



Report No: FIN-2021-66(E)

29 August 2021

STATE ELECTRIC COMPANY LIMITED

FINANCIAL YEAR 2020



آڈیٹر جنرل آف پاکستان

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 2020, 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 41.

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 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' 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 International Code of Ethics for Professional Accountants' (including International Independence Standards) (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Maldives 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.

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 should be kept sufficiently up to date so that the carrying amount in the general ledger does not differ materially from the fair value. 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 revaluation 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 inline with IAS 16. Furthermore, we were unable to determine whether any adjustment might be required with respect of depreciation expense, property plant and equipment, revaluation reserve and retained earnings recognized in the financial statements as at and for the year ended 31st December 2020.
2. As disclosed in Note 8,13 and 23 to the Financial statements, the Company has recognized interest on leases, Lease liabilities and ROU assets as at and for the year ended 31st December 2020. However, the leasing arrangements with respect to "Male' powerhouse" and "Villingili powerhouse" have not



been considered for 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 with respect of finance cost, amortization of right of use asset, lease liability and retained earnings to the financial statements as at and for the year ended 31st December 2020.

3. As disclosed in Note 22.2 to the Financial Statements, the Company has recorded a loan taken by the Ministry of Finance of Maldives from Ministry of Foreign Affairs of Denmark (“DANIDA”) on behalf of the Company with respect of 4th generation power project as loans and borrowings. The Company has recorded a total capital outstanding and interest payable balance of MVR. 1,175,001,598/- as at 31st December 2020. An interest expense of MVR. 56,411,645/- has been recognized for the year ended 31st December 2020 and an accumulated interest expense of MVR.436,440,564/- as at 31st December 2020. However, due to lack of legal contract between the parties, we were unable to verify the completeness, existence and accuracy of loans and borrowings, retained earnings and interest expenses as at and for the year ended 31st December 2020.
4. As disclosed in note 17 and 28 to the financial statements, the Company has recorded MVR 245,964,053/-as amount due from related parties and MVR 80,137,389/- as amounts due to related parties as at 31st December 2020. However, we were unable to verify the accuracy, completeness and existence of these balances and related disclosures as at and for the year ended 31st December 2020 due to the absence of direct confirmation or alternative audit evidences.

Emphasis of Matters

1. We draw our attention to Note 36 to the financial statements, which indicates that the comparative information presented as at and for the year ended 31st December 2019 has been restated.
2. We draw our attention to Note 31 to the financial statements, which presents information regarding an ongoing litigation against the Company for the year ended 31st December 2020.

Our opinion is not modified in respect of above matters.

Responsibilities of management 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.

29th August 2021



Hussain Niyazy
Auditor General



STATE ELECTRIC COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2020

	Note	2020 MVR	2019 MVR (Restated)*
Revenue	6	1,909,620,830	1,922,912,331
Cost of Sales		<u>(1,353,963,125)</u>	<u>(1,460,088,260)</u>
Gross Profit		555,657,705	462,824,071
Other Income	7	15,267,738	17,583,547
Administrative Costs		(194,640,354)	(196,378,583)
Impairment Loss on Trade Receivables and Amounts due from Related Parties	16.1 & 17.1	<u>(63,410,708)</u>	<u>(41,158,719)</u>
Results from Operations		312,874,381	242,870,316
Finance Income		589,468	347,927
Finance Costs		(142,405,634)	(107,422,567)
Net Finance Costs	8	<u>(141,816,166)</u>	<u>(107,074,640)</u>
Profit Before Tax	9	171,058,215	135,795,676
Tax Expenses	10	(40,874,899)	(28,163,012)
Profit After Tax		<u>130,183,316</u>	<u>107,632,664</u>
Other Comprehensive Income			
Items that will not be Reclassified to Profit or Loss			
Remeasurement of Defined Benefit Liability	25	33,211,971	(2,140,744)
(Reversal) / Recognition of Related tax	10.4	<u>(4,981,796)</u>	<u>321,111</u>
Total Other Comprehensive Income, Net of Tax		<u>28,230,175</u>	<u>(1,819,633)</u>
Profit and Other Comprehensive Income for the Year		<u>158,413,491</u>	<u>105,813,031</u>
Basic and Diluted Earnings Per Share	11	867,889	717,551

*Refer Note No. 36

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 41.



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

AS AT 31 DECEMBER 2020

	Note	31/12/2020 MVR	31/12/2019 MVR (Restated)*	1/1/2019 MVR (Restated)*
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	12	3,740,936,763	3,589,567,392	3,110,917,698
Right of Use Asset	13	101,538,409	104,177,557	-
Investment in Hiya Project	14	551,519,443	421,497,924	148,482,673
Total Non-Current Assets		<u>4,393,994,615</u>	<u>4,115,242,873</u>	<u>3,259,400,371</u>
Current Assets				
Inventories	15	103,950,249	112,619,735	128,608,540
Trade and Other Receivables	16	325,668,652	279,894,537	372,067,094
Amounts due from Related Parties	17	245,964,053	131,455,599	74,053,401
Current Tax Receivable		3,804,285	9,076,282	9,076,282
Cash and Cash Equivalents	18	258,504,880	168,744,217	69,123,904
Total Current Assets		<u>937,892,119</u>	<u>701,790,370</u>	<u>652,929,221</u>
Total Assets		<u>5,331,886,734</u>	<u>4,817,033,243</u>	<u>3,912,329,592</u>
EQUITY AND LIABILITIES				
Equity				
Share Capital	19	150,000,000	150,000,000	150,000,000
Revaluation Reserve	20	187,144,612	201,437,881	215,731,150
Retained Earnings		497,450,607	342,221,506	219,592,865
Capital Contribution	21	582,414,534	332,001,171	199,106,114
Total Equity		<u>1,417,009,753</u>	<u>1,025,660,558</u>	<u>784,430,129</u>
Non-Current Liabilities				
Loans and Borrowings	22	2,865,471,612	2,893,392,528	2,444,441,213
Lease Liability	23	105,175,599	105,294,628	-
Differed Income	24	34,717,636	2,373,578	4,065,405
Deferred Tax Liabilities	10.3	87,423,291	49,360,934	24,041,213
Defined Benefit Obligation	25	39,535,454	68,305,743	58,913,979
Contractor Payable	26	297,424,914	168,114,771	-
Total Non-Current Liabilities		<u>3,429,748,506</u>	<u>3,286,842,182</u>	<u>2,531,461,810</u>
Current Liabilities				
Loans and Borrowings	22	104,693,637	108,962,399	280,690,081
Contractor Payable	26	89,422,620	92,902,178	65,562,853
Lease Liability	23	1,343,851	1,301,899	-
Trade and Other Payables	27	209,530,978	182,619,796	165,978,887
Amounts due to Related Parties	28	80,137,389	118,744,231	84,205,832
Total Current Liabilities		<u>485,128,475</u>	<u>504,530,503</u>	<u>596,437,653</u>
Total Liabilities		<u>3,914,876,981</u>	<u>3,791,372,685</u>	<u>3,127,899,463</u>
Total Equity and Liabilities		<u>5,331,886,734</u>	<u>4,817,033,243</u>	<u>3,912,329,592</u>

*Refer Note No. 36

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 41.

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

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

Mr. Hassan Mughnee
Managing Director





STATE ELECTRIC COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2020

As at 1st January 2019, As Previously Reported
Impact on Restatement (Note 36)
Restated Balance as at 1st January 2019

Total Comprehensive Income for the Year (Restated)

Profit for the Year
Other Comprehensive Income, net of tax

Total Comprehensive Income for the Year (Restated)

Items Directly Recognized in Equity

Revaluation Reserve Transferred to Retained Earnings (Note 20)
Deferred Tax impact on Revaluation Reserve Transferred to Retained Earnings (Note 10.6)

Total Items Directly Recognized in Equity

Transaction with Owners of the Company

Contribution received during the Year (Note 21)

Total Transaction with Owners of the Company

Restated balance as at 31st December 2019

As at 1st January 2020

Total Comprehensive Income for the Year

Profit for the Year
Other Comprehensive Income, net of tax

Total Comprehensive Income for the Year

Items Directly Recognized in Equity

Revaluation Reserve Transferred to Retained Earnings (Note 20)
Deferred Tax Impact on Revaluation Reserve Transferred to Retained Earnings (Note 10.6)

Total Items Directly Recognized in Equity

Transaction with Owners of the Company

Dividend Declared (Note 19.4)
Contribution Received during the Year (Note 21)

Total Transaction with Owners of the Company

As at 31st December 2020

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 41.

