shown as falling due within one year.

17.3 Prepayments of the Group include advance payments made to suppliers amounting to MVR 57,037,205/- (2018: MVR 55,853,143/-) and security deposit MVR 725,310/- (2018: MVR 725,310/-).

17.4 Other receivables of the Group include LC margin money MVR 25,964,432 (2018: MVR 22,411,936), staff loans amounting to MVR 2,567,149 (2018: MVR 4,192,174),

17.5 Trade receivables are non-interest bearing and are generally on 30-90 day terms. As at 31 December 2019, trade receivable amount is MVR 105,485,408/- (2018:MVR 100,617,840/-). All trade receivables are subject to credit risk exposure. However, impairment of trade receivable is made when certain debtors are identified (over 180 days 50% and over 365 days 100% provision) to be irrecoverable and as at 31 December 2019, trade receivable of an initial value of MVR 69,056,802/- (2018: 63,051,407/-) were impaired and provided for. See Note no 18.1 for the movement in the provision for impairment of receivables.

17.6 Provision for impairment of trade receivable

	COMPANY		GROUP	
	As at 31-12-2019 MVR	As at 31-12-2018 MVR	As at 31-12-2019 MVR	As at 31-12-2018 MVR
Aging (Over 180 days 50% and over 365 days 100%)	80,758,496	63,051,407	82,309,628	63,857,626

Movement of provision for impairment is as follows:

Opening balance	63,051,407	60,110,119	63,857,626	60,848,625
Provision during the year	17,707,089	2,941,288	18,452,002	3,018,001
Write off of trade receivable	-	-	-	(9,000)
Closing balance	80,758,496	63,051,407	82,309,628	63,857,626

18 Other current financial assets

Opening net book amount	6,027,581	5,937,554	6,027,581	5,937,554
Additions	95,606	90,027	95,606	90,027
Closing net book amount	6,123,187	6,027,581	6,123,187	6,027,581

The Company has invested in fixed deposit in the HSBC(Maldives) amounted of USD 360,571/- for a period of 3 months on 18 September 2013 which carries an interest rate of 1.5% p.a. It has been auto renewed through-out the period and accumulated interest has been capitalized.

19 Cash and cash equivalents in cash flow statement

	COMPANY		GROUP	
	As at 31-12-2019 MVR	As at 31-12-2018 MVR	As at 31-12-2019 MVR	As at 31-12-2018 MVR
Cash in hand	14,671,907	59,566,802	15,980,931	60,732,949
Cash at banks	206,786,503	136,665,145	219,576,357	148,838,654
	221,458,410	196,231,947	235,557,288	209,571,603

20 Share capital

	Number of shares	Ordinary shares (MVR)
At 1 January 2019	267,000	267,000,000
At 31 December 2019	267,000	267,000,000

The total authorised number of ordinary shares is 267,000 shares (2018: 267,000 shares) with a par value of MVR 1,000 per share (2018: MVR 1,000 per share). The above, 267,000 shares are issued and fully paid.

	As at 31-12-2019 MVR	As at 31-12-2018 MVR
Government of Maldives - 213,600 ordinary shares	213,600,000	213,600,000
Hitachi Limited - 53,400 ordinary shares	53,400,000	53,400,000
	267,000,000	267,000,000

21 Share allotment gain

The difference between the consideration received for shares and the par value of shares allotted by the company has been shown as share allotment gain.

	Consideration paid for shares MVR	Value of shares allotted MVR	Gain MVR
Government of Maldives	267,003,042	267,000,000	3,042

22 Non-controlling interest

	Group	
	As at 31-12-2019 MVR	As at 31-12-2018 MVR
At 1 January	25,970,802	23,030,846
Dividends declared	(1,888,455)	(1,781,181)
Share of net profit of subsidiary	478,550	4,721,137
At 31 December	24,560,897	25,970,802

23 Interest-bearing loans and borrowings

	COMPANY		GROUP	
	As at 31-12-2019 MVR	As at 31-12-2018 MVR	As at 31-12-2019 MVR	As at 31-12-2018 MVR
Non- Current:				
HSBC term loan	129,580	397,104	129,580	397,104
Loan from a related party	107,820,595	21,568,262	107,820,595	21,568,262
Mauritius Commercial Bank	-	9,250,450	-	9,250,450
Maldives Finance Leasing Company	-	-	14,298,655	22,307,380
Habib Bank Limited	26,734,669	6,323,173	26,734,669	6,323,173
	134,684,844	37,538,989	148,983,499	59,846,369
Current :				
HSBC term loan	259,160	15,595,131	259,160	15,595,131
Loan from a related party	17,246,580	11,678,491	17,246,580	11,678,491
Mauritius Commercial Bank	9,253,662	8,955,753	9,253,662	8,955,753
Maldives Finance Leasing Company	-	-	8,008,692	9,816,485
Habib Bank Limited	15,202,334	5,058,538	15,202,334	5,058,538
	41,961,736	41,287,913	49,970,428	51,104,398
Total borrowings	176,646,580	78,826,902	198,953,927	110,950,767

