Report No: FIN-2020-34(E)

13 August 2020

STATE ELECTRIC COMPANY LIMITED
FINANCIAL YEAR 2019

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AUDITOR GENERAL'S OFFICE

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AUDITOR GENERAL'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF STATE ELECTRIC COMPANY LIMITED

Qualified Opinion

We have audited the accompanying financial statements of State Electric Company Limited (the "Company"), which comprise the statement of financial position as at 31st December 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information set out in pages 4 to 40.

In our opinion, except the possible effects of the matters described in the Basis of Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Qualified Opinion

1. As per IAS 16, if an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs should be revalued. Further revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value that would be determined at the end of the reporting period. Without considering the above applicable accounting guidance, a part of property, plant and equipment with a net book value of MVR 434,455,893/- has been revalued by an external valuer for MVR 847,932,997/- and a revaluations surplus of MVR 413,477,104/- has been recognized in the financial statements as at 31st December 2011. The revaluation has excluded assets carrying a net book value of MVR 26,661,392/- as at 31st December 2011 and the Company continued to account these assets at their respective netbook values based on historical costs. Further, a subsequent revaluation has not been performed since 2011. These accounting practices are not in line with IAS 16. Furthermore, we were unable to determine whether any adjustment might be required with respect of Property, Plant and Equipment and Revaluation Reserve recognized in the financial statements as at 31st December 2019.

2. As disclosed in Note 21.1 to the Financial Statements, the Company has recorded a loan taken by the Ministry of Finance from Danida on behalf of the Company with respect to 4th generation power project as loans and borrowings. The Company has recorded a total capital outstanding and interest payable balance of MVR. 1,118,589,953/- as at 31st December 2019. An interest expense of MVR. 56,411,645/- has been recognized for the year ended 31st December 2019 and an accumulated interest expense of MVR.380,028,919/- in the previous years. However, due to lack of any legal contract between the parties, we were unable to verify the completeness, existence and accuracy

of loans and borrowings, opening retained earnings and the interest expenses as at and for the year ended 31st December 2019.

3. As disclosed in Note 14 and 22 to the Financial statements, the Company has recognized the Lease liabilities and ROU assets in accordance with IFRS 16 "Leases" as at 31st December 2019. However, the leasing arrangements with respect to "Male powerhouse" and "Villingili powerhouse" have not been considered in the application of IFRS 16 due to the dispute in rent payable to the Government of Maldives. As a result, we were unable to determine any adjustments might be required to the financial statements as at and for the year ended 31st December 2019.

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

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

Emphasis of Matter – Restatement of Comparative Balances

We draw our attention to Note 35 to the financial statements, which indicates that that the comparative information presented as at and for the year ended 31st December 2018 has been restated. Our opinion is not modified in respect of this matter.

Responsibilities of the Board of Directors for the Financial Statements

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Boards' 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company 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 to the Board 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.

11th August 2020

Hassan Ziyath
Auditor General

STATE ELECTRIC COMPANY LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER	Note	2019 MVR	2018 MVR (Restated)*
Revenue	7	1,922,912,331	1,757,355,443
Cost of Sales		(1,460,088,260)	(1,407,760,612)
Gross Profit		462,824,071	349,594,831
Other Income	8	18,953,891	9,917,974
Administrative Costs		(196,378,583)	(195,280,717)
Impairment Loss on Trade Receivables and Amounts due from Related Parties	16.1 & 17.1	(41,158,719)	(10,207,092)
Results from Operations		244,240,661	154,024,996
Finance Income		347,927	155,023
Finance Costs		(107,422,567)	(89,133,135)
Net Finance Costs	9	(107,074,640)	(88,978,112)
Profit Before Tax	10	137,166,021	65,046,884
Tax (Expense) / Reversal	11	(28,163,012)	39,993,514
Profit After Tax		109,003,009	105,040,398
Other Comprehensive Income			
Items that will not be Reclassified to Profit or Loss			
Remeasurement of Defined Benefit Liability	24	(2,140,744)	(2,122,777)
Related tax		321,111	318,417
Total Other Comprehensive Income, Net of Tax		(1,819,633)	(1,804,360)
Profit and Other Comprehensive Income for the Year		107,183,376	103,236,038
Basic and Diluted Earnings Per Share	12	726,687	700,269

* Refer Note No. 35

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Company set out on pages 8 to 40. The Report of the Independent Auditors is given in pages 1 and 2.

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STATE ELECTRIC COMPANY LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF FINANCIAL POSITION

AS AT	Note	31/12/2019 MVR	31/12/2018 MVR (Restated)*	1/1/2018 MVR (Restated)*
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	13	3,328,550,443	3,045,354,845	2,237,183,473
Right of Use Asset	14	104,177,557	-	-
Total Non-Current Assets		3,432,728,000	3,045,354,845	2,237,183,473
Current Assets				
Inventories	15	112,619,736	128,608,540	129,814,304
Trade and Other Receivables	16	602,316,163	495,256,570	132,464,413
Amounts Due from Related Parties	17	131,455,599	74,053,401	178,629,244
Current Tax Receivable		9,076,282	9,076,282	9,076,282
Cash and Cash Equivalents	18	168,744,217	69,123,904	135,199,698
Total Current Assets		1,024,211,997	776,118,697	585,183,941
Total Assets		4,456,939,997	3,821,473,542	2,822,367,414
EQUITY AND LIABILITIES				
Equity				
Share Capital	19	150,000,000	150,000,000	150,000,000
Revaluation Reserve	20	201,437,881	215,731,150	230,024,580
Retained Earnings		343,592,012	219,592,865	99,541,217
Total Equity		695,029,893	585,324,015	479,565,797
Non-Current Liabilities				
Loans and Borrowings	21	2,893,392,528	2,444,441,213	1,152,473,998
Lease Liability	22	105,294,628	-	-
Deferred Tax Liabilities	11.3	49,360,934	24,041,213	66,875,324
Deferred Income	23	333,004,245	203,171,519	101,126,489
Defined Benefit Obligation	24	68,305,743	58,913,979	50,299,207
Total Non-Current Liabilities		3,449,358,078	2,730,567,924	1,370,775,018
Current Liabilities				
Loans and Borrowings	21	108,962,399	280,690,081	273,757,470
Lease Liability	22	1,301,899	-	-
Trade and Other Payables	25	83,543,497	140,685,690	555,110,569
Amounts Due to Related Parties	26	118,744,231	84,205,832	141,485,501
Bank Overdrafts		-	-	1,673,059
Total Current Liabilities		312,552,026	505,581,603	972,026,599
Total Liabilities		3,761,910,104	3,236,149,527	2,342,801,617
Total Equity and Liabilities		4,456,939,997	3,821,473,542	2,822,367,414

* Refer Note No. 35

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Company set out on pages 8 to 40. The Report of the Independent Auditors is given in pages 1 and 2.

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

Name of the Director

....

Mr. Mohamed Rasheed
Board Chairman

....

Mr. Hassan Mughnee
Managing Director

....

