



Report No: FIN-2019-47(E)

27 June 2019

STATE ELECTRIC COMPANY LIMITED FINANCIAL YEAR 2018



آڈیٹر جنرل آف سٹیٹ برقی کمپنی لمیٹڈ

AUDITOR GENERAL'S OFFICE

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AUDITOR GENERAL'S REPORT

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

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 2018, 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 34.

In our opinion, except the possible effects of the matters described in the Basis of Qualified Opinion paragraphs, the financial statements give a true and fair view of the financial position of the Company as at 31st December 2018 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. The property, plant and equipment of the Company were revalued by an independent external valuer during the year 2011. Accordingly, the assets having the net book value of MVR 434,455,893/- as at 31st December 2011 were revalued for MVR 847,932,997/- and a revaluations surplus of MVR 413,477,104/- were recognized in the financial statements. However, the revaluation report excluded assets having 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 cost. International Accounting Standard - 16 Property, Plant and Equipment require the entire class of property, plant and equipment to be revalued, when a particular item of property, plant and equipment is revalued. In addition, International Accounting Standard 16 – "Property, Plant and Equipment" require a further revaluation to be carried out when the fair value of a revalued asset differs materially from its carrying amount. However, the Company has not carried out a revaluation subsequent to the valuation carried out in 2011. Due to these conditions, we were unable to determine whether any adjustment might be required to amounts of Property, Plant and Equipment and Revaluation Reserve recognized in the financial statements as at 31st December 2018.
2. The internal policies of the Company states that the Company is liable to pay a lump sum payment to its employees at the retirement under the mandatory retirement scheme. Based on the recognition and measurement criteria of International Accounting Standard 19 – "Employee Benefits" this policy is required to be measured using the projected unit credit method and the resulting actuarial gains or losses are required to be recognized in other comprehensive income for the year. However, the Company has not carried out an to determine whether any adjustment might be required to the financial statements due non-availability of such assessment as at 31st December 2018.



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.

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.

26th June 2019



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	2018 MVR	2017 MVR
Revenue	7	1,757,355,443	1,675,906,409
Cost of Sales		<u>(1,407,760,612)</u>	<u>(1,371,553,960)</u>
Gross Profit		349,594,831	304,352,449
Other Income	8	9,917,974	6,381,526
Administrative Costs		(188,788,722)	(184,987,557)
Impairment (Loss)/ Reversal on Amounts Due from Related Parties and Trade Receivables	15.1 & 16.1	<u>(10,207,092)</u>	<u>16,296,086</u>
Results from Operations		160,516,991	142,042,504
Finance Income	9	155,023	3,159
Finance Cost	9	(89,133,135)	(82,343,879)
Net Finance Costs		<u>(88,978,112)</u>	<u>(82,340,720)</u>
Profit Before Tax	10	71,538,879	59,701,784
Tax Expense	11	39,019,715	(6,838,123)
Profit and Total Comprehensive Income for the Year		<u><u>110,558,594</u></u>	<u><u>52,863,661</u></u>
Basic and Diluted Earnings Per Share	12	737,057	352,424

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 7 to 34. The Report of the Independent Auditors is given in pages 1 and 2.



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

AS AT		31/12/2018	31/12/2017
ASSETS	Note	MVR	MVR
Non-Current Assets			
Property, Plant and Equipment	13	3,045,354,845	2,237,183,473
Total Non-Current Assets		<u>3,045,354,845</u>	<u>2,237,183,473</u>
Current Assets			
Inventories	14	128,608,540	129,814,304
Trade and Other Receivables	15	394,323,537	123,765,185
Amounts Due from Related Parties	16	174,986,434	203,146,376
Current Tax Receivable		9,076,282	9,076,282
Cash and Cash Equivalents	17	69,123,904	135,199,698
Total Current Assets		<u>776,118,697</u>	<u>601,001,845</u>
Total Assets		<u><u>3,821,473,542</u></u>	<u><u>2,838,185,318</u></u>
EQUITY AND LIABILITIES			
Equity			
Share Capital	18	150,000,000	150,000,000
Revaluation Reserve	19	215,731,150	230,024,580
Retained Earnings		269,669,747	158,113,447
Total Equity		<u>635,400,897</u>	<u>538,138,027</u>
Non-Current Liabilities			
Loans and Borrowings	20	1,832,055,671	1,152,473,998
Deferred Tax Liabilities	11.9	32,878,310	74,420,205
Deferred Income	21	203,171,519	101,126,489
Total Non-Current Liabilities		<u>2,068,105,500</u>	<u>1,328,020,692</u>
Current Liabilities			
Loans and Borrowings	20	280,690,081	273,757,470
Trade and Other Payables	22	753,071,232	555,110,569
Amounts Due to Related Parties	23	84,205,832	141,485,501
Bank Overdrafts	17	-	1,673,059
Total Current Liabilities		<u>1,117,967,145</u>	<u>972,026,599</u>
Total Liabilities		<u>3,186,072,645</u>	<u>2,300,047,291</u>
Total Equity and Liabilities		<u><u>3,821,473,542</u></u>	<u><u>2,838,185,318</u></u>

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 7 to 34. 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