(Continued)

AUDITOR GENERAL'S OFFICE

Male' Water & Sewerage Company Pvt. Ltd. MWSC Reg. No. C-67/95 Male', Maldives

23.1 Movement of interest bearing liabilities

	COMPANY			
	As at 01.01.2019 MVR	Loans obtained MVR	Repayment MVR	As at 31-12-2019 MVR
HSBC term loan	15,992,235	-	(15,600,285)	391,950
Loan from a related party	33,246,753	105,965,495	(14,145,072)	125,067,176
Mauritius Commercial Bank	18,206,203	-	(8,955,753)	9,250,450
Habib Bank Limited	11,381,711	34,225,293	(3,670,000)	41,937,004
	78,826,902	140,190,788	(42,371,110)	176,646,580

	GROUP			
	As at 01.01.2019 MVR	Loans obtained MVR	Repayment MVR	As at 31-12-2019 MVR
HSBC term loan	15,992,235	-	(15,600,285)	391,950
Loan from a related party	33,246,753	105,965,495	(14,145,072)	125,067,176
Mauritius Commercial Bank	18,206,203	-	(8,955,753)	9,250,450
Maldives Finance Leasing Company	32,123,865	-	(9,816,518)	22,307,347
Habib Bank Limited	11,381,711	34,225,293	(3,670,000)	41,937,004
	110,950,767	140,190,788	(52,187,628)	198,953,927

The exposure of the Company's borrowings to interest rate changes and contractual repricing dates at the end of the reporting period are as follows:

	COMPANY		GROUP	
	As at 31-12-2019 MVR	As at 31-12-2018 MVR	As at 31-12-2019 MVR	As at 31-12-2018 MVR
6 months or less	9,815,205	20,214,372	12,648,469	23,047,636
6 - 12 months	32,276,113	22,049,011	39,259,334	29,032,232
1- 5 years	134,555,262	36,563,519	156,862,642	58,870,899
	176,646,580	78,826,902	208,770,445	110,950,767

The carrying amount and the fair value of the non-current borrowings are as follows:

	GROUP	
	As at 31-12-2019 MVR	As at 31-12-2018 MVR
Borrowings value 1- 5 years:		
Carrying amount	156,862,642	58,870,899
Fair value	156,862,642	58,870,899

(Continued)

23 Interest bearing loans and borrowings

23.2 Details of interest bearing loans and borrowings

Lender	Total loan facility	Repayment Term	Interest rate	Securities/pledged assets
HSBC Limited (Manufacturing plant in Ghulhefalhu)	EURO. 1,460,000/-	Loan has been obtained through 4 disbursements in EURO, - 01 dis.(EURO. 280,000/-) to be repaid in 48 monthly instalments. - 02 dis.(EURO. 60,000/-) to be repaid in 60 monthly instalments. - 03 dis.(EURO. 1,030,000/-) to be repaid in 42 monthly instalments. - 03 dis.(EURO. 90,000/-) to be repaid in 24 quarterly instalments.	3 months government T-bills plus 1.75% p.a.	I) Mortgage of leasehold right of 'Fen Building' for MVR 300Mn and Mortgage of RO plants for MVR 115.23Mn. II) Mortgage of a RO plant and 3 Gensets in Hulhumale' along with PET Injection Moulding machine III) Fen building IV) Eight (8) reverse osmosis plant with different cubic meter per day capacity (it consists 5 RO plant from 1500CM, 2 RO V) Deposits of USD 390,916/- in the name of Male' Water and Sewerage Company Private Limited.
Habib bank limited (Letter of credit)	MVR. 14,680,000/-	Facility has been obtained on 15 February 2018 subject to 6 months grace period and has to be repaid in 9 quarterly instalments.	Fixed rate at 9%	I) mortgage over head lease rights of the land favouring MWSC and mortgage over building 3,696.37 sq. m located at Hulhumale Plot 10618, Hulhumale'
Habib bank limited (Letter of credit)	MVR. 30,927,003/-	Facility has been obtained on 30 May 2019 subject to 12 months grace period and has to be repaid in 12 quarterly instalments.	Fixed rate at 9%	
Hitachi -Contract No. MWSC/P/M/2015/77	USD. 1,758,400/-	Facility has been obtained for acquired 5000M3 RO plant 27 July 2016 and has to be repaid in 20 quarterly instalments.	Fixed rate at 7%	-
Hitachi - Contract No. MWSC/HM/2016/99/085	USD. 1,110,400/-	Facility has been obtained for acquired 3000m3 RO plant on 19 July 2017 and has to be repaid in 20 quarterly instalments.	Fixed rate at 7%	-
Hitachi - Contract No. MWSC/P/M/2017/87/085	USD. 734,300/-	Facility has been obtained for acquired 2000m3 RO plant on 12 November 2017 and has to be repaid in 20 quarterly instalments.	Fixed rate at 4.5%	-
Hitachi - Contract No. MWSC/P/M/2017/126/061	USD. 1,066,400/-	Facility has been obtained for acquired 3000m3 RO plant on 16 April 2019 and has to be repaid in 20 quarterly instalments.	Fixed rate at 5.5%	-