	Share Capital MVR	Revaluation Reserve MVR	Capital Contribution MVR	Retained Earnings MVR	Total Equity MVR
As at 1 st January 2019, As Previously Reported	150,000,000	215,731,150	-	219,592,865	585,324,015
Impact on Restatement (Note 36)	-	-	199,106,114	-	199,106,114
Restated Balance as at 1 st January 2019	150,000,000	215,731,150	199,106,114	219,592,865	784,430,129
Total Comprehensive Income for the Year (Restated)					
Profit for the Year	-	-	-	107,632,664	107,632,664
Other Comprehensive Income, net of tax	-	-	-	(1,819,633)	(1,819,633)
Total Comprehensive Income for the Year (Restated)	-	-	-	105,813,031	105,813,031
Items Directly Recognized in Equity					
Revaluation Reserve Transferred to Retained Earnings (Note 20)	-	(16,815,610)	-	16,815,610	-
Deferred Tax impact on Revaluation Reserve Transferred to Retained Earnings (Note 10.6)	-	2,522,341	-	-	2,522,341
Total Items Directly Recognized in Equity	-	(14,293,269)	-	16,815,610	2,522,341
Transaction with Owners of the Company					
Contribution received during the Year (Note 21)	-	-	132,895,057	-	132,895,057
Total Transaction with Owners of the Company	-	-	132,895,057	-	132,895,057
Restated balance as at 31 st December 2019	150,000,000	201,437,881	332,001,171	342,221,506	1,025,660,558
As at 1 st January 2020	150,000,000	201,437,881	332,001,171	342,221,506	1,025,660,558
Total Comprehensive Income for the Year					
Profit for the Year	-	-	-	130,183,316	130,183,316
Other Comprehensive Income, net of tax	-	-	-	28,230,175	28,230,175
Total Comprehensive Income for the Year	-	-	-	158,413,491	158,413,491
Items Directly Recognized in Equity					
Revaluation Reserve Transferred to Retained Earnings (Note 20)	-	(16,815,610)	-	16,815,610	-
Deferred Tax Impact on Revaluation Reserve Transferred to Retained Earnings (Note 10.6)	-	2,522,341	-	-	2,522,341
Total Items Directly Recognized in Equity	-	(14,293,269)	-	16,815,610	2,522,341
Transaction with Owners of the Company					
Dividend Declared (Note 19.4)	-	-	-	(20,000,000)	(20,000,000)
Contribution Received during the Year (Note 21)	-	-	250,413,363	-	250,413,363
Total Transaction with Owners of the Company	-	-	250,413,363	(20,000,000)	230,413,363
As at 31 st December 2020	150,000,000	187,144,612	582,414,534	497,450,607	1,417,009,753



STATE ELECTRIC COMPANY LIMITED
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2020

	Note	2020 MVR	2019 MVR (Restated)*
Cash Flows From Operating Activities			
Profit Before Tax		171,058,215	135,795,676
<i>Adjustments for:</i>			
Depreciation on Property, Plant and Equipment	12	165,476,135	116,797,988
Amortization of Right of Use Assets	13	3,753,384	3,632,933
Gain on disposal of Property, Plant and Equipment	7	(678,813)	(2,019,030)
Interest Income	8	(589,468)	(87,579)
Write-off of Property Plant and Equipment	12	19,170,320	-
Provision for Impairment Loss on Trade Receivables Provision	16.1	12,902,216	7,430,027
for Impairment Loss Related Parties	17.1	50,508,492	33,728,692
Provision for Slow Moving Inventories	15.1	783,550	12,706,584
Amortization of Deferred Income	24	(2,146,796)	(1,691,827)
Defined Benefit Obligation for the Year	25	4,941,682	7,389,060
Interest Expense	8	141,991,374	107,422,567
Operating Profit Before Working Capital Changes		<u>567,170,291</u>	<u>421,105,091</u>
Change In:			
Inventories		7,885,936	3,282,221
Trade and Other Receivables		(58,676,327)	84,742,530
Trade and Other Payables		6,911,182	16,604,647
Amounts due from Related Parties		(165,016,946)	(23,673,506)
Amounts due to Related Parties		(38,606,842)	34,538,399
Cash Generated From Operating Activities		<u>319,667,294</u>	<u>536,599,382</u>
Interest Received		589,468	87,579
Interest Paid	22	(58,160,253)	(55,453,204)
Payment of Retirement Benefit Obligation	25	(500,000)	(138,040)
Net Cash Generated From Operating Activities		<u>261,596,509</u>	<u>481,095,717</u>
Cash Flows From Investing Activities			
Acquisition and Construction of Property, Plant and Equipment	12	(113,779,434)	(354,091,038)
Proceeds from Disposal of Property, Plant and Equipment	7	678,813	-
Investment in Hiyaa Project	14	(130,021,519)	(273,015,251)
Net Cash Used in Investing Activities		<u>(243,122,140)</u>	<u>(627,106,289)</u>
Cash Flows From Financing Activities			
Loans Obtained	22	2,012,705	198,255,742
Repayments of Loans	22	(107,853,104)	(10,133,160)
Repayments of Contractor Payable	26	(96,405,809)	(63,982,749)
Capital Contribution from Ministry of Finance	21	250,413,363	132,895,057
Government Grant Received	24	34,490,853	-
Payment for Lease Liabilities	23	(11,371,714)	(11,404,005)
Net Cash Generated From Financing Activities		<u>71,286,294</u>	<u>245,630,885</u>
Net Increase in Cash and Cash Equivalents		89,760,663	99,620,313
Cash and Cash Equivalents at Beginning of the Year		<u>168,744,217</u>	<u>69,123,904</u>
Cash and Cash Equivalents at the End of the Year	18	<u>258,504,880</u>	<u>168,744,217</u>

*Refer Note No. 36

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 41.



STATE ELECTRIC COMPANY LIMITED
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 Ameene 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").

(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.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties as at 31st December 2020 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.



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

2 BASIS OF PREPARATION (CONTINUED)

(d) Use of Estimates and Judgements (Continued)

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 has early adopted COVID-19-Related Rent Concessions – Amendment to IFRS 16 issued on 28th May 2020 which is effective from 1st June 2020 and early adoption also permitted from 1st January 2020.

The amendment introduces an optional practical expedient for leases in which the Company is a lessee – i.e. for leases to which the Company applies the practical expedient, the Company is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The Company has applied the amendment retrospectively. The amendment has no impact on retained earnings at 1st January 2020



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

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.

4.2 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.



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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Income Tax (Continued)

(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.

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.



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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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:

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



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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Property, Plant and Equipment (Continued)

(iii) Depreciation (Continued)

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

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

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) 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.



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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Financial Instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets - Business Model Assessment

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

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

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.



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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Financial Instruments (Continued)

(iii) 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.

(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 asset 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.



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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

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.

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.



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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Impairment (Continued)

(ii) Non-financial assets (Continued)

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.

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.

(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.



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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

i. As a lessee

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

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

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.

The lease payments included in the measurement of the lease liability comprise the following,

- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;



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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Leases (Continued)

i. As a lessee (Continued)

- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property as separately and lease liabilities separately in the statement of financial position.

Short-term Leases and Leases of Low-value Assets

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

COVID-19-related rent concessions

The Company has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Company applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Company applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Company chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Company assesses whether there is a lease modification.

ii. As a lessor

At inception 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 their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.



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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Leases (Continued)

ii. As a lessor (Continued)

As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset. When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract. The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

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.

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.



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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.14 Fair Value Measurement (Continued)

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.

4.15 Defined contribution plan

Employees are eligible for Maldives retirement pension scheme in line with the respective statutes and regulations. The Company contributes 7% for Maldivian employees to Maldives Retirement Pension Scheme.