Signature




Mr. Mohamed Rasheed
Board Chairman

Mr. Hassan Mughnee
Managing Director



Mr. Mohamed Saleem
General Manager, Finance & Accounts
26th June 2019



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

FOR THE YEAR ENDED 31ST DECEMBER 2018

	Share Capital MVR	Revaluation Reserve MVR	Retained Earnings MVR	Total Equity MVR
As at 1 st January 2017	150,000,000	244,318,010	88,434,176	482,752,186
Total Comprehensive Income for the Year				
Profit and Total Comprehensive Income for the Year	-	-	52,863,661	52,863,661
Total Comprehensive Income for the Year	150,000,000	244,318,010	141,297,837	535,615,847
Items Directly Recognized in Equity				
Revaluation Reversal of Property, Plant and Equipment (Note 19)	-	(16,815,610)	16,815,610	-
Deferred Tax impact on revaluation Reversal of Property, Plant and Equipment (Note 11.9)	-	2,522,180	-	2,522,180
Total Items Directly Recognized in Equity	-	(14,293,430)	16,815,610	2,522,180
As at 31 st December 2017	<u>150,000,000</u>	<u>230,024,580</u>	<u>158,113,447</u>	<u>538,138,027</u>
As at 1 st January 2018, as Previously Reported	150,000,000	230,024,580	158,113,447	538,138,027
Adjustment Due to Initial Application of IFRS 9 - Trade Receivables (Note 5(ii))	-	-	8,699,228	8,699,228
Adjustment Due to Initial Application of IFRS 9 - Amounts Due from Related Parties (Note 5(ii))	-	-	(24,517,132)	(24,517,132)
Restated Balance as at 1 st January 2018	<u>150,000,000</u>	<u>230,024,580</u>	<u>142,295,543</u>	<u>522,320,123</u>
Total Comprehensive Income for the Year				
Profit and Total Comprehensive Income for the Year	-	-	110,558,594	110,558,594
Total Comprehensive Income for the Year	150,000,000	230,024,580	252,854,137	632,878,717
Items Directly Recognized in Equity				
Revaluation Reversal of Property, Plant and Equipment (Note 19)	-	(16,815,610)	16,815,610	-
Deferred Tax impact on revaluation Reversal of Property, Plant and Equipment (Note 11.9)	-	2,522,180	-	2,522,180
Total Items Directly Recognized in Equity	-	(14,293,430)	16,815,610	2,522,180
As at 31 st December 2018	<u>150,000,000</u>	<u>215,731,150</u>	<u>269,669,747</u>	<u>635,400,897</u>

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 7 to 34. The Report of the Independent Auditors is given in pages 1 and 2.



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

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2018 MVR	2017 MVR
Cash Flows From Operating Activities			
Profit Before Tax		71,538,879	59,701,784
<i>Adjustments for:</i>			
Depreciation on Property, Plant and Equipment	13	105,243,257	99,475,489
Loss on disposal of Property, Plant and Equipment	13	289,848	261,579
Interest Income	9	(155,023)	(3,159)
Provision / (Reversal) for Impairment Loss on Trade Receivables	15.1	6,290,534	(7,011,778)
Provision / (Reversal) for Impairment Loss Related Parties	16.1	3,916,558	(9,284,308)
Provision for Slow moving Inventories	14.1	16,254,015	12,686,423
Deferred Income Recognized in Profit and Loss for the Year	21	(1,691,827)	(1,691,823)
Interest Expense	9	89,133,135	81,895,623
Operating Profit Before Working Capital Changes		<u>290,819,376</u>	<u>236,029,830</u>
Working Capital Changes			
Change in Inventories		(15,048,251)	(55,030,567)
Change in Trade and Other Receivables		(276,849,047)	23,561,000
Change in Trade and Other Payables		108,827,528	40,777,242
Change in Amounts Due From Related Parties		24,243,384	115,312
Change in Amounts Due to Related Parties		(73,097,412)	27,104,722
Cash Generated From Operating Activities		<u>58,895,578</u>	<u>272,557,539</u>
Interest Received		155,023	3,159
Income Tax Paid		-	-
Net Cash Generated From Operating Activities		<u>59,050,601</u>	<u>272,560,698</u>
Cash Flows From Investing Activities			
Purchase and Construction of Property, Plant and Equipment	13	(10,473,846)	(20,662,076)
Proceeds from disposal of Property, Plant and Equipment	10	-	6,934
Cost Incurred on Capital work-in Progress	13.1	(903,230,631)	(634,448,376)
Net Cash Used in Investing Activities		<u>(913,704,477)</u>	<u>(655,103,518)</u>
Cash Flows From Financing Activities			
Loans and Borrowings Obtained	20	695,870,852	390,936,504
Repayments of Borrowings	20	(9,356,568)	-
Capital Grant Received	21	103,736,857	95,369,248
Net Cash Generated From Financing Activities		<u>790,251,141</u>	<u>486,305,752</u>
Net (Decrease)/ Increase in Cash and Cash Equivalents		(64,402,735)	103,762,932
Cash and Cash Equivalents at Beginning of the Year		<u>133,526,639</u>	<u>29,763,707</u>
Cash and Cash Equivalents at the End of the Year	17	<u>69,123,904</u>	<u>133,526,639</u>

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 7 to 34. 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

2.1 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 statements in which *IFRS 9 – "Financial instruments"* and *IFRS 15 – "Revenue from Customers"* have been applied. Changes to the significant accounting policies are described in respective notes to the financial statements.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

2.3 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.

2.4 Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the respective notes.



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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Foreign currency

(i) Transactions in foreign currencies

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.

3.2 Financial instruments

3.2.1 Financial Assets (Non-derivative)

Accounting Policy applied before 1st January 2018

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following financial assets (non-derivative):

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, and amount due from related parties.



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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial Instruments (Continued)

3.2.1 Financial Assets (Non-derivative) (Continued)

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash balance in hand and balances with banks.

Accounting Policy applied after 1st January 2018

(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) 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

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.

• 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.



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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial Instruments (Continued)

3.2.1 Financial Assets (Non-derivative) (Continued)

• **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.

(iii) Subsequent Measurement

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.
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(iv) De-recognition

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.

3.2.2 Financial Liabilities

Accounting Policy applied before 1st January 2018

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.



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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial Instruments (Continued)

3.2.2 Financial Liabilities

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.

Accounting Policy applied after 1st January 2018

(i) Recognition and Initial Measurement

Financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

(ii) Classification and Measurement

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.

(iii) De-recognition

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.

3.3 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.



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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost/revalued amount 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 labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

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

(ii) Subsequent Costs

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only if it's probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense 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. The charge for the depreciation commences from the month in which the property, plant and equipment is commissioned for commercial operation.



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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (continued)

(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.

3.5 Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

Costs that are directly associated with the purchase and implementation of identifiable and unique software products by the Company are recognized as intangible assets. Expenditures that enhance and extend the benefits of computer software program beyond their original specifications and lives are recognized as a capital improvement and added to the original cost of the software.