(Continued)

23 Interest bearing loans and borrowings (Continued)

23.2 Details of interest bearing loans and borrowings (Continued)

Lender	Total loan facility	Repayment Term	Interest rate	Securities/pledged assets
Hitachi - Contract No. MWSC/HM/2019/145/008	USD. 1,277,913/-	Facility has been obtained for financed the supply, installation and commissioning of a 3000M3/day RO plant in Hulhumale phase 2 project on 15 July 2019 and has to be repaid in 72 monthly instalments with 12 months grace period.	Fixed rate at 8.35%	-
Hitachi - Contract No. MWSC/HM/2019/146/009	USD. 741,470/-	Facility has been obtained for finance the supply, installation & commissioning of 1.8Mw generator set in Hulhumale phase 2 project on 15 July 2019 and has to be repaid in in 72 monthly instalments with 12 months grace period.	Fixed rate at 8.35%	-
Hitachi - Contract No. MWSC/HM/2019/147/010	USD. 3,988,107/-	Facility has been obtained for finance the supply of water & sewerage system materials in Hulhumale phase 2 project on 15 July 2019 and has to be repaid in in 72 monthly instalments with 12 months grace period.	Fixed rate at 8.35%	-
Maldives Finance Leasing Company - Contract No. 16093029	MVR. 12,100,000/-	IBM has entered a lease agreement to acquired a landing craft and a crane on July 2017 and has to be repaid in 5.5 years.	Fixed rate at 11.5%	-
Maldives Finance Leasing Company - Contract No. 18031247	MVR. 20,000,000/-	IBM has entered a lease agreement to acquired a 5L bottling plant on May 2018 and has to be repaid in 4 years.	Fixed rate at 9%	-

24 Leases

24.1 The Group has several contracts for the use of Land and building in its operations. The Company's obligations under its leases are secured by the lessors' title to the leased assets.

The buildings and certain other fixed assets were erected on land leased to the Company from the Government of Maldives for 20 years in accordance with Clause 17 of the Joint Venture Agreement and the Assets Transfer Agreement dated 30 March 1995 and 9 September 1995 respectively. The leasehold rights to the land were derived from the said Joint Venture Agreement and Assets Transfer Agreement. The Company has received an extension of lease terms for a further 50 years from the Government of Maldives on 14th March 2010. During the year the balance has transferred to right of use assets.

Set out below are the carrying amounts of right of used assets recognised and the movements during the period.

24.2 Right of use assets	COMPANY			
	Male' leasehold right MVR	Land MVR	Building MVR	Total MVR
As at 1 January 2019	-	-	-	-
Initial application of IFRS 16 - as at 1 January	-	79,928,921	551,795	80,480,716
Transferred from Property plant equipment	16,158,717	8,367,717	-	24,526,434
Additions	-	-	-	-
As at 31 December 2019	16,158,717	88,296,638	551,795	105,007,150
Depreciation				
As at 1 January 2019	-	-	-	-
Transferred from Property plant equipment	12,743,074	-	-	12,743,074
Charge for the period	81,325	3,006,143	21,088	3,108,556
As at 31 December 2019	12,824,399	3,006,143	21,088	15,851,630
Net book value	3,334,318	85,290,495	530,707	89,155,520

24.2 Right of use assets	GROUP			
	Male' leasehold right MVR	Land MVR	Building MVR	Total MVR
As at 1 January 2019	-	-	-	-
Initial application of IFRS 16 - as at 1 January	-	80,000,762	9,388,923	89,389,685
Transferred from Property plant equipment	16,158,717	8,367,717	-	24,526,434
As at 31 December 2019	16,158,717	88,368,479	9,388,923	113,916,119
Depreciation				
As at 1 January 2019	-	-	-	-
Transferred from Property plant equipment	12,743,074	-	-	12,743,074
Charge for the period	81,325	3,030,090	2,280,706	5,392,121
As at 31 December 2019	12,824,399	3,030,090	2,280,706	18,135,195
Net book value	3,334,318	85,338,389	7,108,217	95,780,924

(Continued)

AUDITOR GENERAL'S OFFICE

Male' Water & Sewerage Company Pvt. Ltd.
MWSC
Reg. No. C67/95
Male', Maldives

24 Leases (continued)

Set out below are the carrying amounts of rent labilities and the movements during the period