4.16 Other Liabilities and Provision

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

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

Provisions are recognized when the Company has a present obligation (legal or Constructive) as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contracts, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income of any reimbursement.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after 1st January 2020 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
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts



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

FOR THE YEAR ENDED 31ST DECEMBER 2020

6 REVENUE	2020 MVR	2019 MVR
Electricity Revenue	1,830,822,091	1,856,677,804
Non-electricity Revenue (Note 6.1)	78,798,739	66,234,527
	<u>1,909,620,830</u>	<u>1,922,912,331</u>
6.1 Non-electricity revenue include revenue from sale of electronic equipments and other electrical services provided for customers.		
7 OTHER INCOME	2020 MVR	2019 MVR
Operational Income	11,433,516	6,346,303
Amortization of Deferred Income (Note 24)	2,146,796	1,691,827
Rental Income	578,476	1,075,584
Gain on Disposal of Property Plant and Equipment	678,813	2,019,030
Miscellaneous Income	430,137	6,450,803
	<u>15,267,738</u>	<u>17,583,547</u>
8 NET FINANCE COSTS	2020 MVR	2019 MVR
Finance Income		
Interest Income	589,468	87,579
Foreign Exchange Gain	-	260,348
	<u>589,468</u>	<u>347,927</u>
Finance Costs		
Interest on Borrowings - Foreign	(130,701,679)	(95,286,146)
Interest on Borrowings - Local	(1,109,295)	(1,946,379)
Foreign Exchange Loss	(414,260)	-
Interest on Leases	(10,180,400)	(10,190,042)
	<u>(142,405,634)</u>	<u>(107,422,567)</u>
Net Finance Costs	<u>(141,816,166)</u>	<u>(107,074,640)</u>
9 PROFIT BEFORE TAX	2020 MVR	2019 MVR
<i>Profit before tax is stated after charging all the expenses including the following:</i>		
Repair and Maintenance	50,554,432	49,491,386
Cost of Lubricant oil	19,207,316	23,439,880
Cost of Diesel	935,159,684	1,082,136,119
Bank Charges	19,217,386	13,150,251
Directors' Remuneration	784,100	768,808
Rent Expenses	155,899	4,785
Write-off of Property Plant and Equipment (Note 12)	19,170,320	-
Amortization of Right of Use Asset (Note 13)	3,753,384	3,632,933
Depreciation of Property, Plant and Equipment (Note 12)	165,476,135	116,797,988
Provision for Slow and Non-Moving Inventories (Note 15.1)	783,550	12,706,584
Personnel Costs (Note 9.1)	240,063,257	247,945,916



STATE ELECTRIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2020

9 PROFIT BEFORE TAX (CONTINUED)

9.1 Personnel Costs	2020 MVR	2019 MVR
Staff Salaries and Wages	105,270,159	99,485,112
Staff Allowances	81,364,663	81,446,150
Overtime Expenses	38,784,533	48,345,408
Employer's Contribution to Government Pension Fund	7,393,992	7,047,038
Staff Medical Expenses	1,192,952	1,374,962
Employee Retirement Benefits	4,941,682	7,389,060
Other Staff Expenses	1,115,276	2,858,186
	<u>240,063,257</u>	<u>247,945,916</u>

10 TAX EXPENSES

	2020 MVR	2019 MVR
Current Tax		
Current Tax Expense (Note 10.1)	5,271,997	-
	<u>5,271,997</u>	<u>-</u>
Deferred Tax		
Deferred Tax Asset Reversed / (Recognized) (Note 10.4)	24,502,629	(2,561,984)
Deferred Tax Liability Recognized (Note 10.6)	11,100,273	30,724,996
	<u>35,602,902</u>	<u>28,163,012</u>
Total Tax Expenses	<u>40,874,899</u>	<u>28,163,012</u>

10.1 Reconciliation Between Accounting Profit and Taxable Income :

Profit Before Tax	171,058,215	135,795,676
Aggregate Disallowable Items	400,417,123	304,608,907
Aggregate Allowable Items	(474,632,681)	(327,268,554)
Tax Loss Utilized during the Year	(61,196,011)	(113,136,029)
Tax Free Allowance	(500,000)	-
Taxable Income for the Year	<u>35,146,647</u>	<u>-</u>
Business Profit Tax @ 15%	<u>5,271,997</u>	<u>-</u>

In accordance with the provisions of Income Tax act No. 25 of 2019, relevant regulations and subsequent amendments thereto, the Company is liable for Business Profit Tax on its taxable profit at the rate of 15%. For 2019, the Company was liable for income tax as per Business Profit Tax Act No. 5 of 2011 and relevant regulations thereto at the rate of 15% on its taxable profit. However, no provision for tax has been made in these financial statements as the Company has incurred a tax loss for the year.

10.2 Accumulated Tax Losses

	31/12/2020 MVR	31/12/2019 MVR
As at 1 st January	61,196,011	175,268,638
Adjustment due to finalization of Previous Years Tax Losses	-	(936,598)
Tax Loss Utilized during the Year	<u>(61,196,011)</u>	<u>(113,136,029)</u>
As at 31 st December	<u>-</u>	<u>61,196,011</u>



STATE ELECTRIC COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31ST DECEMBER 2020

10 TAX EXPENSE (CONTINUED)

	31/12/2020 MVR	31/12/2019 MVR
10.3 Net Deferred tax Liability		
Deferred Tax Asset (Note 10.4)	5,930,319	35,414,744
Deferred Tax Liability (Note 10.7)	(93,353,610)	(84,775,678)
	<u>(87,423,291)</u>	<u>(49,360,934)</u>
10.4 Deferred Tax Asset :	31/12/2020 MVR	31/12/2019 MVR
As at 1 st January	35,414,744	32,531,649
<i>Recognized in other comprehensive income</i> (Reversal) / Recognized during the Year	(4,981,796)	321,111
<i>Recognized in profit or loss</i> (Reversal) / Recognized during the Year	(24,502,629)	2,561,984
As at 31 st December	<u>5,930,319</u>	<u>35,414,744</u>

10.5 The Recognized Deferred Tax Assets is attributable to the following;

	31/12/2020		31/12/2019	
	Temporary Difference MVR	Tax Effect MVR	Temporary Difference MVR	Tax Effect MVR
Defined Benefit Obligation	39,535,454	5,930,319	68,305,743	10,245,862
Accumulated Tax Losses	-	-	61,196,011	9,179,402
Lease Liability (Note 10.8)	-	-	106,596,527	15,989,480
	<u>39,535,454</u>	<u>5,930,319</u>	<u>236,098,281</u>	<u>35,414,744</u>

10.6 Deferred Tax Liability:

	31/12/2020 MVR	31/12/2019 MVR
As at 1 st January	84,775,678	56,573,023
<i>Recognized Directly in Equity</i> Reversed during the Year	(2,522,341)	(2,522,341)
<i>Recognized in profit or loss</i> Recognized during the Year	11,100,273	30,724,996
As at 31 st December	<u>93,353,610</u>	<u>84,775,678</u>

10.7 The Recognized Deferred Tax Liability is attributable to the following;

	31/12/2020		31/12/2019	
	Temporary Difference MVR	Tax Effect MVR	Temporary Difference MVR	Tax Effect MVR
Property Plant and Equipment	622,357,397	93,353,610	460,993,629	69,149,044
Right of Use Asset (Note 10.8)	-	-	104,177,557	15,626,634
	<u>622,357,397</u>	<u>93,353,610</u>	<u>565,171,186</u>	<u>84,775,678</u>

10.8 As per the new tax regulation that came to effect on 1st January 2020 allows IFRS 16 adjustments in the tax computation. As a result there will not be a temporary difference between accounting base and tax base in future an accordingly, no deferred tax has been recognized on leases as at 31st December 2020.