Ms. Enas Ahmed
General Manager, Head of Finance & Accounts

11th August 2020

STATE ELECTRIC COMPANY LIMITED
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STATE ELECTRIC COMPANY LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER	**Share Capital MVR**	**Revaluation Reserve MVR**	**Retained Earnings MVR**	**Total Equity MVR**
As at 1st January 2018, as Previously Reported	150,000,000	230,024,580	142,295,543	522,320,123
Impact Due to Restatement -Net of Tax (**Note 35.1**)	-	-	(42,754,326)	(42,754,326)
Restated Balances as at 1st January 2018	150,000,000	230,024,580	99,541,217	479,565,797
Restated Profit for the Year	-	-	105,040,398	105,040,398
Other Comprehensive Income	-	-	(1,804,360)	(1,804,360)
Total Comprehensive Income for the Year (Restated)	150,000,000	230,024,580	202,777,255	582,801,835
Items Directly Recognized in Equity				
Revaluation Reserve Transferred to Retained Earnings (**Note 20**)	-	(16,815,610)	16,815,610	-
Deferred Tax impact on Revaluation Transferred to Retained Earnings (**Note 11.7**)	-	2,522,180	-	2,522,180
As at 31st December 2018	150,000,000	215,731,150	219,592,865	585,324,015
Restated Balances as at 1st January 2019	150,000,000	215,731,150	219,592,865	585,324,015
Profit for the Year	-	-	109,003,009	109,003,009
Other comprehensive income	-	-	(1,819,633)	(1,819,633)
Total Comprehensive Income for the Year	150,000,000	215,731,150	326,776,241	692,507,391
Items Directly Recognized in Equity				
Revaluation Transferred to Retained Earnings (**Note 20**)	-	(16,815,610)	16,815,771	161
Deferred Tax impact on revaluationTransferred to Retained Earnings (**Note 11.7**)	-	2,522,341	-	2,522,341
As at 31st December 2019	150,000,000	201,437,881	343,592,012	695,029,893

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Company set out on pages 8 to 40. The Report of the Independent Auditors is given in pages 1 and 2.

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STATE ELECTRIC COMPANY LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER	Note	2019 MVR	2018 MVR (Restated)*
Cash Flows From Operating Activities			
Profit Before Tax		137,166,021	65,046,884
Adjustments for:			
Depreciation on Property, Plant and Equipment	13	116,797,988	105,243,257
Amortization of Right of Use Assets	14	3,632,933	-
Loss on disposal of Property, Plant and Equipment		-	289,848
Gain on disposal of Property, Plant and Equipment	8	(2,019,030)	-
Interest Income	9	(347,927)	(155,023)
Provision for Impairment Loss on Trade Receivables	16.1	7,430,027	6,290,534
Provision for Impairment Loss Related Parties	16.1	33,728,692	3,916,558
Provision for Slow Moving Inventories	15.1	12,706,584	16,254,015
Amortization of Deferred Income	23	(1,370,505)	(1,691,827)
Interest Expense	9	107,422,567	89,133,135
Operating Profit Before Working Capital Changes		415,147,349	284,327,381
Change In:			
Inventories		(15,988,804)	(15,048,251)
Trade and Other Receivables		(107,059,593)	(369,082,691)
Trade and Other Payables		(56,647,720)	132,669,343
Amounts Due From Related Parties		(21,326,357)	100,659,285
Amounts Due to Related Parties		34,538,399	(57,279,669)
Defined Benefit Obiligation		9,391,764	8,460,312
Cash Generated From Operating Activities		258,055,038	84,705,710
Interest Received		87,579	140,639
Income Tax Paid		-	(2,840,597)
Interest Paid		(55,453,201)	(22,800,694)
Repayment of Retirment Benefit Obligation	24	(138,040)	(154,460)
Net Cash Generated From Operating Activities		202,551,376	59,050,598
Cash Flows From Investing Activities			
Purchase and Construction of Property, Plant and Equipment	13	(412,544,698)	(913,704,477)
Net Cash Used in Investing Activities		(412,544,698)	(913,704,477)
Cash Flows From Financing Activities			
Loans and Borrowings Obtained	21	198,255,742	695,870,855
Repayments of Borrowings	21	(10,133,160)	(9,356,568)
Capital Grant Received	23	132,895,058	103,736,857
Payment for Lease liabilities	22	(11,404,005)	-
Net Cash Generated From Financing Activities		309,613,635	790,251,144
Net Increase / (Decrease) in Cash and Cash Equivalents		99,620,313	(64,402,735)
Cash and Cash Equivalents at Beginning of the Year		69,123,904	133,526,639
Cash and Cash Equivalents at the End of the Year	18	168,744,217	69,123,904

* Refer Note No. 35

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Company set out on pages 8 to 40. The Report of the Independent Auditors is given in pages 1 and 2.

STATE ELECTRIC COMPANY LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

These financial statements relate to the operations of State Electric Company Limited (the "Company"), a limited liability Company incorporated in the Republic of Maldives under the section 95 of the Company act of 1996 under presidential degree no 1997/83 of 19th June 1997.

The principal activities of the Company are to generate and supply electricity and to provide customer service for the safe and efficient use of electrical energy. The Company generates and supplies electricity to various islands in the Republic of Maldives. The registered office is situated at Ameenee Magu, Male', 20349, Republic of Maldives.

2 BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

This is the first set of Company's financial statement in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in Note 3.

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

These financial statements are presented in Maldivian Rufiyaa, which is the Company's functional currency. All financial information presented in Maldivian Rufiyaa has been rounded to the nearest Rufiyaa

(d) Use of Estimates and Judgements

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A. Judgements

Information about critical judgement in applying accounting policies that has the most significant effect on the amounts recognised in the financial statements is included in the respective notes.

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2 BASIS OF PREPARATION (CONTINUED)

(d) Use of Estimates and Judgements (Continued)

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties as at 31st December 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the respective notes.

i. Measurement of fair values

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

The Company has an established control framework with respect to the measurement of fair values.

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

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

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

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Company initially applied IFRS 16 Leases from 1st January 2019. A number of other new standards are also effective from 1st January 2019 but they do not have a material effect on the Company financial statements.

The Company applied IFRS 16 using the modified retrospective approach under which the cumulative effect of initial application is recognized in retained earnings at 1st January 2019. Accordingly comparative information presented for 2018 is not restated.

(a) As a lessee

As a lessee, the Company leases include a land. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for the leases.

STATE ELECTRIC COMPANY LIMITED STELCO C-0486 2012 MALE', MALDIVES

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) As a lessee (Continued)

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

(i) Leases classified as operating leases under IAS 17

Previously, the Company has classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company incremental borrowing rate as at 1st January 2019 (see Note 3(b)). Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company incremental borrowing rate at the date of initial application.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- Did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application.

- Did not recognize right-of-use assets and liabilities for leases of low value assets.

- Excluded initial direct costs from measurement of the right-of-use asset at the date of initial application

(b) Impact on transition

On transition to IFRS 16, the Company recognized additional right-of-use assets, including investment property, and additional lease liabilities, recognizing the difference in retained earnings. The impact of transition is summarized below.

Description	**Impact as at 1st January 2019 MVR**
Right-of-use assets **(Note 14)**	107,810,490
Lease liabilities **(Note 22)**	107,810,490

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3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Impact on transition (continued)

When measuring lease liabilities for the leases that were classified as operating leases, the Company discounted the lease payments using its incremental borrowing rate at 1st January 2019. The weighted average rate applied is 9.5%.