24.3 Lease liabilities

	Interest rate	Maturity	COMPANY As at 31-12-2019 MVR	COMPANY As at 31-12-2018 MVR	GROUP As at 31-12-2019 MVR	GROUP As at 31-12-2018 MVR
Non- current	8%	2021-2060	87,488,688	-	91,166,163	-
Current	8%	2020	789,111	-	3,915,237	-
			88,277,799	-	95,081,400	-

	COMPANY As at 31-12-2019 MVR	COMPANY As at 31-12-2018 MVR	GROUP As at 31-12-2019 MVR	GROUP As at 31-12-2018 MVR
As at 1 January				
Initial application of IFRS 16 - as at 1 January	80,480,716	-	82,375,157	-
Additions	8,367,717	-	15,382,245	-
Accretion of interest	6,586,176	-	7,063,125	-
Payments	(7,156,810)	-	(9,739,127)	-
As at 31 December	88,277,799	-	95,081,400	-

The following are the amounts relating to leases recognised in profit or loss:

	COMPANY Year ended 31-12-2019 MVR	COMPANY Year ended 31-12-2018 MVR	GROUP Year ended 31-12-2019 MVR	GROUP Year ended 31-12-2018 MVR
Depreciations charge of Right-of-use-assets				
Leasehold right	81,325	-	81,325	-
Land	3,006,143	-	3,030,090	-
Building	21,088	-	3,801,135	-
	3,108,556	-	**6,912,550**	-
Interest expense on lease liabilities				
Land	6,542,267	-	6,549,466	-
Building	43,909	-	970,745	-
	6,586,176	-	**7,520,211**	-
Total amount recognised in profit or loss	9,694,732	-	14,432,761	-

25 Government grants

	COMPANY As at 31-12-2019 MVR	COMPANY As at 31-12-2018 MVR	GROUP As at 31-12-2019 MVR	GROUP As at 31-12-2018 MVR
As at 1 January 2019	-	-	-	-
Transferred from share application money	13,924,260		13,924,260	-
Released to other income	(53,408)		(53,408)	-
As at 31 December 2019	**13,870,852**	-	**13,870,852**	-
Non- current	12,942,568		12,942,568	-
Current	928,284		928,284	-
	13,870,852		13,870,852	-

The amount received as share application money from the government in the month of January 2016, now has been considered as grant received from the government based on the approval received Ministry of Finance on 11th December 2019. The above amount treated as a grant and would be released to income statement over 15 years of period since then.

There are no unfulfilled conditions or contingencies attached to these grants.

26 Contract liabilities

	COMPANY As at 31-12-2019 MVR	COMPANY As at 31-12-2018 MVR	GROUP As at 31-12-2019 MVR	GROUP As at 31-12-2018 MVR
Construction retention	9,763,392	12,222,751	9,763,392	13,022,837
Contract advances	27,783,881	61,137,582	27,783,881	61,137,582
	37,547,273	**73,360,333**	**37,547,273**	**74,160,419**

27 Trade and other payables	COMPANY		GROUP	
	As at 31-12-2019 MVR	As at 31-12-2018 MVR	As at 31-12-2019 MVR	As at 31-12-2018 MVR
Trade payables	14,395,156	44,882,455	16,184,760	47,388,936
Amounts due to related parties (Note 31)	2,623,621	11,847,539	2,622,811	11,322,657
Accrued expenses	2,506,408	1,414,972	5,958,666	2,379,424
Other payables	58,454,437	52,536,474	59,012,758	52,357,482
Dividend Payable	518,517,541	421,024,441	518,517,541	421,024,441
	596,497,163	531,705,881	602,296,536	534,472,940

27.1 The amount due to related parties are unsecured, interest free and has no fixed repayment period. Accordingly the entire amount due have been presented as falling due within one year.

27.2 Accrued expenses include GST payable of MVR 2,320,551/- (2018: MVR 1,172,107/-) and Audit fee payable of MVR 243,829/- (2018: MVR 242,865/-).

27.3 Dividend payable balance of MVR 518,517,541/- (2018: MVR 421,024,441/-) .

27.4 Other payables of the Company include O&M sales collection payable MVR 7,901,817/- (2018: MVR 7,901,817/-), O&M spare fund payable MVR 1,314,034/- (2018: MVR 1,314,034/-), advance received for Hiya employee housing project in Hulhumale MVR 21,633,942/- (2018: MVR 29,335,785/-), LC clearing MVR 19,446,854/- (2018: MVR 11,476,056/-) and Fenaka Corporation collection payable MVR 1,847,180/- (2018: MVR 1,847,180/-).