11 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;

	2020	2019 (Restated)
Profit for the Year Attributable to the Ordinary Shareholders - MVR	130,183,316	107,632,664
Weighted Average Number of Ordinary Shares	150	150
Basic and Diluted Earnings Per Share - MVR	<u>867,889</u>	<u>717,551</u>





**STATE ELECTRIC COMPANY LIMITED
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FOR THE YEAR ENDED 31ST DECEMBER 2020**

12 PROPERTY, PLANT AND EQUIPMENT

Cost/ Revaluation	Generators and equipment distribution	Buildings, Water bottling plant and Oil storage	Vehicles and launches	Machinery and Equipment	Furniture and Fittings	Computer Systems	Capital Work-in-Progress	Total
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
As at 1 st January	2,618,669,309	1,177,550,287	37,092,060	135,445,134	7,498,220	22,083,783	518,890,592	4,517,229,385
Additions during the Year	27,000	776,796	281,212	3,940,930	828,351	1,594,949	328,566,589	336,015,828
Write-off during the Year (Note 12.4)	-	-	-	-	-	-	(19,170,320)	(19,170,320)
Transferred from Capital Work-in-Progress	69,028,983	7,058,766	264,103	1,711,406	-	-	(78,063,256)	-
Disposal during the year	(524,094)	-	(255,932)	(30,375)	(38,976)	-	-	(849,377)
As at 31 st December	2,687,201,198	1,185,385,848	37,381,443	141,067,095	8,287,595	23,678,732	750,223,605	4,833,225,516
Accumulated Depreciation								
As at 1 st January	670,083,864	139,545,495	17,618,828	75,230,104	5,322,167	19,861,535	-	927,661,993
Charge for the Year	105,186,975	42,169,817	2,783,446	13,441,191	602,158	1,292,548	-	165,476,135
Disposal during the year	(524,094)	-	(255,932)	(30,375)	(38,976)	-	-	(849,377)
As at 31 st December	774,746,746	181,715,312	20,146,342	88,640,921	5,885,349	21,154,083	-	1,092,288,753
Net Carrying Amount								
As at 31 st December 2020	1,912,454,452	1,003,670,536	17,235,101	52,426,174	2,402,246	2,524,649	750,223,605	3,740,936,763

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

	31/12/2020 MVR
Transmission & Distribution	62,838,188
Combustion Power Plant	19,028,018
Greater Male' Grid Connection	596,321,785
POISED Project	16,882,878
SCADA System	31,491,567
Other Projects	23,661,169
	<u>750,223,605</u>

12.2 During the year, the Company has capitalized borrowing cost amounted to MVR.14,252,323/- on Greater Male' Grid Connection Project.

12.3 The value of fully depreciated property, plant and equipment as at 31st December 2020 amounted to MVR.137,746,142/-

12.4 The Company has write off MVR.19,170,320/- of capital work-in progress during the year end 31st December 2020 (2019 : Nil)





STATE ELECTRIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2020

12 PROPERTY, PLANT AND EQUIPMENT (RESTATED)

	Generation and distribution equipment		Buildings, Water bottling plant and Oil storage		Vehicles and launches		Machinery and Equipment		Furniture and Fittings		Computer Systems		Capital Work-in-Progress		Total	
	MVR		MVR		MVR		MVR		MVR		MVR		MVR		MVR	
Cost/ Revaluation																
As at 1 st January	1,721,158,415		598,157,490		31,773,807		90,073,792		6,865,130		20,406,894		1,455,112,116		3,923,547,644	
Impact on Restatement (Note 36)																
Additions during the Year	6,816,313		3,393,480		492,093		7,486,437		717,937		1,676,889		587,415,645		607,998,794	
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)	
As at 31 st December	2,618,669,309		1,177,550,287		37,092,060		135,445,134		7,498,220		22,083,783		518,890,592		4,517,229,385	
Accumulated Depreciation																
As at 1 st January	592,901,026		115,914,226		15,163,665		65,134,455		4,862,323		18,654,251		-		812,629,946	
Charge for the Year	78,715,331		23,636,768		2,459,663		10,234,882		544,060		1,207,284		-		116,797,988	
Disposal during the year	(1,532,493)		(5,499)		(4,500)		(139,233)		(84,216)		-		-		(1,765,941)	
As at 31 st December	670,083,864		139,545,495		17,618,828		75,230,104		5,322,167		19,861,535		-		927,661,993	
Net Carrying Amount																
As at 31 st December 2019	1,948,585,445		1,038,004,792		19,473,232		60,215,030		2,176,053		2,222,248		518,890,592		3,589,567,392	
As at 1 st January 2019	1,128,257,389		482,243,264		16,610,142		24,939,337		2,002,807		1,752,643		1,455,112,116		3,110,917,698	

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

	31/12/2019 MVR (Restated)
Transmission & Distribution	63,412,864
Combustion Power Plant	16,782,198
Greater Male' Grid Connection	360,021,630
POISED Project	16,882,878
SCADA System	27,243,763
Other Projects	34,547,259
	<u>518,890,592</u>

12.2 The Company has capitalized borrowing cost amounting to MVR.55,263,558/- on qualifying assets during the year ended 31st December 2019.

12.3 The value of fully depreciated property, plant and equipment as at 31st December 2019 amounted to MVR.124,932,430/-



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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13	RIGHT OF USE ASSETS	31/12/2020 MVR	31/12/2019 MVR	
	Cost			
	As at 1 st January	107,810,490	-	
	Adjustment due to Initial Application of IFRS 16	-	107,810,490	
	Adjustment due to Lease Contract Modification (Note 23.3)	1,114,236	-	
	As at 31 st December	<u>108,924,726</u>	<u>107,810,490</u>	
	Accumulated Amortization			
	As at 1 st January	3,632,933	-	
	Charge for the Period	3,753,384	3,632,933	
	As at 31 st December	<u>7,386,317</u>	<u>3,632,933</u>	
	Net Carrying Value	<u>101,538,409</u>	<u>104,177,557</u>	
14	INVESTMENT IN HIYAA PROJECT	31/12/2020 MVR	31/12/2019 MVR (Restated)	1/1/2019 MVR (Restated)
	As at 1 st January	421,497,924	148,482,673	-
	Impact on Restatement (Note 36)	-	-	148,482,673
	Additions during the Year	130,021,519	273,015,251	-
	As at 31 st December	<u>551,519,443</u>	<u>421,497,924</u>	<u>148,482,673</u>
14.1	As per the agreement dated 15 th November 2017 between STELCO (Developer) and Housing Development Corporation Limited ("HDC"), the Company has been assigned to develop a two residential apartments at Hulumale phase II plots no. N3-35(B), N3-35(C) by HDC.			
	According to the agreement, HDC Granted to developer the exclusive rights to construct, develop and sell residential units under the project in the designated land area. The Developer agrees to finance the construction and development of the project and to sell the residential units developed under the project to eligible STELCO staff. It shall be the sole responsibility of the Developer to raise and manage the finance required for the development of the Project and HDC shall not be liable towards any party under any circumstances.			
15	INVENTORIES	31/12/2020 MVR	31/12/2019 MVR	
	Fuel	39,548,927	49,941,634	
	Spares, cables and consumables	200,802,650	199,226,821	
	Stationary	84,565	144,090	
	Lubricating oil	3,400,325	2,409,858	
		<u>243,836,467</u>	<u>251,722,403</u>	
	Less: Provision for Slow Moving Inventories (Note 15.1)	<u>(139,886,218)</u>	<u>(139,102,668)</u>	
		<u>103,950,249</u>	<u>112,619,735</u>	
15.1	Provision for Slow Moving Inventories			
	As at 1 st January	139,102,668	126,396,084	
	Add: Provision for the Year	783,550	12,706,584	
	As at 31 st December	<u>139,886,218</u>	<u>139,102,668</u>	
16	TRADE AND OTHER RECEIVABLES	31/12/2020 MVR	31/12/2019 MVR (Restated)	1/1/2019 MVR (Restated)
	Trade Receivables	323,441,606	238,981,161	276,629,873
	Less : Provision for Impairment Loss (Note 16.1)	<u>(45,307,420)</u>	<u>(32,405,204)</u>	<u>(24,975,177)</u>
		<u>278,134,186</u>	<u>206,575,957</u>	<u>251,654,696</u>
	Prepayments	449,038	473,637	511,424
	Other Receivables	47,085,428	72,844,943	119,900,974
		<u>325,668,652</u>	<u>279,894,537</u>	<u>372,067,094</u>
16.1	Provision for Impairment of Trade Receivables			
	As at 1 st January	32,405,204	24,975,177	27,383,871
	Provision / (Reversal) for the Year	12,902,216	7,430,027	(2,408,694)
	As at 31 st December	<u>45,307,420</u>	<u>32,405,204</u>	<u>24,975,177</u>



STATE ELECTRIC COMPANY LIMITED
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FOR THE YEAR ENDED 31ST DECEMBER 2020