Description	1st January 2019 MVR
Operating lease commitments at 31st December 2018 as disclosed under IAS 17 in the Company's financial statements	443,259,823
Discounted using the incremental borrowing rate at 1st January 2019	107,810,490
Finance lease liabilities recognized as at 31st December 2018	-
- Recognition exemption for leases of low value assets	-
- Recognition exemption for leases with less than 12 months of Lease term at transition	-
Lease liabilities recognized at 1st January 2019	107,810,490

Amounts recognised in profit or loss in relating to Leases under IFRS 16 (in 2019) and under IAS 17 (in 2018) are given in the following table.

Description	2019 MVR	2018 MVR
Lease rental expense	-	22,185,125
Interest on lease liabilities	10,190,042	-
Amortization on right of use assets	3,632,933	-
Total	**13,822,975**	**22,185,125**

Amounts recognised in statement of cash flows are given in the following table.

Description	2019 MVR
Cash flows from financing activities – lease payments made during the year	11,404,005

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below except as disclosed in the Note 3 have been applied in these financial statements, consistently by the Company.

4.1 Foreign Currency Transactions

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Revenue

Revenue will be recognised upon satisfaction of performance obligation. The Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods and service.

4.3 Finance Income and Finance Costs

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

4.4 Income Tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

(i) Current Tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss. Deferred tax assets are recognized for unused tax losses. Unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used.

Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Income Tax (Continued)

(ii) Deferred Tax (Continued)

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Company has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

4.5 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

4.6 Property, Plant and Equipment

(i) Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Property, Plant and Equipment (Continued)

(ii) Subsequent Costs

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

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

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

Buildings and oil storage	10 to 50 years
Generation equipment	2 to 25 years
Distribution equipment	3 to 15 years
Transformers	5 to 30 years
Vehicles and launches	10 years
Cable	3 to 25 years
Machinery and equipment	5 years
Furniture and fitting	7 years
Computers and equipment	3 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

A full month's depreciation is provided in the month of ready to use while, no depreciation is provided in the month of disposal.

(iv) Capital work- in -progress

Capital work- in- progress is stated at cost and includes all development expenditure and other direct costs attributable to such projects including borrowing costs capitalized. Capital work in progress is not depreciated until its completion of construction, and the asset is put into use upon which the cost of completed construction works is transferred to the appropriate category of property, plant and equipment

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Financial Instruments

(i) Recognition and Initial Measurement

Trade receivables and debt securities are initially recognized when they are originated. All other financial assets are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component)y is initially measured at fair value plus, for an item not at Fair Value through Profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, Fair Value through Other Comprehensive Income ("FVOCI") – Debt investment, FVOCI – equity investment or FVTPL.Financial assets are not classified subsequent to their initial recognition unless the Company changes its business model for managing financial assets. In which case all affected financial assets are classified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Financial assets - Business Model Assessment

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

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment Whether the Cash Flows are Solely Payment of Principal and Interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs as well as a profit margin.

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Financial Instruments (Continued)

(iii) Financial assets - Subsequent Measurement and gains and losses

Financial Assets at Amortized Cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest Income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

(iv) Financial liabilities – classification, subsequent measurement and gains and losses

Financial Liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial Liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de-recognition is also recognized in profit or loss.

The Company's non-derivative financial liabilities consist of amount due to related parties, loans and borrowings and trade and other payables. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(v) De-recognition

Financial assets

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

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not de-recognized.

Financial Liabilities

The Company de-recognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also de-recognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Financial Instruments (Continued)

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the assert and settle the liability simultaneously.

4.8 Impairment

(i) Non-derivative financial assets

Financial instruments

The Company recognizes loss allowances for ECLs on financial assets measured at amortized cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for the bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured at 12 month ECLs.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment that includes forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Impairment (Continued)

(i) Non –derivative financial assets (Continued)

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit -impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- it is probable that the debtor will enter bankruptcy or other financial reorganization;

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

(ii) Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.9 Share Capital

Ordinary shares

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 Employee Benefits

(a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Company contributes 10% of members' salary into the scheme with an additional, minimum, 4% of salary being contributed by the members.

(b) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that amount to determine its present value. The calculation is performed by the Company internally using the projected unit credit method.

(c) Short-term benefits

Short-term employee benefit obligations of the Company are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

4.11 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

4.12 Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

<u>Policy applicable from 1 January 2019</u>

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

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4.SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Leases (Continued)

Policy applicable from 1st January 2019 (Continued)

(i) As a Lessee

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

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.Lease payments included in the measurement of the lease liability comprise the fixed payments, including in-substance fixed payments.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Policy applicable before 1st January 2019

For contracts entered into before 1st January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Leases (Continued)

Policy applicable before 1st January 2019 (Continued)

- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met;

  The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

  The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

  Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Company's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease.

Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

4.13 Events Occurring After the Reporting Date

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

4.14 Fair Value Measurement

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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.14 Fair Value Measurement (Continued)

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after 1st January 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

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

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- IFRS 17 Insurance Contracts.

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7 REVENUE

	2019 MVR	2018 MVR
Electricity Revenue	1,856,677,804	1,676,964,591
Non-electricity Revenue	66,234,527	80,390,852
	1,922,912,331	1,757,355,443

8 OTHER INCOME

	2019 MVR	2018 MVR
Operational Income	6,346,303	5,473,885
Amortization of Deferred Income **(Note 23)**	3,062,332	1,691,827
Rental Income	1,075,584	598,634
Gain on Disposal of Property Plant and Equipement	2,019,030	-
Miscellaneous Income	6,450,642	2,153,628
	18,953,891	9,917,974

9 NET FINANCE COSTS

	2019 MVR	2018 MVR
Finance Income		
Interest Income	87,579	140,639
Foreign Exchange Gain	260,348	14,384
	347,927	155,023
Finance Costs		
Interest on Borrowings - Foreign	(95,286,146)	(85,323,862)
Interest on Borrowings - Local	(1,946,379)	(2,722,967)
Foreign Exchange Loss	-	(1,086,306)
Interest on Leases	(10,190,042)	-
	(107,422,567)	(89,133,135)
Net Finance Costs	(107,074,640)	(88,978,112)

10 PROFIT BEFORE TAX

Profit before tax is stated after charging all the expenses including the following:

	2019 MVR	2018 MVR
Repair and Maintenance	49,491,386	83,100,551
Cost of Lubricant oil	23,439,880	22,949,936
Cost of Diesel	1,082,136,119	1,025,974,568
Bank of Charges	13,150,251	11,301,652
Directors' Remuneration	768,808	726,968
Rent Expenses	4,785	22,185,125
Amortization of Right of Use Asset **(Note 14)**	3,632,933	-
Depreciation of Property, Plant and Equipment **(Note 13)**	116,797,988	105,243,257
Provision for Slow and Non-Moving Inventories **(Note 15.1)**	12,706,584	16,254,015
Personnel Costs **(Note 10.1)**	247,945,916	206,521,184

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10 PROFIT BEFORE TAX (CONTINUED)