28 Commitments and contingencies

28.1 Capital commitments

The Group has lease contract for items of plant and machinery. The Group's obligations under lease are secured by the lessor's title to the leased assets. The Further minimum lease payments under finance leases are, as follows,

	COMPANY		GROUP	
	As at 31-12-2019 MVR	As at 31-12-2018 MVR	As at 31-12-2019 MVR	As at 31-12-2018 MVR
Within one year	-	-	8,008,692	13,036,379
After one year but not more than five years	-	-	14,298,655	26,874,295
Total minimum lease payments	-	-	22,307,347	39,910,674
Less amounts representing finance charges	-	-	(7,786,809)	(7,786,809)
Minimum Lease payment	-	-	14,520,538	32,123,865

28.2 Lease commitments for right of use assets

The Company has an annual commitment for the use of go downs, office and kiosk stations. The lessor reserves the right to revise the rentals. Details are as follows,

	COMPANY		GROUP	
	As at 31-12-2019 MVR	As at 31-12-2018 MVR	As at 31-12-2019 MVR	As at 31-12-2018 MVR
Within one year	789,111	4,529,993	3,915,237	4,529,993

28.3 Legal claims and contingency

Company's previous Managing Director Mr. Ahmed Didi has filed a case against the Company for his dismissal from his post of Managing Director alleging that was unconstitutional and therefore illegal. No provision in the financial statements was made as no payments are anticipated by the company at the reporting date. Currently, this has been concluded by the Civil Court on 26 April 2016 by deciding in favour of MWSC and found no cause to award the damages claimed by Mr. Didi. The case was appealed in the high court on 08 May 2016. High court issued a verdict on 28 April 2019 stating that there are no legal ground to overturn the judgement of civil court.

The Company has filed a case against Global Projects Development Private Limited to recover liquidity damages amounting to MVR 3,105,942/- caused due to the delays in completion of works awarded to the Global Projects Development private Limited by a contract dated on 9 October 2011. Judgment in favour of MWSC was received in the Civil Court on 27th August 2017 in MWSC's claim against GPD for liquidated damages. MWSC shall receive in equal monthly instalments USD 2,476,252/-. This amount receivable is after the deduction of the USD 629,689/- payable (the retention payment) to GPD. Hence, GPD has appealed the verdict in the High Court of Maldives. High court has concluded the hearing for the case on 14 February 2019 and is yet to schedule a hearing to issue verdict.

(Continued)

28.3 Legal claims and contingency (continue)

Day to day Transport Service("D2D") was intending to file a case against the Company at the civil court pursuant to a contract that was awarded a D2D, which was terminated prior to expiry of the contract. In 2019, D2D claimed for losses of an amount totalling MVR 2,814,509/- and Company is currently contesting the claim at the civil court. High court has concluded the hearing for the case on 3 July 2019 and is yet to schedule a hearing to issue verdict. At the reporting date no provision in the financial statements.

Mr.Moosa Naseem (former employee) has filed a case against the Company for his dismissal from his post of Manager-Audit and claimed for the damages and reinstatement. No provision in the financial statements was made as no payments are anticipated by the company at the reporting date. Tribunal issued the verdict in favour of the company on 2 February 2020 stating that tribunal does not have the jurisdiction to hear the case.

The Company has filed a case against SIBCO Private Limited for contract default claiming lease deposit, rental charges and delay charges, fine charges, unpaid utility bills and damages cause to the beach pavilion due to the negligence of SIBCO Pvt Ltd amounting to MVR 5,338,250 at the date of case registration. Subsequently SIBCO Pvt Ltd has filed a case against the company to halt the termination of 'Sublease for the operation and maintenance of the West coast beach pavilion'. Both cases are ongoing at the civil court and no adjustment in the financial statement was made at the reporting date.

29 Financial risk management objectives and policies

The Group's principle financial liabilities comprise interest-bearing loans and borrowings, trade and other payables including payables to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group's principal financial assets include trade receivables, cash in hand and balances with the banks which arise directly from its operations.

The Group is exposed to foreign currency risk, liquidity risk ,credit risk and interest risk. The Group's senior management oversees the management of these risks and the Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

29.1 Foreign currency risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through committed credit facilities. The Group's object is to maintain a balance between continuity of funding and flexibility through the use of payables and borrowings. As part of its overall prudent liquidity management, the Group maintains sufficient level of cash balances to meet its working capital requirement.

29.2 Liquidity risk

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

29.3 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all the customers who wish to trade on credit terms are subject to credit evaluation procedures. In addition, receivable balances are monitored on an ongoing basis so that to minimize the Group's exposure to bad debts.

Since the Group trades only with recognized third parties, there is no requirement for collateral.

29.4 Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. The investment decisions are made by Directors giving due relevance to the Group's financial strategy and market interest rates.