17	AMOUNTS DUE FROM RELATED PARTIES	31/12/2020	31/12/2019
		MVR	MVR
	Indira Gandhi Memorial Hospital	14,766,449	7,463,365
	Dhivehi Raajjege Gulhun PLC	4,282,045	3,808,011
	Male' Water & Sewerage Company (Private) Limited	1,623,836	1,803,810
	State Trading Organisation PLC	5,204,258	1,533,371
	Maldives Transport and Contracting Company PLC	1,723,937	827,259
	Maldives Customs Services	268,815	362,097
	Maldives Industrial Fisheries Company Limited	166,608	127,660
	Bank of Maldives PLC	640,997	105,745
	Public Service Media	49,682,460	31,607,773
	Maldives Road Development Corporation Limited	2,512,186	2,512,186
	National Center For the Arts	1,441,291	1,163,462
	Housing Development Corporation Limited	6,621,906	2,197,711
	National Social Protection Agency	9,967,088	10,007,904
	Maldives Port Limited	2,230,434	1,777,386
	Ministry of Finance and Treasury	130,624,059	38,284,657
	Other Government Owned Organizations	139,654,901	102,811,926
		<u>371,411,269</u>	<u>206,394,323</u>
	Less : Provision for Impairment Loss (Note 17.1)	<u>(125,447,216)</u>	<u>(74,938,724)</u>
		<u>245,964,053</u>	<u>131,455,599</u>
17.1	Provision for Impairment Loss	31/12/2020	31/12/2019
		MVR	MVR
	As at 1 st January	74,938,724	41,210,032
	Provision for the Year	50,508,492	33,728,692
	As at 31 st December	<u>125,447,216</u>	<u>74,938,724</u>
18	CASH AND CASH EQUIVALENTS	31/12/2020	31/12/2019
		MVR	MVR
	Favorable Balances		
	Cash in Hand	4,225,116	10,555,107
	Balances with Banks	254,279,764	158,189,110
		<u>258,504,880</u>	<u>168,744,217</u>
19	SHARE CAPITAL		
19.1	Authorized Share Capital		
	The authorized share capital comprises of 150 (2019 : 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 (2019 : 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.		
19.4	The Board of Directors has declared dividends of MVR 133,333/- per share amounted to MVR 20,000,000/- during the year ended 31 st December 2020 (2019 : Nil).		



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

FOR THE YEAR ENDED 31ST DECEMBER 2020

20 REVALUATION RESERVE	31/12/2020 MVR	31/12/2019 MVR
As at 1 st January	201,437,881	215,731,150
Transfer to Retained Earnings (Note 20.2)	(16,815,610)	(16,815,610)
Deferred Tax Transferred to Retained Earnings (Note 10.6)	2,522,341	2,522,341
As at 31 st December	<u>187,144,612</u>	<u>201,437,881</u>

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 a 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 CAPITAL CONTRIBUTION	31/12/2020 MVR	31/12/2019 MVR (Restated)	1/1/2019 MVR (Restated)
As at 1 st January	332,001,171	199,106,114	-
Impact on Restatement (Note 36)	-	-	199,106,114
Received during the Year	250,413,363	132,895,057	-
Ministry of Finance and Treasury	<u>582,414,534</u>	<u>332,001,171</u>	<u>199,106,114</u>

The Company has received a capital contribution amounted to MVR. 95,369,248/-, MVR. 96,627,670/- and MVR.54,693,921/-from the Ministry of Finance and Treasury of the Republic of Maldives in 2017 to 2019 for the construction and installation of Hulhumale Power Plant (5th Power Project). Further, MVR.7,109,196/- and MVR.78,201,136/- were received in 2018 and 2019 for the installation of greater Male' Grid connection. During the year 2020, the Company has received an additional MVR. 96,405,811/- for greater Male' Grid Connection Project and MVR.154,007,552/- for repayment of the loan obtained from China Exim bank for construction of the Hulhumale Power Plant (5th Power Project). These amounts have been considered as capital contribution from Ministry of Finance since Ministry of Finance provides these contributions at its capacity of Shareholder of the Company and the Company is expecting to issue shares on these capital contribution.

22 LOANS AND BORROWINGS	31/12/2020 MVR	31/12/2019 MVR
As at 1 st January	3,002,354,927	2,725,131,294
Loans Obtained during the Year	2,012,705	198,255,742
Interest for the Year	131,810,974	144,554,255
Capital repayments during the Year	(107,853,104)	(10,133,160)
Interest paid during the Year	(58,160,253)	(55,453,204)
As at 31 st December	<u>2,970,165,249</u>	<u>3,002,354,927</u>



STATE ELECTRIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2020

22 LOANS AND BORROWINGS (CONTINUED)

22.1 Maturity Analysis		31/12/2020 MVR	31/12/2019 MVR
Non - Current Liabilities			
Loans and Borrowings		2,865,471,612	2,893,392,528
Current Liabilities			
Loans and Borrowings		104,693,637	108,962,399

22.2 Terms and Repayment Schedule

Source of finance	Purpose to Finance	Nominal interest rate	Maturity Date	Caring Amount	
				31/12/2020 MVR	31/12/2019 MVR
Ministry of Finance	Third Power System	8%	1-Aug-2021	121,601,582	117,380,884
Ministry of Finance	Third Power System	8%	1-May-2024	116,368,520	112,181,004
Ministry of Finance	Third Power System	8%	1-Sep-2024	123,316,044	118,935,295
Ministry of Finance	5.4 V Generator Set	8%	15-Feb-2016	56,296,490	54,328,888
Ministry of Finance	Second Power System	8%	31-Jul-2025	79,051,978	76,359,624
Ministry of Finance	Power System	8%	1-Sep-2018	19,932,377	19,101,422
Danida (Note 22.4)	Fourth Power System	8.5% & 4.25%	30-Sep-2035	1,175,001,598	1,118,589,953
Maldives Islamic Bank	MGAF Project	8%	9-Dec-2021	7,810,774	18,781,014
Ministry of Finance	POISED Project	6%	15-May-2033	189,087,272	177,842,263
Exim Bank of China	Fifth Power Project	3% + 6 Months LIBOR	31-Jul-2031	1,081,698,614	1,188,854,580
				2,970,165,249	3,002,354,927

22.3 All of the above Loans have been secured by a letter of guarantee from Government of Maldives

22.4 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 parties for the year ended 31st December 2020.

23 LEASE LIABILITY		31/12/2020 MVR	31/12/2019 MVR
As at 1 st January		106,596,527	-
Adjustment due to Initial Application of IFRS 16		-	107,810,490
Adjustment due to Lease Contract Modification (Note 23.3)		1,114,236	-
Add : Interest Expense for the Year		10,180,400	10,190,042
Less : Repayment during the Year		(11,371,714)	(11,404,005)
As at 31 st December		106,519,450	106,596,527

The lease liability is recognised on the lands which has an unexpired lease period from 46 years as at 31st December 2020.

23.1 Maturity Analysis		31/12/2020 MVR	31/12/2019 MVR
Non - Current Liabilities		105,175,599	105,294,628
Current Liabilities		1,343,851	1,301,899
		106,519,450	106,596,527

23.2 Maturity Analysis of Undiscounted Future Lease Payments are as follows;		31/12/2020 MVR	31/12/2019 MVR
Less than one Year		11,405,684	11,404,005
Between two and five Years		45,974,599	45,688,391
More than five Years		364,836,874	376,496,475
		422,217,157	433,588,871

23.3 The annual rent of Thilafushi Power House is increased by 15% in every two years effective from 31st December 2020. This rent change has been accounted as a modification to the lease liability as at 31st December 2020. The Corresponding adjustment has recognised under Right of Use Assets according to IFRS 16.



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 FOR THE YEAR ENDED 31ST DECEMBER 2020

24 DEFERRED INCOME	31/12/2020 MVR	31/12/2019 MVR (Restated)	1/1/2019 MVR (Restated)
As at 1 st January	2,373,578	4,065,405	203,171,519
Impact on Restatement (Note 36)	-	-	(199,106,114)
Grant Received during the Year	34,490,853	-	-
Amortization for the Year	(2,146,796)	(1,691,827)	-
As at 31 st December	<u>34,717,636</u>	<u>2,373,578</u>	<u>4,065,405</u>

24.1 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. During the year 2020, the Company has received MVR 34,490,853/- for construction of Peak Handling Project and these grants are amortized over the useful life of the assets.