10.1 Personnel Costs

	2019 MVR	2018 MVR
Staff Salaries and Wages	99,485,112	81,474,648
Staff Allowances	81,446,150	75,479,894
Overtime Expenses	48,345,408	39,515,413
Employer's Contribution to Government Pension Fund	7,047,038	5,661,135
Staff Medical Expenses	1,374,962	2,313,880
Employee Retirement Benefits **(Note 24)**	7,389,060	350,000
Other Staff Expenses	2,858,186	1,726,214
	247,945,916	206,521,184

11 TAX EXPENSE / (REVERSAL)

	2019 MVR	2018 MVR (Restated)
Current Tax Expense		
Current Tax Expense **(Note 11.1)**	-	-
	-	-
Deferred Tax Reversal		
Deferred Tax Asset Reversed / (Recognized) **(Note 11.4)**	(2,561,984)	(24,668,351)
Deferred Tax Liability (Reversed) / Recognized **(Note 11.7)**	30,724,996	(15,325,163)
	28,163,012	(39,993,514)
Total Tax Expense / (Reversal)	28,163,012	(39,993,514)

11.1 Reconciliation Between Accounting Profit and Taxable Income :

	2019	2018
Profit Before Tax	137,166,021	65,046,884
Aggregate Disallowable Items	303,238,561	236,109,223
Aggregate Allowable Items	(327,268,553)	(289,057,378)
Tax Loss Utilized during the Year	(113,136,029)	(12,098,729)
Taxable Income for the Year	-	-
Business Profit Tax @ 15%	-	-

In accordance with the provisions of the Business Profit Tax act No. 5 of 2011, relevant regulations and subsequent amendments thereto, the Company is liable for Business Profit Tax on its taxable profit at the rate of 15%.

11.2 Accumulated Tax Losses

	2019	2018
As at 1st January	175,268,638	187,367,367
Adjustment Due to Finalization of Previous Years Tax Losses	(936,598)	-
Tax Loss Utilized During the Year	(113,136,029)	(12,098,729)
As at 31st December	61,196,011	175,268,638

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11 TAX EXPENSE (CONTINUED)

11.3 Net Deferred tax Liability

	31/12/2019 MVR	31/12/2018 MVR (Restated)	1/1/2018 MVR (Restated)
Deferred Tax Asset **(Note 11.5)**	(35,414,744)	(32,531,649)	(7,544,881)
Deferred Tax Liability **(Note 11.8)**	84,775,678	56,572,862	74,420,205
	49,360,934	24,041,213	66,875,324

11.4 Deferred Tax Asset :

As at 1st January	32,531,649	7,544,881	-
Items Recognized Directly in Equity			
Recognized During the Year	321,111	318,417	7,544,881
Items Recognized in profit or loss			
Recognized During the Year	2,561,984	24,668,351	-
As at 31st December	35,414,744	32,531,649	7,544,881

11.5 The Recognized Deferred Tax Assets are Attributable to the Following;

	31/12/2019		31/12/2018		1/1/2018	
	Temporary Difference MVR	Tax Effect MVR	Temporary Difference MVR	Tax Effect MVR (Restated)	Temporary Difference MVR	Tax Effect MVR (Restated)
Defined Benefit Obligation	68,305,743	10,245,862	58,913,979	8,837,097	50,299,207	7,544,881
Accumulated Tax Losses	61,196,011	9,179,402	157,963,676	23,694,552	-	-
Lease Liability	106,596,527	15,989,480	-	-	-	-
	236,098,281	35,414,744	216,877,655	32,531,649	50,299,207	7,544,881

11.6 The un-recognized Deferred Tax Assets are Attributable to the Following;

	31/12/2019		31/12/2018		1/1/2018	
	Temporary Difference MVR	Tax Effect MVR	Temporary Difference MVR	Tax Effect MVR	Temporary Difference MVR	Tax Effect MVR
Accumulated Tax Losses	-	-	17,304,962	2,595,745	187,367,367	28,105,106

11.7 Deferred Tax Liability:

	31/12/2019 MVR	31/12/2018 MVR	1/1/2018 MVR
As at 1st January	56,572,862	74,420,205	70,104,262
Items Recognized Directly in Equity			
Reversed During the Year	(2,522,180)	(2,522,180)	(2,522,180)
Items Recognized in profit or loss			
Recognized / (Reversed) During the Year	30,724,996	(15,325,163)	6,838,123
As at 31st December	84,775,678	56,572,862	74,420,205

11.8 The Recognized Deferred Tax Liability of the Company is attributable to the following;

	31/12/2019		31/12/2018		1/1/2018	
	Temporary Difference MVR	Tax Effect MVR	Temporary Difference MVR	Tax Effect MVR	Temporary Difference MVR	Tax Effect MVR
Property Plant and Equipment	460,993,629	69,149,044	377,152,413	56,572,862	496,134,700	74,420,205
Right of Use Asset	104,177,557	15,626,634	-	-	-	-
	565,171,186	84,775,678	377,152,413	56,572,862	496,134,700	74,420,205

12 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the Profit for the year attributable to ordinary shareholders and weighted average number of shares outstanding during the year and calculated as follows;

	2019	2018 (Restated)
Profit for the Year Attributable to the Ordinary Shareholders - MVR	109,003,009	105,040,398
Weighted Average Number of Ordinary Shares	150	150
Basic and Diluted Earnings Per Share - MVR	726,687	700,269

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13 PROPERTY, PLANT AND EQUIPMENT

	Generation and distribution equipment MVR	Buildings, Water bottling plant and Oil storage MVR	Vehicles and launches MVR	Machinery and Equipment MVR	Furniture and Fittings MVR	Computer Systems MVR	Capital Work-in-Progress MVR	Total 2019 MVR	Total 2018 MVR
Cost/ Revaluation									
As at 1st January	1,721,158,415	598,157,490	31,773,807	90,073,792	6,865,130	20,406,894	1,389,549,263	3,857,984,791	2,944,828,720
Additions During the Year	6,816,313	3,393,480	492,093	7,486,437	717,937	1,676,889	391,961,549	412,544,698	913,704,477
Transferred from Capital Work-in-Progress	904,763,062	576,014,087	4,833,334	38,026,685	-	-	(1,523,637,169)	-	-
Disposal During the year	(14,068,481)	(14,770)	(7,174)	(141,780)	(84,847)	-	-	(14,317,053)	(548,406)
As at 31st December	2,618,669,309	1,177,550,287	37,092,060	135,445,134	7,498,220	22,083,783	257,873,643	4,256,212,436	3,857,984,791
Accumulated Depreciation									
As at 1st January	592,901,026	115,914,226	15,163,665	65,134,455	4,862,323	18,654,251	-	812,629,946	707,645,247
Charge for the Year	78,715,331	23,636,768	2,459,663	10,234,882	544,060	1,207,284	-	116,797,988	105,243,257
Disposal During the year	(1,532,493)	(5,499)	(4,500)	(139,233)	(84,216)	-	-	(1,765,941)	(258,558)
As at 31st December	670,083,864	139,545,495	17,618,828	75,230,104	5,322,167	19,861,535	-	927,661,993	812,629,946
Net Carrying Amount									
As at 31st December 2019	1,948,585,445	1,038,004,792	19,473,232	60,215,030	2,176,053	2,222,248	257,873,643	3,328,550,443	
As at 31st December 2018	1,128,257,389	482,243,264	16,610,142	24,939,337	2,002,807	1,752,643	1,389,549,263		3,045,354,845

13.1 The Capital Work-in- Progress at end of the reporting period comprises of following projects;

	31/12/2019 MVR	31/12/2018 MVR
5th Power Project	-	1,212,960,454
Transmission & Distribution	63,412,864	47,340,684
Combustion Power Plant	16,782,198	41,672,492
Greater Male' Grid Connection	99,004,681	23,271,245
POISED Project	16,882,878	17,363,219
SCADA System	27,243,763	13,744,964
Other Projects	34,547,259	33,196,205
	257,873,643	1,389,549,263

13.2 During the year, the Company has capitalized borrowing cost amounting to MVR.47,874,566/- (2018: 37,054,111/-) on qualifying assets.