(Continued)

AUDITOR GENERAL'S OFFICE

Male' Water & Sewerage Company Pvt. Ltd.
MWSC
Reg. No. C61/95
Male', Maldives

29 Financial risk management objectives and policies (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial risk factors	GROUP				
At 31 December 2019	Less than 3 months MVR	Between 3 months and 1 Year MVR	Between 1 year and 2 years MVR	Between 2 years and 5 years MVR	Above 5 years MVR
Trade and other payable	602,296,536	-	-	-	-
Borrowings	11,729,726	38,370,183	46,790,740	71,111,933	30,951,345
At 31 December 2018					
Trade and other payable	534,472,940	-	-	-	-
Borrowings	17,445,907	35,124,398	33,493,414	14,298,688	24,887,049

	COMPANY				
At 31 December 2019	Less than 3 months MVR	Between 3 months and 1 MVR	Between 1 year and 2 years MVR	Between 2 years and 5 years MVR	Between 2 years and 5 years MVR
Trade and other payable	531,705,881	-	-	-	-
Borrowings	9,815,205	32,276,113	37,779,640	65,824,277	30,951,345
At 31 December 2018					
Trade and other payable	531,705,881	-	-	-	-
Borrowings	14,612,643	28,141,177	25,484,722	71,111,933	10,588,361

30 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends payable to shareholders, issue new shares or sell assets to reduce debt in light of changes in the Group's operations.

The Group has not changed its Capital management strategy as of the financial statements issue date due to Covid-19 outbreak

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity', as shown in the consolidated statement of financial position, plus net debt.

The gearing ratios as at 31 December was as follows:

	COMPANY		GROUP	
	As at 31-12-2019 MVR	As at 31-12-2018 MVR	As at 31-12-2019 MVR	As at 31-12-2018 MVR
Total borrowings (Note 24)	176,646,580	78,826,902	198,953,927	110,950,767
Less: Cash and cash equivalents (No 20)	(221,458,410)	(196,231,947)	(235,557,288)	(209,571,603)
Net debt	(44,811,830)	(117,405,045)	(36,603,361)	(98,620,836)
Total equity	1,489,355,550	1,441,355,915	1,504,955,106	1,460,739,226
Total capital	1,444,543,720	1,323,950,870	1,468,351,745	1,362,118,390
Gearing ratio	-3%	-9%	-2%	-7%

AUDITOR GENERAL'S OFFICE

Male' Water & Sewerage Company Pvt. Ltd. MWSC Reg. No C61/95 Male' Maldives

31 Related party transactions

The Group is controlled by the Government of Maldives which owns 80% of the Company's shares. Hitachi Ltd owns 20% of the Company's shares. The Company holds 51% of the shares of Island Beverages Maldives Pvt Ltd. Champa Brothers Maldives Pvt Ltd holds 49% of the shares of Island Beverages Maldives Pvt Ltd.

The following transactions were carried out with related parties:

	COMPANY		GROUP	
	Year ended 31-12-2019	Year ended 31-12-2018	Year ended 31-12-2019	Year ended 31-12-2018
i) Sales of goods and services	MVR	MVR	MVR	MVR
Komandoo Island Resort	-	-	-	124,130
Conrad Maldives Rangali Island	-	-	426,216	513,628
Champa Central Hotel	-	-	-	215,746
Hurawalhi Island Resort	-	-	-	63,057
Kuredu Island Resort	-	-	393,833	537,479
Meeru Island Resort	-	-	270,395	904,519
Trans Maldivian Airways Pvt Ltd	-	-	1,870,266	1,563,480
Vakarufalhi Island Resort	-	-	520,339	567,460
Veligandu Island Resort	-	-	20,813	142,184
Vilamendhoo Island Resort	-	-	72,981	510,489
Mirihi Island Resort	-	-	138,659	163,235
State Trading Organization PLC	-	-	1,178,731	1,041,018
Sifainge Corporative	-		-	18,762
Maldives Industrial Fisheries Co Ltd	-		869,654	682,110
Maldives Custom Services	-		3,127	10,589
Island Aviation Services Limited	-		332,808	-
Maldives Police Service	-		151,220	135,659
Other Government Related Entities	219,952,805	301,453,783	220,879,484	298,801,503
Island Beverages Maldives Pvt Ltd	136,211,401	129,965,999	136,211,401	129,965,999
	356,164,206	431,419,782	363,339,927	435,961,049
ii) Purchases of goods and services				
Government own entities	168,582,790	95,429,713	168,582,790	95,429,713
Island Beverages Maldives Pvt Ltd	14,396,957	2,796,730	14,396,957	2,796,730
Hitachi Aquatech Engineering Pvt Ltd	88,140,075	3,372,786	88,140,075	3,372,786
	271,119,822	101,599,229	271,119,822	101,599,229