25 DEFINED BENEFIT OBLIGATION	31/12/2020 MVR	31/12/2019 MVR
As at 1 st January	68,305,743	58,913,979
<u>Amount Recognized in Profit or Loss</u>		
Current Service Cost for the year	1,799,618	4,679,017
Interest Cost for the year	3,142,064	2,710,043
<u>Amount Recognized in Other Comprehensive Income</u>		
Actuarial (gain) / deficit for the Year (Note 25.1)	(33,211,971)	2,140,744
	<u>40,035,454</u>	<u>68,443,783</u>
Less: Payments during the Year	(500,000)	(138,040)
As at 31 st December	<u>39,535,454</u>	<u>68,305,743</u>

25.1 During the year 2020, the Company has changed maximum benefit to be paid to an employee as of MVR.500,000/-. That was resulted to reduce the defined benefit liability as at 31st December 2020.

25.2 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,

	31/12/2020	31/12/2019
Expected Salary Increment	1%	1%
Discount Rate	4.60%	4.60%
Staff Turnover Factor	<u>2.20%</u>	<u>2.50%</u>

26 CONTRACTOR PAYABLE	31/12/2020 MVR	31/12/2019 MVR (Restated)	1/1/2019 MVR (Restated)
As at 1 st January	261,016,949	65,562,853	-
Impact on Restatement (Note 36)	-	-	65,562,853
Payable on account of Percentage of Completion	207,984,071	252,047,853	-
Add : Interest charge during the year	14,252,323	7,388,992	-
Less : Repayment during the Year	(96,405,809)	(63,982,749)	-
As at 31 st December	<u>386,847,534</u>	<u>261,016,949</u>	<u>65,562,853</u>

26.1 Maturity Analysis			
Non - Current Liabilities	297,424,914	168,114,771	-
Current Liabilities	89,422,620	92,902,178	65,562,853
	<u>386,847,534</u>	<u>261,016,949</u>	<u>65,562,853</u>

The Company has entered into an agreement with Dongfang Electricity International Corporation ("DEC") to construct a power interconnect network project between two Islands via a bridge on 12th February 2018 for a contract price of US\$ 45,619,736/-. Contract is repayable over the period of 8 Years and the contractor payable is determined based on the percentage of completion of the project and the contractual cashflows have been discounted at a rate of 4.8%.



STATE ELECTRIC COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31ST DECEMBER 2020

27 TRADE AND OTHER PAYABLES	31/12/2020	31/12/2019	1/1/2019
	MVR	MVR (Restated)	MVR (Restated)
Trade Payables	26,064,412	39,011,365	78,388,959
Accrued Expenses	19,354,929	18,316,287	18,840,500
Dividend Payable to Ministry of Finance	20,000,000	-	-
Payable to Housing Development Corporation Ltd (Note 27.1)	55,223,123	55,223,123	-
Advanced Received from employees on Hiyaa Project (Note 27.2)	56,046,503	43,853,175	25,293,197
Other Payables	32,842,011	26,215,846	43,456,231
	<u>209,530,978</u>	<u>182,619,796</u>	<u>165,978,887</u>

- 27.1 The amount is payable to Housing Development Corporation ("HDC") in relation to the "Hiyaa Project".
- 27.2 The Hiyaa housing project is an end-user financing project, where 20% of the sales price to be paid by the staff as down payment on or before December 2022. Remaining 80% should be financed by the employee.

28 AMOUNTS DUE TO RELATED PARTIES	31/12/2020	31/12/2019
	MVR	MVR
State Trading Organisation PLC	68,071,946	111,423,549
Maldives Transport and Contracting Company PLC	4,964,585	1,796,515
Maldives Road Development Corporation Limited	663,612	663,612
Male' Water & Sewerage Company Limited	45,128	85,939
Dhivchi Raajjege Gulhun PLC	156,551	101,127
Other Government owned Organizations	6,235,567	4,673,489
	<u>80,137,389</u>	<u>118,744,231</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.

29 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.

	31/12/2020	31/12/2019
	MVR	MVR (Restated)
Total Liabilities	3,914,876,981	3,791,372,685
Less: Cash and Cash Equivalents	(258,504,880)	(168,744,217)
Net Debt	<u>3,656,372,101</u>	<u>3,622,628,468</u>
Total Equity	1,417,009,753	1,025,660,558
Net Debt to Equity Ratio (Times)	<u>2.58</u>	<u>3.53</u>

30 COMMITMENTS

30.1 Capital Commitments

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

	31/12/2020	31/12/2019
	MVR	MVR (Restated)
On Property Plant and equipment	<u>702,140,568</u>	<u>242,914,213</u>

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



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

FOR THE YEAR ENDED 31ST DECEMBER 2020

31 CONTINGENT LIABILITIES

The Centre Enterprice Private Limited has filed a case at the Civil Court against the Company claiming MVR. 400,000,000/- for breaching the contract regarding a forklift. The Company has requested from the court to disclose a case report to seek further information regarding this case. However, there were no on going proceedings have taken place during the year 2020. Based on the expert advice, the Board Directors is confident that the ultimate resolution of the case will not have an adverse impact on financial statements of the company since the likelihood of an unfavorable outcome for the Company is very unlikely.

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

32 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.

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	
	31/12/2020	31/12/2019
	MVR	MVR
		(Restated)
Trade Receivables	323,441,606	238,981,161
Other Receivables	47,085,428	72,844,943
Amounts due from Related Parties	371,411,269	206,394,323
Balances with Banks	254,279,764	158,189,110
	<u>996,218,067</u>	<u>676,409,537</u>

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.



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

FOR THE YEAR ENDED 31ST DECEMBER 2020

32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(iii) Credit Risk (Continued)

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.

31 st December 2020	Weighted Average Loss Rate	Gross Carrying Amount	Loss Allowance
		MVR	MVR
1-30 days past due	0.5%	220,700,023	1,081,307
31-60 days past due	2.4%	67,445,365	1,646,099
61-90 days past due	4.0%	65,629,992	2,629,159
91-180 days past due	15.1%	76,746,160	11,610,605
181-360 days past due	32.1%	95,341,674	30,619,901
More than 360 days past due	72.9%	168,989,661	123,167,564
		<u>694,852,875</u>	<u>170,754,636</u>

31 st December 2019	Weighted	Gross Carrying	Loss
		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
		<u>445,375,484</u>	<u>107,343,928</u>



STATE ELECTRIC COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31ST DECEMBER 2020

32 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 254,279,764/- as at 31st December 2020 in banks. (2019- MVR.158,189,110/-).

(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.

31 st December 2020	Carrying Amount	Contractual Cashflows	0-12 Months	1-5 Years	More than 5 Years
Financial Liabilities (Non- derivative)	MVR	MVR	MVR	MVR	MVR
Trade and Other Payables	209,530,978	209,530,978	209,530,978	-	-
Loans and Borrowings*	2,970,165,249	2,970,165,249	104,693,637	387,531,454	2,477,940,158
Contractor Payable	386,847,534	435,918,527	92,856,017	343,062,510	-
Amounts due to Related Parties	80,137,389	80,137,389	80,137,389	-	-
Lease Liabilities	106,519,450	422,217,157	11,405,684	45,974,599	364,836,874
Total	3,753,200,600	4,117,969,300	498,623,705	776,568,563	2,842,777,032

*Loans and borrowings are excluding the future interest.



STATE ELECTRIC COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31ST DECEMBER 2020

32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iv) Liquidity Risk (Continued)

31 st December 2019	Carrying Amount MVR	Contractual Cashflows MVR	0-12 Months MVR	1-5 Years MVR	More than 5 Years MVR
Financial Liabilities (Non- derivative)					
Trade and Other Payables (Restated)	182,619,796	182,619,796	182,619,796	-	-
Loans and Borrowings*	3,002,354,927	3,002,354,927	108,962,399	496,493,853	2,396,898,675
Contractor Payable	261,016,949	331,327,936	96,405,813	234,922,123	-
Amounts due to Related Parties	118,744,231	118,744,231	118,744,231	-	-
Lease Liabilities	106,596,527	433,588,871	11,404,005	45,688,391	376,496,475
Total	3,671,332,430	4,068,635,762	518,136,245	777,104,368	2,773,395,150

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 future interest.