(ii) Subsequent expenditure

Subsequent expenditure is only capitalized if costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the Company has sufficient resources to complete development and to use the asset.

(iii) Amortization

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Computer software	3 Years
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3.6 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventory item is based on the weighted average method. Cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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



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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment

(i) Financial assets (including receivables)

Accounting Policy applied before 1st January 2018

A financial asset not carried at fair value through profit or loss was assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset was impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables were assessed for specific impairment. All individually significant receivables found not to be specifically impaired were then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that were not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss was reversed through profit or loss.

Accounting Policy applied after 1st January 2018

The Company recognizes loss allowances for Expected Credit Losses ("ECL") on

- Financial assets measured at amortized cost
- Debt investments measured at FVOCI; and
- Contract assets

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

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and 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.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

(ii) Non-financial Assets

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



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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment (Continued)

(i) Non-financial Assets (Continued)

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

3.8 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) Short-term benefits

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

3.9 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.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.



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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Revenue (Continued)

Type of product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1st January 2018)	Revenue recognition under IAS 18 (applicable before 1st January 2018)
Supply of Service	Bills of electricity are issued on monthly basis and are usually payable within 30 days.	Revenue is recognized overtime as services are provided.	Revenue from the sale of service is recognized when the Company provide electricity to the customers.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer.

Contract liabilities

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

3.10 Operating expenses

All expenditure incurred in the running of the business and in maintaining the capital assets in a state of efficiency has been charged to the revenue in arriving at profit or loss for the year. Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

3.11 Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss.

Finance cost comprises interest expense on borrowings and foreign exchange losses. Foreign currency gains and losses are reported on a net basis.



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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Borrowing costs

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

3.13 Tax expense

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

Current tax

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

Deferred tax

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax rate enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Tax loss

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

3.14 Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains lease. An arrangement conveys the right to use the asset if the arrangement conveys to the Company right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

3.15 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.



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

4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(ii) Financial liabilities (non-derivative)

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The Company has not disclosed the fair values for financial instruments when their carrying amounts are a reasonable approximately fair value.

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Company has initially adopted IFRS 15 - "Revenue from contract with customers" and IFRS 9 - "Financial Instruments" on 1st January 2018. The impact of initially applying these standards are summarized below.

(i) IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgment.

IFRS 15 did not have a material impact on the balances presented as at 1st January 2018.

(ii) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss. Previously, the Company's approach was to include the impairment of trade receivables and amounts due from related parties in other income. Consequently, the Company reclassified impairment reversal amounting to MVR 16,296,086 /-, recognized under IAS 39, from other income to impairment loss on trade and other receivables in the statement of profit or loss for the year ended 31st December 2017.



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

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) IFRS 9 Financial Instruments (Continued)

The following table summarizes the impact, net of tax, of transition to IFRS 9 on the opening balance of retained earnings.

	Impact of adopting IFRS 9 as at 1st January 2018 Increase/ (Decrease) MVR
Retained Earnings	
Recognition of Provision for Impairment under IFRS 9	(15,817,904/-)
Related Tax	-
Total	(15,817,904/-)

Classification and measurement of financial assets and financial liabilities

Trade and other receivables, and amounts due from related parties and cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost and contract assets "Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The Company has determined that the application of IFRS 9's impairment requirements at 1st January 2018 results in an additional allowance for impairment is recognized as follows.

	Amount Increase/(Decrease) MVR
Loss allowance as at 1st January 2018 under IAS 39	40,160,213/-
Additional impairment loss/ (Reversal) recognized as at 1st January 2018 on;	
- Trade and other receivables	(8,699,228)/-
- Amounts Due from Related Party receivables	24,517,132 /-
Loss allowance as at 1st January 2018 under IFRS 9	55,978,177/-

Additional information about how the Company measures the allowance for impairment is described in financial instruments and risk management note.



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

6. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

(i) IFRS 16 - Leases

IFRS 16 replaces existing leasing guidance, including IAS 17 “Leases”, IFRIC 4 “Determining whether an arrangement contains a Lease”, SIC 15 “Operating Leases – Incentives” and SIC 27 “Evaluating the substance of Transactions involving the legal form of a Lease”. The standard is effective for annual periods beginning on or after 1st January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low value items. Lessor accounting remains similar to the current standard. The Company is in the preliminary stage of assessing the impact on its financial statements from adopting IFRS 16 and plans to adopt the standard as at 1st January 2019.

(ii) Other standards

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

- IFRIC 23 Uncertainty over Tax Treatment.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long – term interest in Associates and Joint Venture (Amendments to IAS 28)
- Plan Amendment, Curtailment or settlement (Amendments to IAS 19)
- Annual Improvement to IFRS Standards 2015 -2017 Cycle – various standards.
- Amendments to reference to conceptual Framework in IFRS Standards.



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FOR THE YEAR ENDED 31ST DECEMBER

7 REVENUE	2018 MVR	2017 MVR
Electricity	1,676,964,591	1,605,808,554
Non-electricity	80,390,852	70,097,855
	<u>1,757,355,443</u>	<u>1,675,906,409</u>
8 OTHER INCOME	2018 MVR	2017 MVR
Operational Income	5,473,885	2,322,619
Amortization of Deferred Income (Note 21)	1,691,827	1,691,823
Rental Income	598,634	1,219,217
Miscellaneous Income	2,153,628	1,147,867
	<u>9,917,974</u>	<u>6,381,526</u>
9 NET FINANCE COSTS	2018 MVR	2017 MVR
Finance Income		
Interest Income	140,639	3,159
Foreign Exchange Gain	14,384	-
	<u>155,023</u>	<u>3,159</u>
Finance Costs		
Interest on Borrowings - Foreign	(85,323,862)	(78,454,371)
Interest on Borrowings - Local	(2,722,967)	(3,440,039)
Interest on Bank Overdraft	-	(1,213)
Foreign Exchange Loss	(1,086,306)	(448,256)
	<u>(89,133,135)</u>	<u>(82,343,879)</u>
Net Finance Costs	<u>(88,978,112)</u>	<u>(82,340,720)</u>
10 PROFIT BEFORE TAX	2018 MVR	2017 MVR
<i>Profit before tax is stated after charging all the expenses including the following:</i>		
Repair and Maintenance	83,100,551	91,625,671
Cost of Lubricant oil	22,949,936	19,852,143
Cost of Diesel	1,025,974,568	1,010,940,630
Bank of Charges	11,301,652	8,329,389
Directors' Remuneration	726,968	713,531
Rent Expenses	22,185,125	29,064,666
Depreciation of Property, Plant and Equipment (Note 13)	105,243,257	99,475,489
Provision for Slow and Non-Moving Inventories (Note 14.1)	16,254,015	12,686,423
Personnel Costs (Note 10.1)	206,521,184	201,752,879