13.3 The value of fully depreciated property, plant and equipment as at 31st December 2019 amounted to MVR.124,932,430/- (2018: MVR.119,412,761/-).

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14 RIGHT OF USE ASSETS

	31/12/2019 MVR	31/12/2018 MVR
Cost		
As at 1st January	-	-
Adjustment Due to initial Application of IFRS 16 **(Note 3(b))**	107,810,490	-
As at 31st December	107,810,490	-
Accumulated Amortization		
As at 1st January	-	-
Charge for the Period	3,632,933	-
As at 31st December	104,177,557	-
Net Carrying Value	104,177,557	-

15 INVENTORIES

	31/12/2019 MVR	31/12/2018 MVR
Fuel	49,941,634	26,643,118
Spares, cables and consumables	199,226,821	225,688,562
Stationary	144,090	157,115
Lubricating oil	2,409,858	2,515,829
	251,722,403	255,004,624
Less: Provision for slow moving Inventories **(Note 15.1)**	(139,102,668)	(126,396,084)
	112,619,736	128,608,540

15.1 Provision for Slow Moving Inventories

As at 1st January	126,396,084	110,142,069
Add: Provision for the Year	12,706,584	16,254,015
As at 31st December	139,102,668	126,396,084

16 TRADE AND OTHER RECEIVABLES

	31/12/2019 MVR	31/12/2018 MVR
Trade Receivables	238,981,161	276,629,873
Less : Provision for Impairment Loss **(Note 16.1)**	(32,405,204)	(24,975,177)
	206,575,957	251,654,696
Prepayments	473,637	511,424
Advance payment **(Note 16.2)**	322,421,626	123,189,476
Other Receivables	72,844,943	119,900,974
	602,316,163	495,256,570

16.1 Provision for Impairment of Trade Receivables

As at 1st January	24,975,177	27,383,871
Adjustment Due to Initial Application of IFRS 9	-	(8,699,228)
Provision for the Year	7,430,027	6,290,534
As at 31st December	32,405,204	24,975,177

16.2 This amount represent the advance paid by the Company to the contractors on the "Hiyaa" house project.

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17 AMOUNTS DUE FROM RELATED PARTIES

	31/12/2019 MVR	31/12/2018 MVR
Indira Gandhi Memorial Hospital	7,463,365	4,084,654
Dhivehi Raajjege Gulhun PLC	3,808,011	5,233,779
Male' Water & Sewerage Company (Private) Limited	1,803,810	3,217,265
State Trading Organisation PLC	1,533,371	1,509,584
Maldives Transport and Contracting Company PLC	827,259	804,499
Maldives Customs Services	362,097	303,835
Maldives Industrial Fisheries Company Limited	127,660	268,921
Bank of Maldives PLC	105,745	55,109
Public Service Media	31,607,773	17,286,896
Maldives Road Development Corporation Limited	2,512,186	2,733,567
National Center For the Arts	1,163,462	1,362,351
Housing Development Corporation Limited	2,197,711	730,459
National Social Protection Agency	10,007,904	9,964,007
Maldives Port Limited	1,777,386	-
Other Government Owned Organizations	141,096,583	67,708,507
	206,394,323	115,263,433
Less : Provision for Impairment Loss **(Note 17.1)**	(74,938,724)	(41,210,032)
	131,455,599	74,053,401

17.1 Provision for Impairment Loss

As at 1st January	41,210,032	12,776,342
Adjustment Due to Initial Application of IFRS 9	-	24,517,132
Provision for the Year	33,728,692	3,916,558
As at 31st December	74,938,724	41,210,032

18 CASH AND CASH EQUIVALENTS

	31/12/2019 MVR	31/12/2018 MVR
Favorable Balances		
Cash in Hand	10,555,107	11,023,280
Balances with Banks	158,189,110	58,100,624
	168,744,217	69,123,904

19 SHARE CAPITAL

19.1 Authorized Share Capital

The authorized share capital comprises of 150 (2018 : 150) ordinary shares with a par value of MVR 1,000,000/- per share.

19.2 Issued and Fully Paid Share Capital

The issued and fully paid share capital comprises of 150 (2018 : 150) ordinary shares of MVR.1,000,000/- each.

19.3 Dividends and voting rights

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

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20 REVALUATION RESERVE

	31/12/2019 MVR	31/12/2018 MVR
As at 1st January	215,731,150	230,024,580
Transfer of Revaluation Surplus to Retained Earnings **(Note 20.2)**	(16,815,610)	(16,815,610)
Deferred Tax on Revaluation Surplus Transfer to Retained Earnings **(Note 11.7)**	2,522,341	2,522,180
As at 31st December	201,437,881	215,731,150

20.1 The Company's property, plant and equipment was revalued on 31st December 2011 by the professional values, Kanti Karamsey & Co. of No.412, Marker Chambers, Nariman point, Mumbai, India based on the open Market Value of the properties. The firm is Government registered firm, Fellow of Institution of Engineers (F.I.E- India), Member of the Practicing Valuers Association (P.V.A- India) and Fellow of Institution of Valuers, New Delhi (F.I.V).

20.2 Transfer of Revaluation Surplus to Retained Earnings

Revaluation surplus is realized to retained earnings on the basis of utilization of the asset. An amount equal to the difference between the depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's original cost is transferred from revaluation surplus (net of deferred tax) to retained earnings on an annual basis.