(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	
	31/12/2020 MVR	31/12/2019 MVR (Restated)
Fixed Rate Instruments		
Financial Liabilities	1,888,466,635	1,813,500,347
Variable Rate Instruments		
Financial liabilities	1,081,698,614	1,188,854,580

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 2020		
Variable rate instruments	(10,816,986)	10,816,986
31 st December 2019		
Variable rate instruments	(11,888,546)	11,888,546

(b) Currency Risk

Exposure to currency risk

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

	31/12/2020 US\$	31/12/2019 US\$
Loans and borrowings	146,348,911	149,639,723
Contractor Payable	25,087,389	16,927,169
Net currency exposure	171,436,300	166,566,892

The following significant exchange rate

	Average Rate 2020	Reporting date spot rate	
		31/12/2020	31/12/2019
1 US\$: MVR	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.



STATE ELECTRIC COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31ST DECEMBER 2020

33 DIRECTOR'S RESPONSIBILITY

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

34 RELATED PARTY TRANSACTIONS

Name of the related party	Relationship	Nature of the transaction	Amount		Balance outstanding due from / (to)	
			2020 MVR	2019 MVR	31/12/2020 MVR	31/12/2019 MVR
State Trading Organisation PLC	Affiliate	Sales of Services	17,760,924	16,776,244	(62,867,688)	(109,890,178)
		Payments made	(14,090,037)	(16,752,457)		
		Purchases	(927,081,688)	(1,107,831,988)		
		Payments Made	970,433,291	1,074,267,859		
Maldives Transport and Contracting Company PLC	Affiliate	Sales of Services	9,963,805	8,432,050	(3,240,648)	(969,257)
		Payments made	(9,085,241)	(8,409,290)		
		Purchases	(21,866,409)	(25,322,348)		
		Payments Made	18,716,454	26,020,563		
Maldives Road Development Corporation Limited	Affiliate	Sales of Services	-	-	1,848,575	1,848,575
		Payment made	-	-		
Male' Water & Sewerage Company Limited	Affiliate	Sales of Services	14,952,566	20,274,003	1,578,709	1,717,871
		Payments	(15,132,539)	(21,687,458)		
		Purchases	(3,025,832)	(1,813,949)		
		Payments Made	3,066,643	1,784,867		
Dhivehi Raajjige Gulhun PLC	Affiliate	Sales of Services	40,453,066	57,704,020	4,125,494	3,706,885
		Payments	(39,979,031)	(59,129,788)		
		Purchases	(3,228,179)	(2,093,203)		
		Payments Made	3,172,753	2,068,102		
Maldives Port Limited	Affiliate	Sales of Services	18,748,628	19,616,974	2,230,434	1,777,386
		Payment made	(18,295,579)	(17,839,588)		
		Purchases	(142,420)	(656,304)		
		Payments Made	142,420	740,243		
Other Government owned Organizations	Affiliate	Sales of Services	371,859,624	380,928,193	133,419,334	136,423,094
		Payment made	(374,803,593)	(307,711,314)		
		Purchases	(716,818)	(8,977,589)		
		Payments Made	657,027	7,446,543		
Indira Gandhi Memorial Hospital	Affiliate	Sales of Services	49,587,666	39,714,952	14,766,449	7,463,365
		Payment made	(42,284,582)	(36,336,241)		
Maldives Customs Services	Affiliate	Sales of Services	3,229,579	3,737,075	268,815	362,097
		Payment Received	(3,322,861)	-		
		Purchases	(6,099,829)	-		
		Payment made	6,099,829	(3,678,813)		
Maldives Industrial Fisheries Company Limited	Affiliate	Sales of Services	1,592,550	1,720,977	166,608	127,660
		Payment Received	(1,553,603)	-		
		Purchases	(570,400)	-		
		Payment made	570,400	(1,862,238)		
Bank of Maldives PLC	Affiliate	Sales of Services	8,372,123	3,772,001	640,997	105,745
		Payment made	(7,836,871)	(3,721,366)		
Public Service Media	Affiliate	Sales of Services	18,628,894	16,509,296	49,682,460	31,607,773
		Payment Received	(554,207)	-		
		Purchases	(897)	-		
		Payment made	897	(2,188,419)		
National Center For the Arts	Affiliate	Sales of Services	499,624	174,423	1,441,291	1,163,462
		Payment made	(221,796)	(373,311)		
Housing Development Corporation Limited	Affiliate	Sales of Services	6,969,244	9,198,309	6,621,906	2,197,711
		Payment made	(2,545,050)	(7,731,057)		
National Social Protection Agency	Affiliate	Sales of Services	446,204	452,357	9,967,088	10,007,904
		Payment made	(487,020)	(408,460)		



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

FOR THE YEAR ENDED 31ST DECEMBER 2020

34 RELATED PARTY TRANSACTIONS (CONTINUED)

34 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 personnel compensation comprised the following.

	2020 MVR	2019 MVR
Directors' Remuneration	784,100	768,808

35 FAIR VALUE MEASUREMENT

Accounting Classifications and Fair Values

31st December 2020

Financial assets not measured at fair value	Financial Assets at Amortised Cost MVR	Fair Value			
		Level 1	Level 2	Level 3	Total
		MVR	MVR	MVR	MVR
Cash and Cash Equivalents	258,504,880	-	-	-	258,504,880
Trade and Other Receivables	325,668,652	-	-	-	325,668,652
Amounts due from Related Parties	245,964,053	-	-	-	245,964,053
	830,137,585	-	-	-	830,137,585

Financial liabilities not measured at fair value	Other Financial Liabilities MVR	Fair Value			
		Level 1	Level 2	Level 3	Total
		MVR	MVR	MVR	MVR
Lease Liability	106,519,450	-	-	106,519,450	106,519,450
Loans and Borrowings	2,970,165,249	-	-	2,970,165,249	2,970,165,249
Amount due to Related Parties	80,137,389	-	-	-	80,137,389
Contractor Payable	386,847,534	-	-	386,847,534	386,847,534
Trade and Other Payables	209,530,978	-	-	-	209,530,978
	3,753,200,600	-	-	3,463,532,233	3,753,200,600

31st December 2019

Financial assets not measured at fair value	Financial Assets at Amortised Cost MVR	Fair Value			
		Level 1	Level 2	Level 3	Total
		MVR	MVR	MVR	MVR
Cash and Cash Equivalents	168,744,217	-	-	-	168,744,217
Trade and Other Receivables	279,894,537	-	-	-	279,894,537
Amounts due from Related Parties	131,455,599	-	-	-	131,455,599
	580,094,353	-	-	-	580,094,353

Financial liabilities not measured at fair value	Other Financial Liabilities MVR	Fair Value			
		Level 1	Level 2	Level 3	Total
		MVR	MVR	MVR	MVR
Loans and Borrowings	3,002,354,927	-	-	3,002,354,927	3,002,354,927
Contractor Payable	261,016,949	-	-	261,016,949	261,016,949
Lease Liability	106,596,527	-	-	106,596,527	106,596,527
Amount due to Related Parties	118,744,231	-	-	-	118,744,231
Trade and Other Payables	182,619,796	-	-	-	182,619,796
	3,671,332,430	-	-	3,369,968,403	3,671,332,430



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

FOR THE YEAR ENDED 31ST DECEMBER 2020

36 CORRECTION OF ERRORS

36.1 During 2020, the Company discovered the following errors

- (A) The acquisition cost of the land plots located in Hulumale phase II plot no N3-35 (B)/(C) relating to the development of fourteen story building ("Hiyaa Project") had been erroneously omitted in the financial statement as at 31st December 2019. Further, investment in Hiyaa Project had been included in other receivables and advanced received from employees for Hiyaa Project had been set off with other receivables as at 31st December 2019.
- (B) The Company erroneously omitted the accounting of deferred payment arrangement to construction of Grid Connection Project and percentage of completion method with respect to the Grid Connection Project as at 31st December 2019.
- (C) Capital injection received from Ministry of Finance had been erroneously accounted as government grants for the year ended 31st December 2019.

These errors have been corrected by restating each of the affected financial statement line items for prior period. The following tables summarize the impact on the Company's financial statements.