STATE ELECTRIC COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2018

10 PROFIT BEFORE TAX (CONTINUED)

10.1 Personnel Costs	2018 MVR	2017 MVR
Staff Salaries and Wages	81,474,648	73,210,075
Staff Allowances	75,479,894	73,578,889
Overtime Expenses	39,515,413	43,086,907
Employer's Contribution to Government Pension Fund	5,661,135	5,097,038
Staff Medical Expenses	2,313,880	4,069,320
Employee Retirement Benefits	350,000	168,805
Other Staff Expenses	1,726,214	2,541,845
	<u>206,521,184</u>	<u>201,752,879</u>
11 TAX EXPENSE / (REVERSAL)	2018 MVR	2017 MVR
11.1 Current Tax Expense		
Current Tax Expense (Note 11.2)	-	-
11.2 Deferred Tax Reversal		
Deferred Tax Asset Reversed/ (Recognized) (Note 11.6)	(23,694,552)	-
Deferred Tax Liability (Reversed)/ Recognized (Note 11.9)	<u>(15,325,163)</u>	<u>6,838,123</u>
	<u>(39,019,715)</u>	<u>6,838,123</u>
Total Tax (Reversal) / Expense	<u>(39,019,715)</u>	<u>6,838,123</u>
11.3 Reconciliation Between Accounting Profit and Taxable Income	2018 MVR	2017 MVR
Profit Before Tax	71,538,879	59,701,784
Aggregate Disallowable Items	229,617,228	201,194,298
Aggregate Allowable Items	(289,057,378)	(235,636,401)
Tax Loss Utilized during the Year	<u>(12,098,729)</u>	<u>(25,259,681)</u>
Taxable Income for the Year	<u>-</u>	<u>-</u>
Business Profit Tax @ 15%	<u>-</u>	<u>-</u>
<p>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%.</p>		
11.4 Accumulated Tax Losses	31/12/2018 MVR	31/12/2017 MVR
As at 1st January	187,367,367	212,627,048
Tax Loss Utilized During the Year	<u>(12,098,729)</u>	<u>(25,259,681)</u>
As at 31st December	<u>175,268,638</u>	<u>187,367,367</u>



STATE ELECTRIC COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2018

11 TAX EXPENSE (CONTINUED)

11.5 Net Deferred tax Liability / (Asset)	31/12/2018 MVR	31/12/2017 MVR
Deferred Tax Asset (Note 11.6)	(23,694,552)	-
Deferred Tax Liability (Note 11.9)	56,572,862	74,420,205
	<u>32,878,310</u>	<u>74,420,205</u>
11.6 Deferred Tax Asset :	31/12/2018 MVR	31/12/2017 MVR
As at 1st January	-	-
Recognized During the Year	23,694,552	-
As at 31st December	<u>23,694,552</u>	<u>-</u>

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

	31/12/2018		31/12/2017	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	MVR	MVR	MVR	MVR
Accumulated Tax Losses	<u>157,963,676</u>	<u>23,694,552</u>	<u>-</u>	<u>-</u>

11.8 The Un-recognized Deferred Tax Assets are Attributable to the Following;

	31/12/2018		31/12/2017	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	MVR	MVR	MVR	MVR
Accumulated Tax Losses	<u>17,304,962</u>	<u>2,595,745</u>	<u>187,367,367</u>	<u>28,105,106</u>

11.9 Deferred Tax Liability:

	31/12/2018 MVR	31/12/2017 MVR
As at 1st January	74,420,205	70,104,262
<i>Items Recognized Directly in Equity</i> Reversed During the Year	(2,522,180)	(2,522,180)
<i>Items Recognized in profit or loss</i> Recognized During the Year	<u>(15,325,163)</u>	<u>6,838,123</u>
As at 31 st December	<u>56,572,862</u>	<u>74,420,205</u>

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

	31/12/2018		31/12/2017	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	MVR	MVR	MVR	MVR
Revaluation Reserve	227,620,760	34,143,114	244,436,373	36,665,456
Property Plant and Equipment	149,531,653	22,429,748	251,698,327	37,754,749
	<u>227,620,760</u>	<u>56,572,862</u>	<u>244,436,373</u>	<u>74,420,205</u>

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;

	2018	2017
Profit for the Year Attributable to the Ordinary Shareholders - MVR	110,558,594	52,863,661
Weighted Average Number of Ordinary Shares	150	150
Basic and Diluted Earnings Per Share - MVR	<u>737,057</u>	<u>352,424</u>