21 LOANS AND BORROWINGS

	31/12/2019 MVR	31/12/2018 MVR
As at 1st January	2,112,745,755	1,426,231,468
Loans Obtained During the Year	198,255,742	695,870,855
Repayments During the Year	(10,133,160)	(9,356,568)
As at 31st December	2,300,868,337	2,112,745,755
Accrued Interest	701,486,590	612,385,539
	3,002,354,927	2,725,131,294
Non - Current Liabilities		
Loans and Borrowings	2,893,392,528	2,444,441,213
Current Liabilities		
Loans and Borrowings	108,962,399	280,690,081

21.1 Terms and Repayment Schedule

Source of finance	Purpose	Nominal interest rate	Maturity Date	Caring Amount 31/12/2019 MVR	31/12/2018 MVR
Asian Development Bank	Third Power System	8%	1-Aug-2021	117,380,884	113,160,186
UNI Bank	Third Power System	8%	1-May-2024	112,181,004	107,993,487
Nordic Development Fund	Third Power System	8%	1-Sep-2024	118,935,295	114,554,546
Finnish Export Credit and Den Danske Bank	5.4 V Generator Set	8%	15-Feb-2016	54,328,888	52,361,286
Asian Development Bank	Second Power System	8%	31-Jul-2025	76,359,624	73,667,270
Asian Development Bank	Power System	8%	1-Sep-2018	19,101,422	18,270,467
Danida **(Note 21.3)**	Fourth Power System	8.5%	30-Sep-2035	1,118,589,953	1,062,178,308
Maldives Islamic Bank	MGAF Project	8%	9-Dec-2021	18,781,014	28,914,170
Asian Development Bank	POISED Project	6%	15-May-2033	177,842,263	167,165,862
Exim Bank of China	Fifth Power Project	3% + 6 Months LIBOR	31-Jul-2031	1,188,854,580	986,865,711
				3,002,354,927	2,725,131,294

21.2 All of the above Loans have been secured by a letter of gurantee from Government of Maldives

21.3 The Ministry of Finance and Treasury ("MOFT") through its letter dated 4th February 2019, has taken over the settlement of these loans and instructed the Company to transfer the loan balances (including accrued interest) as a capital contribution. However, the transaction has not been finalized by the partis for the year ended 31st December 2019.

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22 LEASE LIABILITY

	31/12/2019 MVR
As at 1st January	-
Adjustment Due to Initial Application of IFRS 16 **(Note 3(b))**	107,810,490
Additions During the Year	-
Add : Interest Expense for the Year	10,190,042
Less : Repayment During the Year	(11,404,005)
As at 31st December	106,596,527

The lease liability is recognised on the lands which has an unexpired lease period from 1.7 to 48 years as at 1stJanuary 2019. Previously, this lease was classifid as operating lease under IAS 17 and lease expense (rentals) amounted to MVR.11,404,005/- recognised in the profit or loss for the year ended 31st December 2018.

22.1 Maturity Analysis

	31/12/2019 MVR
Non - Current Liabilities	105,294,628
Current Liabilities	1,301,899
	106,596,527

22.2 Maturity Analysis of Undiscounted Future Lease Payments are as follows;

	31/12/2019 MVR
Less than one Year	11,367,988
Between two and five Years	67,509,324
More than five Years	364,382,512
	443,259,823

23 DEFERRED INCOME

	31/12/2019 MVR	31/12/2018 MVR
As at 1st January	203,171,519	101,126,489
Grants Received During the year	132,895,058	103,736,857
Less: Accumulated Amortization	(3,062,332)	(1,691,827)
As at 31st December	333,004,245	203,171,519

23.1 Deferred income comprises of grants received from the Ministry of Finance and Treasury of the Republic of Maldives. An amount of MVR.25,287,089/- was received in 2006 for the installation of 6 sets of 1250k Diesel Generators and these grants are amortized over the useful life of the assets. Further grants amounting to MVR.95,369,248/- and MVR.96,627,670/- were received in 2017 and 2018 respectively, for the construction and installation of Hulumale Power Plant (5th Power Project) and MVR.7,109,191/- was received in 2018 for the installation of greater Male' Grid connection. However, construction and installation of Hulumale Power Plant (5th Power Project) was completed on 28th October 2019.

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24 DEFINED BENEFIT OBLIGATION

	31/12/2019 MVR	31/12/2018 MVR (Restated)	1/1/2018 MVR (Restated)
As at 1st January	58,913,979	50,299,207	-
Impact Due to Restatement (**Note 35.1.1**)	-	-	50,299,207
Current Service Cost	4,679,017	2,313,764	-
Interest Cost	2,710,043	4,332,691	-
Deficit for the Year	2,140,744	2,122,777	-
	68,443,783	59,068,439	50,299,207
Less: Payments During the Year	(138,040)	(154,460)	-
As at 31st December	68,305,743	58,913,979	50,299,207

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

Amount Recognized in Profit or Loss	31/12/2019 MVR	31/12/2018 MVR (Restated)
Current Service Cost	4,679,017	2,313,764
Interest Cost	2,710,043	4,332,691
	7,389,060	6,646,455
Amount Recognized in Other Comprehensive Income		
Deficit for the Year	2,140,744	2,122,777
	2,140,744	2,122,777

24.2 The Company have engaged a qualified actuary to estimate the retirement benefit obligation. The projected unit credit method is used to determine the present value of the defined benefit obligation. Key assumptions used in the calculation are as follows,

	31/12/2019	31/12/2018	1/1/2018
Expected Salary Increment	1%	1%	1%
Discount Rate	4.60%	4.60%	4.60%
Staff Turnover Factor	2.50%	2.50%	2.50%

25 TRADE AND OTHER PAYABLES

	31/12/2019 MVR	31/12/2018 MVR
Trade Payables	39,011,365	78,388,959
Accrued expenses	18,316,286	18,840,500
Other Payables	26,215,846	43,456,231
	83,543,497	140,685,690

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26 AMOUNTS DUE TO RELATED PARTIES

	31/12/2019 MVR	31/12/2018 MVR
State Trading Organisation PLC	111,423,549	77,859,420
Maldives Transport and Contracting Company PLC	1,796,515	2,494,731
Maldives Road Development Corporation Limited	663,612	663,612
Male' Water & Sewerage Company Limited	85,939	56,857
Dhivehi Raajjege Gulhun PLC	101,127	76,026
Maldives Port Limited	-	83,939
Other Government owned Organizations	4,673,489	2,971,247
	118,744,231	84,205,832

The amount due to related parties are unsecured, interest free, and have no fixed repayment period. Accordingly, these amounts have been determined to be payable on demand and are classified as current liabilities.

27 CAPITAL MANAGEMENT

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

The Company monitors capital on the basis of the gearing ratio. Net debt is calculated as total borrowings (including borrowings and trade and other payables as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

	31/12/2019 MVR	31/12/2018 MVR (Restated)
Total Liabilities	3,761,910,104	3,236,149,527
Less: Cash and Cash Equivalents	(168,744,217)	(69,123,904)
Net Debt	3,593,165,887	3,167,025,623
Total Equity	695,029,893	585,324,015
Net Debt to Equity Ratio	5.17	5.41

28 COMMITMENTS

28.1 Capital Commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows;

	31/12/2019 MVR	31/12/2018 MVR
Property Plant and equipment	20,677,819	7,653,277

There were no other material capital commitments outstanding at the reporting date which require disclosure in the financial statements.

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29 CONTINGENT LIABILITIES

There are no other contingent liabilities outstanding as at the reporting date, which require disclosure in the financial statement.

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(i) Overview

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, the Company's management of capital. Further, quantitative disclosures are included throughout the Company's financial statements.

(ii) Risk Management Framework

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

(iii) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instruments fails to meet its contractual obligations, and arises principally from the the Company's receivables from customers, investment in debt securities and deposits with banks.