iii) Year-end balances arising from sales, purchases of goods and services

	COMPANY		GROUP	
	As at 31-12-2019	As at 31-12-2018	As at 31-12-2019	As at 31-12-2018
Receivables from related parties	MVR	MVR	MVR	MVR
Komandoo Island Resort	-	-	-	3,583
Conrad Maldives Rangali Island	-	-	121,239	39,538
Champa Central Hotel	-	-	-	23,023
Kuredu Island Resort	-	-	28,196	50,880
Meeru Island Resort	-	-	29,521	70,278
Trans Maldivian Airways Pvt Ltd	-	-	499,988	301,011
Vakarufalhi Island Resort	-	-	163,321	187,684
Veligandu Island Resort	-	-	5,406	8,894
Vilamendhoo Island Resort	-	-	2,162	46,492
Mirihi Island Resort	-	-	65,828	14,554
State Trading Organization PLC	-	-	188,267	302,354
Sifainge Corporative	-	-	-	9,381
Maldives Industrial Fisheries Co Ltd	-	-	130,486	196,630
Maldives Custom Services	-	-	1,564	-
Island Aviation Services Limited	-	-	166,134	-
Maldives Police Service	-	-	21,306	-
Ministry of Home Affairs	-	-	2,862	17,458
Other Government Related Entities	162,217,820	213,752,606	162,445,458	214,557,575
Island Beverages Maldives Pvt Ltd	67,466,187	41,718,663	-	-
	229,684,007	255,471,269	163,871,738	215,829,335

(Continued)

AUDITOR GENERAL'S OFFICE

Male' Water & Sewerage Company Pvt. Ltd. MWSC Reg. No. C-67/95 Male', Maldives

31 Related party transactions (continued)

iii) Year-end balances arising from sales, purchases of goods and services (continued)

Payables to related parties	COMPANY		GROUP	
	As at 31-12-2019 MVR	As at 31-12-2018 MVR	As at 31-12-2019 MVR	As at 31-12-2018 MVR
State Electric Company Limited	1,397,014	3,169,942	1,397,014	3,169,942
Maldives Ports Limited	-	8,974	-	8,974
Maldives Islamic Bank	522,864	438,877	522,864	438,877
Island Beverages Maldives Pvt Ltd	810	524,882	-	-
Dhiraagu PLC	192,402	173,800	192,402	173,800
Public Service Media	10,017	14,310	10,017	14,310
Hitachi Ltd	11,264	10,350	11,264	10,350
Fenaka Corporation Limited	136,006	207,044	136,006	207,044
Maldives Finance Leasing Company	97,286	-	97,286	-
State Trading Organisation PLC	34,860	151,634	34,860	151,634
MTCC	21,500	40,976	21,500	40,976
Island Aviation Services Limited	13,030	39,089	13,030	39,089
Fuel Supplies Maldives Pvt Ltd	-	3,413,924	-	3,413,924
Allied Insurance Company	-	889,807	-	889,807
Other government own entities	-	981,193	-	981,193
Hitachi Aqua-Tech Engineering Pte Ltd	186,568	1,782,737	186,568	1,782,737
	2,623,621	11,847,539	2,622,811	11,322,657

iv) Loan from a related party

The Group had installed 4 Reverse Osmosis (RO) Plants, under supplier finance agreement signed between Hitachi Aqua Engineering Private Limited and the Group. The interest cost of MVR 4,411,893 is incurred during the year for the these loan obtained. Loan repayment of MVR 14,145,074 has been made during the year. Amount outstanding as at reporting date is MVR 35,545,567.

The Group has purchased one Seawater Reverse Osmosis(RO) plants, one Generator set and; Water & Sewerage materials for the Hulhumale Phase 2 project under finance facility agreement signed between Hitachi Capital Asia Pacific Limited and the Group. During the year, interest costs for the above loans is MVR 1,854,634/- and no repayment has been done during the year for this particular finance facility. Amount outstanding as at reporting date is MVR.89,521,607/-.

v) Directors' remuneration

In 2019, a total remuneration of MVR 1,022,991/- (2018: MVR 1,087,017/-) was paid to directors.

32 Events after the reporting date

Since early January 2020, the Covid-19 (Coronavirus) outbreak has spread across global, causing disruption to business and economic activity. The possible impact of this event on the Group and these financial statements for the year ended 31 December 2019 cannot be assessed due to many uncertainties . Specially the impact of GDP and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that will be used to estimate ECL under IFRS 9 in 2020 . However, no circumstances have arisen since the reporting date which may require adjustments to, or disclosure in, the financial statements

AUDITOR GENERAL'S OFFICE

Male' Water & Sewerage Company Pvt. Ltd.
Reg. No. C-67/95
Male', Maldives

Male' Water and Sewerage Company Private Limited
DETAILED STATEMENT OF EXPENSES
Year ended 31 December 2019