**STATE ELECTRIC COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2018

13 PROPERTY, PLANT AND EQUIPMENT

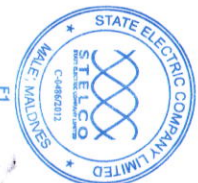
	Generation and distribution equipment MVR	Buildings, Water bottling plant and Oil storage MVR	Vehicles and launches MVR	Machinery and Equipment MVR	Furniture and Fittings MVR	Computer Systems MVR	Capital Work-in-Progress MVR	Total 2018 MVR	Total 2017 MVR
Cost/ Revaluation									
As at 1 st January	1,666,079,105	561,223,413	23,651,007	83,646,770	6,512,348	19,090,155	584,625,922	2,944,828,720	2,293,939,316
Additions During the Year	5,491,482	-	564,617	2,720,476	380,532	1,316,739	903,230,631	913,704,477	655,110,452
Transferred from Capital Work-in-Progress	49,942,828	36,944,860	7,631,629	3,787,973	-	-	(98,307,290)	-	-
Disposal During the year	(355,000)	(10,783)	(73,446)	(81,427)	(27,750)	-	-	(548,406)	(4,221,048)
As at 31 st December	<u>1,721,158,415</u>	<u>598,157,490</u>	<u>31,773,807</u>	<u>90,073,792</u>	<u>6,865,130</u>	<u>20,406,894</u>	<u>1,389,549,263</u>	<u>3,857,984,791</u>	<u>2,944,828,720</u>
Accumulated Depreciation									
As at 1 st January	519,326,484	96,650,133	13,318,843	56,372,280	4,370,664	17,606,843	-	707,645,247	612,122,293
Charge for the Year	73,722,247	19,266,747	1,848,608	8,838,838	519,409	1,047,408	-	105,243,257	99,475,489
Disposal During the year	(147,705)	(2,654)	(3,786)	(76,663)	(27,750)	-	-	(258,558)	(3,952,535)
As at 31 st December	<u>592,901,026</u>	<u>115,914,226</u>	<u>15,163,665</u>	<u>65,134,455</u>	<u>4,862,323</u>	<u>18,654,251</u>	<u>-</u>	<u>812,629,946</u>	<u>707,645,247</u>
Net Carrying Amount									
As at 31 st December 2018	<u>1,128,257,389</u>	<u>482,243,264</u>	<u>16,610,142</u>	<u>24,939,337</u>	<u>2,002,807</u>	<u>1,752,643</u>	<u>1,389,549,263</u>	<u>3,045,354,845</u>	
As at 31 st December 2017	<u>1,146,752,621</u>	<u>464,573,280</u>	<u>10,332,164</u>	<u>27,274,490</u>	<u>2,141,684</u>	<u>1,483,312</u>	<u>584,625,922</u>		<u>2,237,183,473</u>

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

	31/12/2018 MVR	31/12/2017 MVR
5th Power Project	1,212,960,454	384,408,984
Transmission & Distribution	47,340,684	57,127,376
Combustion Power Plant	41,672,492	46,715,038
Greater Male' Grid Connection	23,271,245	-
POISED Project	17,363,219	12,444,316
SCADA System	13,744,964	13,137,270
Other Projects	33,196,205	70,792,938
	<u>1,389,549,263</u>	<u>584,625,922</u>

13.2 During the year, the Company has capitalized borrowing cost amounting to MVR 37,054,111/- (2017: MVR 7,653,879/-) on qualifying assets.

13.3 The value of fully depreciated property, plant and equipment as at 31st December 2018 amounted to MVR 119,412,761/- (2017: MVR 91,390,204/-).



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14 INVENTORIES	31/12/2018 MVR	31/12/2017 MVR
Fuel	26,643,118	29,108,963
Spares, cables and consumables	225,688,562	208,747,285
Stationary	157,115	120,343
Lubricating oil	2,515,829	1,979,782
	<u>255,004,624</u>	<u>239,956,373</u>
Less: Provision for Slow and non-moving Inventories (Note 14.1)	<u>(126,396,084)</u>	<u>(110,142,069)</u>
	<u>128,608,540</u>	<u>129,814,304</u>
14.1 Provision for Slow and Non Moving Inventories	31/12/2018 MVR	31/12/2017 MVR
As at 1st January	110,142,069	97,455,646
Add: Provision for the Year	16,254,015	12,686,423
As at 31st December	<u>126,396,084</u>	<u>110,142,069</u>
15 TRADE AND OTHER RECEIVABLES	31/12/2018 MVR	31/12/2017 MVR
Trade Receivables	175,696,840	117,001,018
Less : Provision for Impairment Loss (Note 15.1)	<u>(24,975,177)</u>	<u>(27,383,871)</u>
	150,721,663	89,617,147
Prepayments	511,424	1,971,459
Advance payment (Note 15.2)	123,189,476	-
Other Receivables	119,900,974	32,176,579
	<u>394,323,537</u>	<u>123,765,185</u>
15.1 Provision for Impairment of Trade Receivables	31/12/2018 MVR	31/12/2017 MVR
As at 1st January	27,383,871	34,395,649
Adjustment Due to Initial Application of IFRS 9 (Note 5 (ii))	(8,699,228)	-
Provision for the Year	6,290,534	-
Reversal for the Year	-	(7,011,778)
As at 31st December	<u>24,975,177</u>	<u>27,383,871</u>
15.2 This amount represent the advance paid by the Company to the contractors on the "Hiyaa" house project		
16 AMOUNTS DUE FROM RELATED PARTIES	31/12/2018 MVR	31/12/2017 MVR
Indira Gandhi Memorial Hospital	4,084,654	5,484,619
Dhivehi Raajjege Gulhun PLC	5,233,779	4,849,975
Male' Water & Sewerage Company (Private) Limited	3,217,265	3,806,428
State Trading Organisation PLC	1,509,584	1,285,525
Maldives Transport and Contracting Company PLC	804,499	582,807
Maldives Customs Services	303,835	312,555
Maldives Industrial Fisheries Company Limited	268,921	235,821
Bank of Maldives PLC	55,109	44,926
Public Service Media	17,286,896	23,620,759
Maldives Road Development Corporation Limited	2,733,567	3,486,699
National Center For the Arts	1,362,351	1,560,902
Housing Development Corporation Limited	730,459	1,305,961
National Social Protection Agency	110,897,040	110,931,627
Other Government Owned Organizations	67,708,507	58,414,114
	<u>216,196,466</u>	<u>215,922,718</u>
Less : Provision for Impairment Loss (Note 16.1)	<u>(41,210,032)</u>	<u>(12,776,342)</u>
	<u>174,986,434</u>	<u>203,146,376</u>
16.1 Provision for Impairment of Amounts Due From Related Parties	31/12/2018 MVR	31/12/2017 MVR
As at 1st January	12,776,342	22,060,650
Adjustment Due to Initial Application of IFRS 9 (Note 5 (ii))	24,517,132	-
Provision for the Year	3,916,558	-
Reversal for the Year	-	(9,284,308)
As at 31st December	<u>41,210,032</u>	<u>12,776,342</u>