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(iii) Credit Risk (Continued)

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

	Gross Carrying amount	
	31/12/2019	31/12/2018
	MVR	MVR
Trade Receivables (Gross)	238,981,161	276,629,873
Other Receivables	29,465,405	95,119,109
Amounts Due From Related Parties (Gross)	206,394,323	216,196,466
Balances with Banks	158,189,110	58,100,624
	633,029,999	646,046,072

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

Expected credit loss assessment

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

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

Measurement of ECL

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

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

The following table provides information about exposure to credit risk and ECLs for trade receivables and receivable from related parties.

31st December 2019	Weighted Average Loss Rate	Gross Carrying Amount	Loss Allowance
		MVR	MVR
1-30 days past due	0.3%	223,026,194	716,999
31-60 days past due	0.8%	41,871,877	330,722
61-90 days past due	1.3%	18,421,961	237,965
91-180 days past due	2.3%	33,005,858	770,120
181-360 days past due	40.4%	39,841,123	16,079,652
More than 360 days past due	100.0%	89,208,470	89,208,470
		445,375,484	107,343,928

31st December 2018	Weighted	Gross	Loss
		MVR	MVR
1-30 days past due	1.0%	327,975,262	1,130,985
31-60 days past due	2.7%	28,400,058	758,768
61-90 days past due	9.2%	8,301,667	767,644
91-180 days past due	32.8%	6,028,978	1,980,151
181-360 days past due	79.5%	4,137,463	3,287,750
More than 360 days past due	100.0%	17,049,878	17,049,878
		391,893,306	24,975,177

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30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iii) Credit risk (Continued)

Measurement of ECL (Continued)

Gross carrying amount and loss allowance comprise the trade receivables.

The Company believes that the unimpaired amounts are still collectible, based on historic payment behavior. Based on historic default rates, the Company believes that, apart from the above, no provision for impairment is necessary in respect of trade and other receivables.

The provision for impairment of the amounts due from related parties are estimated considering the individual repayment capabilities of these entities.

Movements in allowance for impairment in respect of trade receivables and amounts due from related parties.

The movements of allowance for impairment in respect of trade receivables and Related party receivables during the year is presented in Note 16.1 and 17.1 respectively.

Balances with Banks

The Company held an amounts of MVR.158,189,110/- as at 31st December 2019 in banks. (2018-MVR.58,100,624/-). The Company has no significant impact on the bank balances as 31st December 2019.

(iv) Liquidity Risk (Continued)

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

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

31st December 2019 Financial Liabilities (Non- derivative)	Carrying Amount MVR	Contractual Cashflows MVR	0-12 Months MVR	1-5 Years MVR	More than 5 Years MVR
Trade and Other Payabl	83,543,497	83,543,497	83,543,497	-	-
Loans and Borrowings	3,002,354,927	3,002,354,927	108,962,399	387,531,454	2,505,861,074
Amounts Due to Related Parties	118,744,231	118,744,231	118,744,231	-	-
Lease Liabilities	106,596,527	443,259,823	11,367,988	67,509,324	364,382,512
Total	3,311,239,182	3,647,902,478	322,618,115	455,040,778	2,870,243,586

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30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iv) Liquidity Risk (Continued)

31st December 2018 Financial Liabilities (Non- derivative)	Carrying Amount MVR	0-12 Months MVR	1-2 Years MVR	2-5 Years MVR	More than 5 Years MVR
Trade and Other Payables	140,685,690	140,685,690	-	-	-
Loans and Borrowings	2,725,131,294	280,690,081	280,690,081	561,380,162	1,602,370,970
Amounts Due to Related Parties	84,205,832	84,205,832	-	-	-
Total	2,950,022,816	505,581,603	280,690,081	561,380,162	1,602,370,970

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

*Loans and borrowings are excluding the interest payable.

(v) Market risk

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

(a) Interest rate risk

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

	Carrying amount	
	31/12/2019 MVR	31/12/2018 MVR
Fixed Rate Instruments		
Financial Liabilities	1,813,500,347	1,146,821,406
Variable Rate Instruments		
Financial liabilities	1,188,854,580	965,924,346

Cash Flow Sensitivity analysis for variable - rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amount shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Sensitivity Analysis	
31st December 2019	100 bp increase MVR	100 bp decrease MVR
Variable rate instruments	(11,888,546)	11,888,546
31st December 2018		
Variable rate instruments	(9,659,243)	9,659,243

(b) Currency Risk

Exposure to currency risk The Company's exposure to foreign currency risk was as follows based on notional amounts:	31/12/2019 US$	31/12/2018 US$
Loans and borrowings	193,487,284	61,986,623
Net currency exposure	193,487,284	61,986,623

The following significant exchange rate	Average Rate		Reporting date spot rate	
	2019	2018	31/12/2019	31/12/2018
1 US$: MVR	15.42	15.42	15.42	15.42

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

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30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

31 EVENTS AFTER THE REPORTING DATE

There have been no material events occurred after the reporting date except for the following that would require adjustments to or disclosure in the Financial Statements

Impact of Covid 19

On 11th March 2020, The World Health Organization declared that the COVID-19 outbreak as a pandemic. The Government of Maldives has taken some actions such as travel restrictions and quarantine measures which have direct impact on the tourism industry and the Company's operating results subsequent to the financial year end. As the outbreak is ongoing, the potential impact of Covid 19 is subject to significant levels of uncertainties which are often outside of the Company's control with the full range of possible effects are unknown.

Dividend Declaration

The Board of Directors of the Company has approved a dividend of MVR 20 Mn on 11th August 2020 for the year ended 31st December 2019.

32 DIRECTOR'S RESPONSIBILITY

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

33 RELATED PARTY TRANSACTIONS

Name of the related party	Relationship	Nature of the transaction	Amount 2019 MVR	Amount 2018 MVR	Balance outstanding due from / (to) 31/12/2019 MVR	Balance outstanding due from / (to) 31/12/2018 MVR
State Trading Organisation PLC	Affiliate	Sales of Services	16,776,244	(14,289,199)	(109,890,178)	(76,349,836)
		Payments made	(16,752,457)	(953,027,744)		
		Purchases	(1,107,831,988)	-		
		Payments Made	1,074,267,859	1,025,702,786		
Maldives Transport and Contracting Company PLC	Affiliate	Sales of Services	8,432,050	(3,693,731)	(969,257)	(1,690,232)
		Payments made	(8,409,290)	(21,840,559)		
		Purchases	(25,322,348)	-		
		Payments Made	26,020,563	24,604,116		
Maldives Road Development Corporation Limited	Affiliate	Sales of Services	-	(51,709)	1,848,575	1,848,575
		Payment made	-	-		
Male' Water & Sewerage Company Limited	Affiliate	Sales of Services	20,274,003	30,487,815	1,717,871	3,160,408
		Payments	(21,687,458)	(22,924,462)		
		Purchases	(1,813,949)	(7,874,372)		
		Payments Made	1,784,867	-		
Dhivehi Raajjege Gulhun PLC	Affiliate	Sales of Services	57,704,020	43,955,441	3,706,885	5,157,753
		Payments	(59,129,788)	(45,868,919)		
		Purchases	(2,093,203)	2,344,132		
		Payments Made	2,068,102			
Maldives Port Limited	Affiliate	Sales of Services	19,616,974	-	1,777,386	(83,939)
		Payment made	(17,839,588)	(432,698)		
		Purchases	(656,304)	516,637		
		Payments Made	740,243			
Other Government owned Organizations	Affiliate	Sales of Services	380,928,193	187,249,572	136,423,094	64,737,260
		Payment made	(307,711,314)	(177,506,111)		
		Purchases	(8,977,589)	(368,663)		
		Payments Made	7,446,543			
Indira Gandhi Memorial Hospital	Affiliate	Sales of Services	39,714,952	24,213,653	7,463,365	4,084,654
		Payment made	(36,336,241)	(25,613,618)		
Maldives Customs Services	Affiliate	Sales of Services	3,737,075	3,401,935	362,097	303,835
		Payment made	(3,678,813)	(3,410,655)		
Maldives Industrial Fisheries Company Limited	Affiliate	Sales of Services	1,720,977	1,686,668	127,660	268,921
		Payment made	(1,862,238)	(1,653,568)		
Bank of Maldives PLC	Affiliate	Sales of Services	3,772,001	8,307,891	105,745	55,109
		Payment made	(3,721,366)	(8,297,708)		
Public Service Media	Affiliate	Sales of Services	16,509,296	15,248,539	31,607,773	17,286,896
		Payment made	(2,188,419)	(21,582,402)		
National Center For the Arts	Affiliate	Sales of Services	174,423	394,449	1,163,462	1,362,351
		Payment made	(373,311)	(593,000)		
Housing Development Corporation Limited	Affiliate	Sales of Services	9,198,309	7,293,306	2,197,711	730,459
		Payment made	(7,731,057)	(7,868,808)		
National Social Protection Agency	Affiliate	Sales of Services	452,357	394,449	10,007,904	9,964,007
		Payment made	(408,460)	(593,000)		