As at 1st January 2019

a. Statement of Financial Position

	As Previously Reported MVR	Adjustments MVR	As Restated MVR
Property, Plant and Equipment (Note C)	3,045,354,845	65,562,853	3,110,917,698
Investment in Hiyaa Project (Note A)	-	148,482,673	148,482,673
Trade and other Receivables (Note A)	495,256,570	(123,189,476)	372,067,094
Others	371,718,177	-	371,718,177
Total Assets	3,912,329,592	90,856,050	3,912,329,592
Capital Contribution (Note B)	-	(199,106,114)	(199,106,114)
Others	(585,324,015)	-	(585,324,015)
Total Equity	(585,324,015)	(199,106,114)	(784,430,129)
Trade and Other Payable (Note A)	(140,685,690)	(25,293,197)	(165,978,887)
Contractor Payable (Note C)	-	(65,562,853)	(65,562,853)
Differed Income (Note B)	(203,171,519)	199,106,114	(4,065,405)
Others	(2,892,292,318)	-	(2,892,292,318)
Total Liabilities	(3,236,149,527)	108,250,064	(3,127,899,463)

Note A

	1/1/2019 MVR
Investment in Hiyaa Project	148,482,673
Trade and other Receivables	(123,189,476)
Trade and Other Payable	(25,293,197)
	-

Note B

	1/1/2019 MVR
Capital Contribution	(199,106,114)
Differed Income	199,106,114
	-

Note C

	1/1/2019 MVR
Property, Plant and Equipment	65,562,853
Contractor Payable	(65,562,853)
	-



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

FOR THE YEAR ENDED 31ST DECEMBER 2020

36 CORRECTION OF ERRORS (CONTINUED)

As at 31st December 2019

a. Statement of Financial Position	As Previously Reported MVR	Adjustments MVR	As Restated MVR
Property, Plant and Equipement (Note C)	3,328,550,443	261,016,949	3,589,567,392
Investment in Hiyaa Project (Note A)	-	421,497,924	421,497,924
Trade and other Receivables (Note A)	602,316,163	(322,421,627)	279,894,537
Others	526,073,390	-	526,073,390
Total Assets	4,456,939,997	360,093,246	4,817,033,243
Capital Contribution (Note B)	-	(332,001,171)	(332,001,171)
Retain Earnings (Note B)	(343,592,012)	1,370,506	(342,221,506)
Others	(351,437,881)	-	(351,437,881)
Total Equity	(695,029,893)	(330,630,665)	(1,025,660,558)
Contactor Payable (Note C)	-	(261,016,949)	(261,016,949)
Trade and Other Payable (Note A)	(83,543,497)	(99,076,299)	(182,619,796)
Deffered Income (Note B)	(333,004,245)	330,630,667	(2,373,578)
Others	(3,345,362,362)	-	(3,345,362,362)
Total Liabilities	(3,761,910,104)	(29,462,581)	(3,791,372,685)

Note A

31/12/2019

MVR

Investment in Hiyaa Project	421,497,924
Trade and other Receivables	(322,421,627)
Trade and Other Payables	(99,076,299)
	-

Note B

31/12/2019

MVR

Capital Contribution	(332,001,171)
Retain Earnings	1,370,506
Deffered Income	330,630,667
	-

Note C

31/12/2019

MVR

Property Plant and Equipments	261,016,949
Contactor Payable	(261,016,949)
	-



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

FOR THE YEAR ENDED 31ST DECEMBER 2020

36 CORRECTION OF ERRORS (CONTINUED)

b. Statement of Comprehensive Income	As Previously Reported MVR	Adjustments MVR	Restated Balance MVR
<i>Profit or Loss for the Year</i>			
Impact on Profit for the Year	109,003,009	(1,370,345)	107,632,664
<i>Other Comprehensive Income</i>			
Impact on Other Comprehensive Income	(1,819,633)	-	(1,819,633)
Impact on Total Comprehensive Income	107,183,376	(1,370,345)	105,813,031

37 EVENTS AFTER THE REPORTING DATE

37.1 The Board of Directors of the Company has declared MVR.21,000,000/- as dividend in respect of the year 2020 on 15th June 2021.

37.2 The Board of Directors of the Company has decided to increase the authorized share capital of the Company to MVR. 5,000,000,000/- and authorized shares amounting to 5,000 on 15th June 2021.

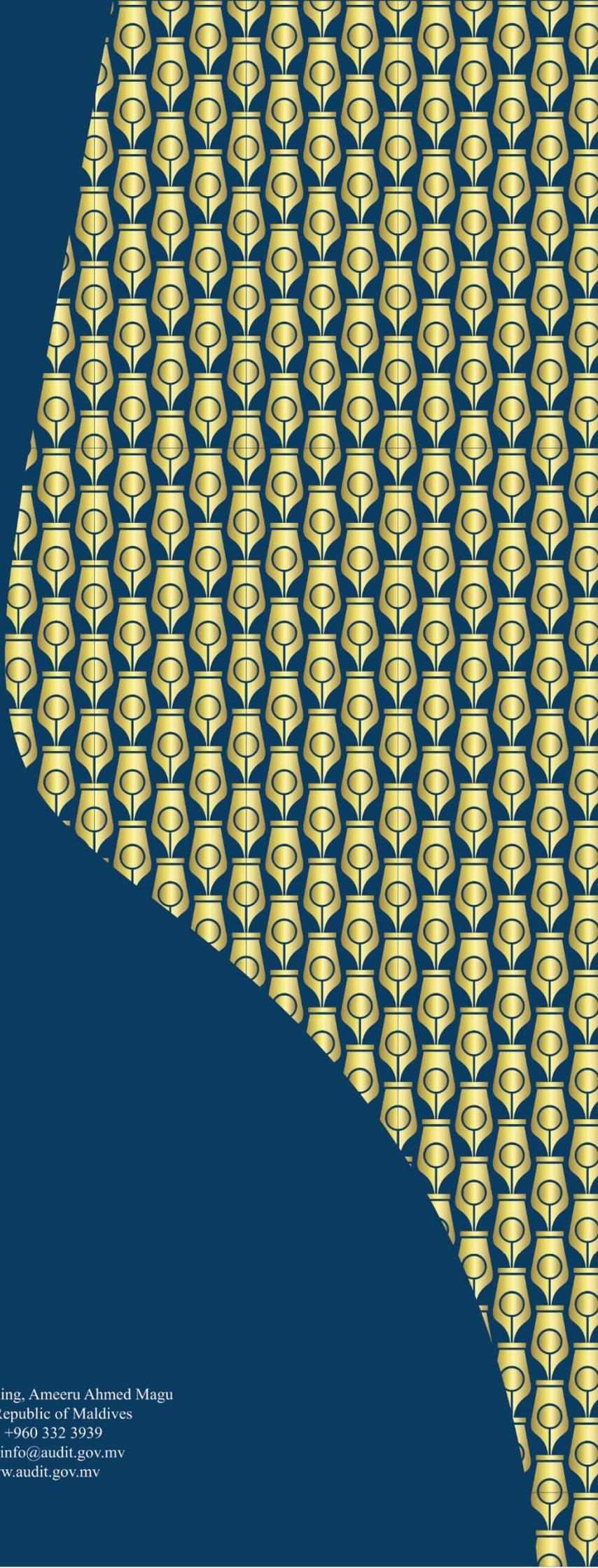
No circumstances have arisen since reporting date which require adjustments to/or disclosure in the financial statements other than above.

38 SIGNIFICANT EVENT- COVID 19

The Management continues to have a reasonable expectation that the Company has adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate. The outbreak of the COVID-19 pandemic and the measures adopted by the health authorities in Maldives to mitigate its spread have impacted Maldives' economy and the Company's operations, such as travel restrictions, lockdown and quarantine measures. This has negatively impacted the Company's financial performance during the year and also its liquidity position.

The management of the Company has been closely monitoring the potential impact of the COVID 19 developments on the Company's operations and financial position including possible loss of revenue and impairment of property and equipment, intangible asset etc. The Company has also put in place contingency measures, which include, but are not limited to enhancing and testing of business continuity plans including its liquidity requirements. Based on their assessment, the management is of the view that the Company will continue as a going concern entity for the next 12 months from the date of these financial statements.





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