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17	CASH AND CASH EQUIVALENTS	31/12/2018	31/12/2017
		MVR	MVR
	Favorable Balances		
	Cash in Hand	11,023,280	13,459,605
	Balances at Banks	58,100,624	121,740,093
		<u>69,123,904</u>	<u>135,199,698</u>
	Unfavorable Balances		
	Bank Overdrafts (Note 17.1)	-	(1,673,059)
	Cash and Cash Equivalents	<u>69,123,904</u>	<u>133,526,639</u>
17.1	Bank Overdrafts		
	The Company's bank overdrafts are secured by the mortgage of leasehold rights of plot no 347 and plot no 349 for overdraft limit of MVR 50,000,000/-. This overdraft facility is granted to finance the working capital requirements of the Company at an interest rate of 8.5% per annum.		
18	SHARE CAPITAL		
18.1	Authorized Share Capital		
	The authorized share capital comprises of 150 (2017: 150) ordinary shares with a par value of MVR 1,000,000/- per share.		
18.2	Issued and Fully Paid Share Capital		
	The issued and fully paid share capital comprises of 150 (2017:150) ordinary shares of MVR.1,000,000/- each.		
18.3	Dividends and voting rights		
	The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote per share at the shareholders' meetings of the Company.		
19	REVALUATION RESERVE	31/12/2018	31/12/2017
		MVR	MVR
	Balance as at 1st January	230,024,580	244,318,010
	Transfer of Revaluation Surplus to Retained Earnings	(16,815,610)	(16,815,610)
	Deferred Tax on Revaluation Reserve for the Year	2,522,180	2,522,180
	Balance as at 31st December	<u>215,731,150</u>	<u>230,024,580</u>
19.1	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).		
19.2	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.		
20	LOANS AND BORROWINGS	31/12/2018	31/12/2017
		MVR	MVR
	As at 1st January	1,426,231,468	1,035,294,964
	Loans Obtained During the Year	695,870,852	390,936,504
	Repayments During the Year	(9,356,568)	-
	As at 31st December	<u>2,112,745,752</u>	<u>1,426,231,468</u>
20.1	Non - Current Liabilities		
	Loans and Borrowings	<u>1,832,055,671</u>	<u>1,152,473,998</u>
20.2	Current Liabilities		
	Loans and Borrowings	<u>280,690,081</u>	<u>273,757,470</u>





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20 LOANS AND BORROWINGS (CONTINUED)

20.3 Terms and Repayment Schedule

Source of finance	Purpose	Nominal interest rate	Note	Maturity Date	Security	Carrying Amount	
						31/12/2018 MVR	31/12/2017 MVR
Asian Development Bank	Third Power System	8%	20.4	1-Aug-2021		52,758,719	52,758,719
UNI Bank	Third Power System	8%	20.4	1-May-2024		52,343,959	52,343,959
Nordic Development Fund	Third Power System	8%	20.4	1-Aug-2022		54,759,362	54,759,362
Finnish Export Credit and Den Danske Bank	5.4 V Generator Set	8%	20.4	15-Feb-2016		24,595,026	24,595,026
Asian Development Bank	Second Power System	8%	20.4	31-Jul-2025	Letter of Guarantee by Government of Maldives	33,654,427	33,654,427
Asian Development Bank	Power System	8%	20.4	1-Sep-2018		10,386,930	10,386,930
Danida	Fourth Power System	8.5%	20.4	30-Sep-2035		738,561,034	738,561,034
Maldives Islamic Bank	MGAF Project	8%		9-Dec-2021		28,914,170	38,270,738
Asian Development Bank	POISED Project	6%	20.4	15-May-2033		150,847,779	147,772,238
Exim Bank of China	Fifth Power Project	6 Months LIBOR		31-Jul-2031		579,554,609	163,877,422
Bank of China	Fifth Power Project	6 Months LIBOR		31-Jul-2031		386,369,737	109,251,610
						<u>2,112,745,752</u>	<u>1,426,231,465</u>

20.4 The Ministry of Finance and Treasury ("MOFT") through its letter dated on 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.



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21 DEFERRED INCOME	31/12/2018	31/12/2017
	MVR	MVR
As at 1 January	101,126,489	7,449,064
Grants Received During the year	103,736,857	95,369,248
Less: Amortization for the Year	(1,691,827)	(1,691,823)
As at 31 December	<u>203,171,519</u>	<u>101,126,489</u>

21.1 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.

22 TRADE AND OTHER PAYABLES	31/12/2018	31/12/2017
	MVR	MVR
Trade Payables	78,388,959	25,260,774
Accrued expenses	631,226,042	514,645,160
Other Payables	43,456,231	15,204,635
	<u>753,071,232</u>	<u>555,110,569</u>

23 AMOUNTS DUE TO RELATED PARTIES	31/12/2018	31/12/2017
	MVR	MVR
State Trading Organisation PLC	77,859,420	136,021,204
Maldives Transport and Contracting Company PLC	2,494,731	1,342,865
Maldives Road Development Corporation Limited	663,612	611,903
Male' Water & Sewerage Company Limited	56,857	335,001
Dhivehi Raajjege Gulhun PLC	76,026	122,876
Maldives Port Limited	83,939	-
Other Government owned Organizations	2,971,247	3,051,652
	<u>84,205,832</u>	<u>141,485,501</u>

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.



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24 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.

	31/12/2018	31/12/2017
	MVR	MVR
Total Liabilities	3,186,072,645	2,300,047,291
Less: Cash and Cash Equivalents	<u>(69,123,904)</u>	<u>(135,199,698)</u>
Net Debt	<u>3,116,948,741</u>	<u>2,164,847,593</u>
Total Equity	635,400,897	538,138,027
Net Debt to Equity Ratio	<u>4.91</u>	<u>4.02</u>

25 COMMITMENTS

25.1 Capital Commitments

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

	31/12/2018	31/12/2017
	MVR	MVR
Property Plant and equipment	<u>7,653,277</u>	<u>3,374,180</u>

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

25.2 Operating Leases

The Company has number of operating leases over various retail outlets, offices, lands and warehouses under non-cancellable operating lease agreements. The lease expenditure is charged to the statement of profit or loss during the year is disclosed under administrative expenses.