i Cost of sales	COMPANY		GROUP	
	Year ended 31-12-2019 MVR	Year ended 31-12-2018 MVR	Year ended 31-12-2019 MVR	Year ended 31-12-2018 MVR
Opening stock	253,143,841	207,906,499	258,030,937	212,624,321
Add: Purchases	305,479,184	313,446,157	316,031,102	326,183,132
	558,623,025	521,352,656	574,062,039	538,807,453
Less: Closing stock	(294,274,017)	(253,143,841)	(300,486,893)	(258,030,936)
Cost of goods sold/consumed	**264,349,008**	**268,208,815**	**273,575,146**	**280,776,517**
Add: Direct expenses				
Direct salary	68,689,470	63,669,816	68,689,470	63,669,816
Depreciation	59,147,237	59,409,592	64,080,539	64,060,180
Project expenses	37,301,537	187,993,041	37,301,537	187,993,041
Electricity expenses	21,319,441	39,528,276	21,319,441	39,528,276
Repair and maintenance	6,050,441	5,486,348	6,050,441	5,486,348
	456,857,134	624,295,888	471,016,574	641,514,178
ii Administrative Expenses				
Salaries and wages	47,724,738	44,310,283	52,153,140	47,863,108
Staff bonus	22,011,277	13,238,340	22,493,026	13,692,723
Allowances expense	37,872,432	36,993,582	37,872,432	36,993,582
Overtime expense	5,914,176	5,925,133	5,914,176	5,925,133
Overseas training expenses	7,751,517	3,038,409	7,751,517	3,038,409
Staff welfare expense	980,736	113,236	5,622,607	4,652,203
Local training expenses	1,109,858	62,227	1,558,255	146,060
Staff provident fund	3,366,718	3,104,950	3,771,195	3,434,119
Staff recruitment expenses	67,398	51,299	67,398	51,299
Visa fee and work permit expense	374,005	333,945	374,005	333,945
Directors' fees	1,022,991	1,087,017	1,527,895	1,588,217
Depreciation and amortisation	25,874,596	26,156,232	28,994,585	28,440,628
Depreciation of right-of-use assets	3,108,556	-	5,392,121	-
Bank service charges and commission	12,157,117	11,388,364	12,172,548	11,403,734
Import duty and freight charges	11,086,939	11,258,656	11,086,939	11,258,949
Repair and maintenance	12,395,647	12,172,880	13,057,002	12,288,809
Transport and travelling expenses	1,790,297	1,163,585	2,050,806	1,508,039
Land and office rentals	567,662	9,791,655	1,319,843	12,126,622
Insurance expense	6,073,221	7,036,260	6,802,587	7,500,896
Water expense	5,915,551	2,801,966	5,952,194	2,860,608
Electricity expense	1,283,549	5,801,458	1,306,162	5,889,675
Fuel expense	1,930,107	2,483,157	1,930,107	2,483,157
Telephone and postage expense	2,940,584	2,965,726	3,448,185	3,527,961
Printing and stationary expense	1,538,611	1,595,937	2,012,727	2,004,565
Board meeting expenses	53,870	21,216	53,870	21,216
Entertainment expense	1,632,067	1,171,103	2,689,025	2,304,062
Donations expense	2,472,614	4,558,934	2,472,614	4,558,934
Legal expenses	81,200	321,200	81,200	321,200
Professional fees	899,502	1,246,272	1,286,692	1,508,134
Outsourcing expenses	3,662,461	3,425,996	3,662,461	3,425,996
Fines and penalties	247,621	42,283	511,016	181,673
Unclaimed GST input tax	4,530,202	10,408,405	4,530,202	10,408,405
Loss on disposal of property, plant	8,118	1,973,975	8,118	1,973,975
WHT expenses	1,766,709	1,548,957	1,766,709	1,548,957
Provision for slow moving inventory	2,395,878	950,086	2,395,878	950,086
License and permits	-	-	456,691	425,055
IT expenses	-	-	357,604	95,617
Research & development cost	503,153	-	503,153	-
Damaged stock	674,163	-	674,163	-
Miscellaneous expenses	1,583,015	1,751,136	1,266,356	1,766,399
Bad debt written-off	-	-	78,552	-
	235,368,856	230,293,860	257,425,756	248,502,150

Male' Water and Sewerage Company Private Limited
DETAILED STATEMENT OF EXPENSES
Year ended 31 December 2019

iii Selling and marketing expenses	COMPANY		GROUP	
	Year ended 31-12-2019 MVR	Year ended 31-12-2018 MVR	Year ended 31-12-2019 MVR	Year ended 31-12-2018 MVR
Advertising, publication and subscription	92,091	237,070	485,206	1,383,322
Marketing and public relation expenses	7,773,557	9,387,680	7,773,557	9,387,680
Impairment of trade receivables	17,707,088	2,944,549	18,452,002	3,021,262
Salaries and wages -distribution	-	-	5,295,456	3,113,839
Fuel charges	-	-	504,867	472,874
Sales commission	-	-	1,337,804	1,313,222
	25,572,736	12,569,299	33,848,892	18,692,199

AUDITOR GENERAL'S OFFICE

Male' Water & Sewerage Company Pvt. Ltd. MWSC Reg. No C-67/95 Male', Maldives

Ghaazee Building, Ameeru Ahmed Magu
Male', Republic of Maldives
Tel: +960 332 3939
Email: info@audit.gov.mv
www.audit.gov.mv