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33 RELATED PARTY TRANSACTIONS (CONTINUED)

33 Transactions with Key Management Personnel

The Board of Directors and Managing Director of the Company are the members of the key management

	2019 MVR	2018 MVR
Directors' Remuneration	768,808	726,968

34 FAIR VALUE MEASUREMENT

Accounting Classifications and Fair Values

31st December 2019

Financial assets not measured at fair value	Financial Assets at Amortised Cost	Fair Value			
		Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$	US$
Cash and Cash Equivalents	158,189,110	-	-	-	-
Trade and Other Receivables (Note A)	311,826,104	-	-	-	-
Amounts Due from Related Parties	206,394,323	-	-	-	-
	470,015,214	-	-	-	-

Financial liabilities not measured at fair value	Other Financial Liabilities	Fair Value			
		Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$	US$
Lease Liability	106,596,527	-	-	106,596,527	106,596,527
Loans and Borrowings	2,300,868,337	-	2,300,868,337	-	2,300,868,337
Trade and Other Payables	65,227,211	-	-	-	-
	2,472,692,075	-	2,300,868,337	106,596,527	2,407,464,864

31st December 2018

Financial assets not measured at fair value	Loans and Receivables	Fair Value			
		Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$	US$
Cash and Cash Equivalents	58,100,624	-	-	-	-
Trade and Other Receivables (Note A)	396,530,847	-	-	-	-
Amounts Due from Related Parties	115,263,433	-	-	-	-
	454,631,471	-	-	-	-

Financial liabilities not measured at fair value	Other Financial Liabilities	Fair Value			
		Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$	US$
Loans and Borrowings	2,112,745,755	-	2,112,745,755	-	2,112,745,755
Trade and Other Payables	121,845,190	-	-	-	-
	2,234,590,945	-	2,112,745,755	-	2,112,745,755

Note A - Other receivables excludes advance payments, prepayments.

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35 RESTATEMENT OF COMPARATIVE BALANCES

35.1 The Company had not accounted the Retirement Benefit Obligation in accordance with IAS 19 "Employee Benifits" up to 31st December 2018. During the year, this error was corrected restating the comparative balances in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The following note summarizes the impacts on the Company's financial statements.

35.1.1 ***As at 1st January 2018***

a. Statement of Financial Position	As Previously Reported MVR	Adjustments MVR	Restated Balance MVR
Impact on Retained Earnings **(Note A)**	142,295,543	(42,754,326)	99,541,217
Impact on Total Equity	522,320,123	(42,754,326)	479,565,797
Impact on Defined Benefit Obligation **(Note A)**	-	50,299,207	50,299,207
Impact on Deferred Tax Liability	74,420,205	(7,544,881)	66,875,324
Impact on Total Non Current Liabilities	1,328,020,692	42,754,326	1,370,775,018
Impact on Total Non Current Assets	2,237,183,473	-	2,237,183,473

35.1.2 ***As at 31st December 2018***

a. Statement of Financial Position	As Previously Reported MVR	Adjustments MVR	Restated Balance MVR
Impact on Retained Earnings **(Note A)**	269,669,747	(50,076,882)	219,592,865
Impact on Total Equity	635,400,897	(50,076,882)	585,324,015
Defined Benefit Obligation **(Note A)**	-	58,913,979	58,913,979
Impact on Deferred Tax Liability	32,878,310	(8,837,097)	24,041,213
Impact on Total Non Current Liabilities	2,068,105,500	662,462,424	2,730,567,924
Impact on Total Non Current Assets	3,045,354,845	-	3,045,354,845

Note A	1/1/2018 MVR	31/12/2018 MVR	Total MVR
Recognition of Defined Benefit Obligation	50,299,207	8,614,772	58,913,979
Recognition of Deferred Tax Asset	(7,544,881)	(1,292,216)	(8,837,097)
	42,754,326	7,322,556	50,076,882

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35 RESTATEMENT OF COMPARATIVE BALANCES (CONTINUED)

b. Statement of Comprehensive Income

	As Previously Reported MVR	Adjustments MVR	Restated Balance MVR
Profit or Loss for the Year			
Administrative Expenses	(188,788,722)	(6,491,995)	(195,280,717)
Tax Expense for the Year	(39,019,715)	973,799	(39,993,514)
Impact on Profit for the Year	110,558,594	(5,518,196)	105,040,398
Other Comprehensive Income			
Deficit for the Year	-	(2,122,777)	(2,122,777)
Recognition of Deferred Tax Asset	-	318,417	318,417
Impact on Other Comprehensive Income	-	(1,804,360)	(1,804,360)
Impact on Total Comprehensive Income	110,558,594	(7,322,556)	103,236,038
Earnings Per Share	737,057	(36,788)	700,269

c. Statement of Cash Flows

	As Previously Reported MVR	Adjustments MVR	Restated Balance MVR
Operating Profit Before Working Capital Changes	290,819,376	(6,491,995)	284,327,381

36 COMPARATIVE INFORMATION

Certain reclassifications have been made to the comparative figures to enhance comparability and fair presentation of financial statements. As a result, following balances have been amended in the statement of financial position, statement of cash flows and the related notes as shown below.These reclassifications has not resulted in changes to the profit for the year, total assets, total liabilities or total net assets previously reported and as at 31st December 2018.

Assets	As Prevously Reported MVR	Reclassified Amount MVR
Trade & Other Receivables	394,323,537	495,256,570
Amount Due from Related Parties	174,986,434	74,053,401
Liabilities		
Trade & Other Payables	753,071,232	140,685,690
Loans and Borrowings	2,112,745,752	2,725,131,294

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