Future Minimum Lease Payments	31/12/2018	31/12/2017
	MVR	MVR
Non-cancellable operating lease rentals payable for future years are as follows;		
Less than one year	10,505,316	12,305,316
1 to 5 years	52,526,580	52,526,580
More than 5 years	<u>376,645,488</u>	<u>387,150,804</u>
	<u>439,677,384</u>	<u>451,982,700</u>

26 CONTINGENT LIABILITIES

There are no contingent liabilities outstanding as at the reporting date, which requires disclosure in the financial statements.



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27 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.

Comparative information under IAS 39

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	
	31/12/2018	31/12/2017
	MVR	MVR
Trade Receivables	175,696,840	117,001,018
Other Receivables	243,601,874	34,148,038
Amounts Due From Related Parties	216,196,466	215,922,718
Balances with Banks	58,100,624	121,740,093
	693,595,804	488,811,867

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.

The aging of trade receivables and amounts due from related parties as at the reporting date was:

31st December 2017	Total	< 30 days	31 -60 days	61 - 360 days	> 360 days days
	MVR	MVR	MVR	MVR	MVR
Gross	332,923,736	217,303,644	51,352,588	24,107,290	40,160,213
Impairment	40,160,213	-	-	-	40,160,213

The movement in the provision for impairment loss is given in Notes 15.1 and 16.1 to the financial statements.

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.

Expected credit loss assessment under IFRS 9

The Company uses an allowance matrix to measure the ECLs of trade receivables. Loss rates are based on actual credit loss experience over past years. These rates are multiplied by scalar factors to reflect 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)



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27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iii) Credit risk (Continued)

Measurement of ECL (Continued)

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

31st December 2018	Weighted Average Loss Rate	Gross Carrying Amount MVR	Loss Allowance MVR
1-30 days past due	1.0%	111,778,796	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
		<u>175,696,840</u>	<u>24,975,177</u>
1st January 2018	Weighted Average Loss Rate	Gross Carrying Amount MVR	Loss Allowance MVR
1-30 days past due	1.4%	56,638,879	796,829
31-60 days past due	2.6%	29,932,723	788,607
61-90 days past due	9.1%	7,605,066	691,231
91-180 days past due	10.0%	5,484,160	548,822
181-360 days past due	85.9%	10,509,841	9,028,804
More than 360 days past due	100.0%	6,830,349	6,830,349
		<u>117,001,018</u>	<u>18,684,643</u>

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 15.1 and 16.1 respectively to the financial statements. The comparative amounts in 2017 represents the allowance account for impairment losses under IAS 39.

Balances with Banks

The Company held an amounts of MVR 58,100,624/- as at 31st December 2018 in banks. (2017- MVR 121,740,093/-). The Company has no significant impact on the bank balances as at 1st January 2018 and 31st December 2018.



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27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(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 2018	Carrying Amount MVR	0-12 Months MVR	1-2 Years MVR	2-5 Years MVR	More than 5 Years MVR
Financial Liabilities (Non- derivative)					
Trade and Other Payables	753,071,232	753,071,232	-	-	-
Loans and Borrowings	2,112,745,752	280,690,081	280,690,081	561,380,162	989,985,428
Amounts Due to Related Parties	84,205,832	84,205,832	-	-	-
Bank Overdrafts	-	-	-	-	-
Total	2,950,022,816	1,117,967,145	280,690,081	561,380,162	989,985,428
31st December 2017	Carrying Amount MVR	0-12 Months MVR	1-2 Years MVR	2-5 Years MVR	More than 5 Years MVR
Financial Liabilities (Non- derivative)					
Trade and Other Payables	555,110,569	555,110,569	-	-	-
Loans and Borrowings	1,426,231,468	273,757,470	263,446,648	526,893,296	362,134,054
Amounts Due to Related Parties	141,485,501	141,485,501	-	-	-
Bank Overdrafts	1,673,059	1,673,059	-	-	-
Total	2,124,500,597	972,026,599	263,446,648	526,893,296	362,134,054

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	
	31/12/2018 MVR	31/12/2017 MVR
Fixed Rate Instruments		
Financial Liabilities	1,146,821,406	1,153,102,433
Variable Rate Instruments		
Financial liabilities	965,924,346	163,877,422

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	
	100 bp increase MVR	100 bp decrease MVR
31 st December 2018		
Variable rate instruments	(96,592,435)	96,592,435
31 st December 2017		
Variable rate instruments	(16,387,742)	16,387,742



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27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(b) Currency Risk

Exposure to currency risk

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

	31/12/2018	31/12/2017
	US\$	US\$
Loans and borrowings	61,986,623	54,277,722
Net currency exposure	61,986,623	54,277,722

The following significant exchange rate were applied during the year:

	Average Rate		Reporting date spot rate	
	2018	2017	31/12/2018	31/12/2017
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 $\pm 20\%$ of the mid-point of exchange rate.

28 EVENTS AFTER THE REPORTING DATE

No circumstances have arisen since reporting date which require adjustments to/or disclosure in the financial statements other than those disclosed in Note 20.4 to the financial statements.

29 DIRECTOR'S RESPONSIBILITY

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

30 RELATED PARTY TRANSACTIONS

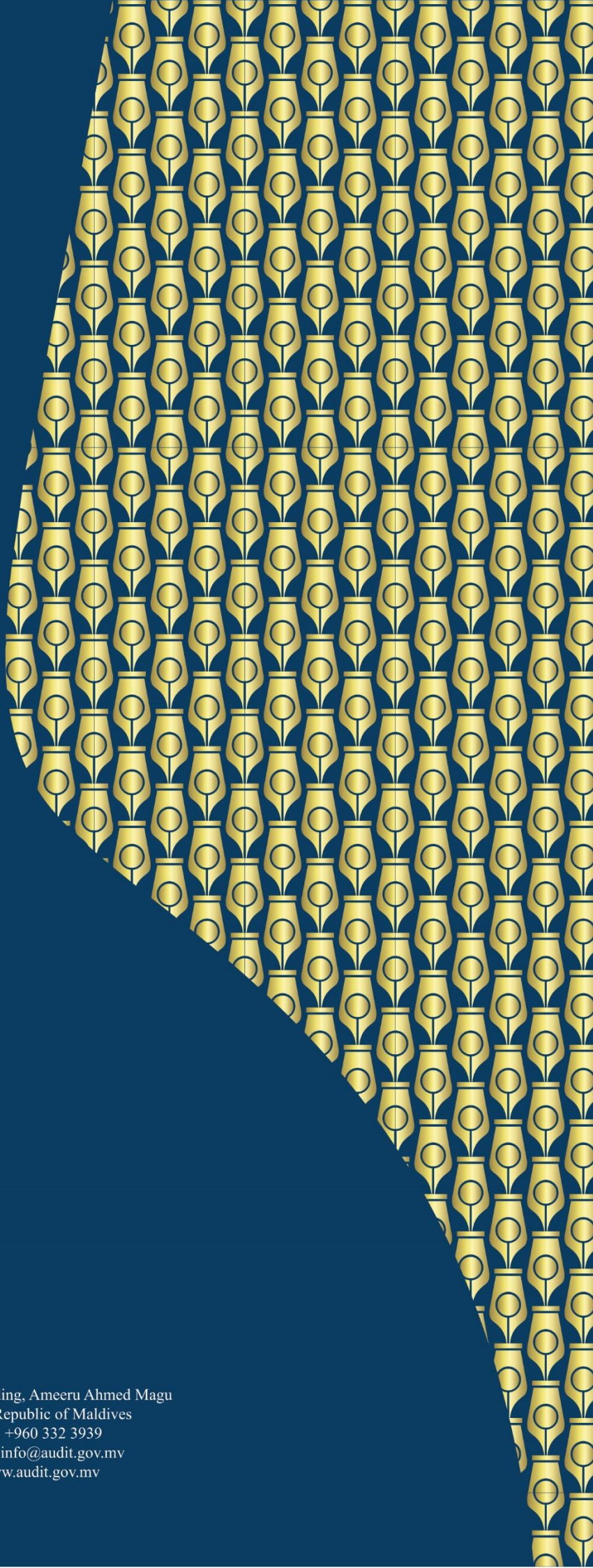
Name of the related party	Relationship	Nature of the transaction	Amount		Balance outstanding due from / (to)	
			2018 MVR	2017 MVR	31/12/2018 MVR	31/12/2017 MVR
State Trading Organisation PLC	Affiliate	Sales of Services	(14,289,199)	(13,982,099)	(76,349,836)	(134,735,679)
		Payments made	(953,027,744)	(1,045,597,538)		
		Purchases	1,025,702,786	1,016,413,109		
Maldives Transport and Contracting Company PLC	Affiliate	Sales of Services	(3,693,731)	(4,069,986)	(1,690,232)	(760,058)
		Payments made	(21,840,559)	(13,115,527)		
		Purchases	24,604,116	20,106,658		
Maldives Road Development Corporation Limited	Affiliate	Sales of Services	(51,709)	(291,208)	(663,612)	(611,903)
		Payment made	-	-		
Male' Water & Sewerage Company Limited	Affiliate	Sales of Services	30,487,815	25,169,772	3,160,408	3,471,427
		Payments	(22,924,462)	(7,915,182)		
		Purchases	(7,874,372)	(21,058,507)		
Dhivehi Raajjige Gulhun PLC	Affiliate	Sales of Services	43,955,441	44,519,348	5,157,753	4,727,099
		Payments	(45,868,919)	(41,811,871)		
		Purchases	2,344,132	(1,660,952)		
Maldives Port Limited	Affiliate	Sales of Services	-	470,024	83,939	-
		Payment made	(432,698)	(451,434)		
		Purchases	516,637	-		
Other Government owned Organizations	Affiliate	Sales of Services	187,249,572	189,678,535	64,737,260	55,362,462
		Payment made	(177,506,111)	(193,593,593)		
		Purchases	(368,663)	(176,915)		
Indira Gandhi Memorial Hospital	Affiliate	Sales of Services	24,213,653	23,566,106	4,084,654	5,484,619
		Payment made	(25,613,618)	(22,724,393)		
Maldives Customs Services	Affiliate	Sales of Services	3,401,935	3,644,326	303,835	312,555
		Payment made	(3,410,655)	(4,106,154)		
Maldives Industrial Fisheries Company Limited	Affiliate	Sales of Services	1,686,668	1,593,841	268,921	235,821
		Payment made	(1,653,568)	(1,531,413)		
Bank of Maldives PLC	Affiliate	Sales of Services	8,307,891	7,998,530	55,109	44,926
		Payment made	(8,297,708)	(8,505,113)		
Public Service Media	Affiliate	Sales of Services	15,248,539	14,732,462	17,286,896	23,620,759
		Payment made	(21,582,402)	(20,573,400)		
Maldives Road Development Corporation Limited	Affiliate	Sales of Services	592,958	511,203	2,733,567	3,486,699
		Payment made	(1,346,090)	(1,145,000)		
National Center For the Arts	Affiliate	Sales of Services	394,449	709,242	1,362,351	1,560,902
		Payment made	(593,000)	(480,000)		
Housing Development Corporation Limited	Affiliate	Sales of Services	7,293,306	6,075,736	730,459	1,305,961
		Payment made	(7,868,808)	(7,000,800)		
National Social Protection Agency	Affiliate	Sales of Services	431,019	101,762,175	110,897,040	110,931,627
		Payment made	(465,606)	(400,800)		

30.1 Transactions with Key Management Personnel

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

	2018 MVR	2017 MVR
Directors' Remuneration	726,968	713,531





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