MINISTRY OF FINANCE

ANNUAL FINANCIAL REVIEW FY 2019

SECRETARIAT FOR
PRIVATIZATION AND CORPORATIZATION BOARD

February 2021

Contents

SUMMARY of Financial Statements Review 2019

1. Introduction

The intention of this report is to analyze the financial status of (State Owned Enterprises) SOE's and Public Companies controlled by the Government of Maldives (GoM) for the year ended 2019 and review their performance. The performance will be evaluated through financial analysis of audited financial statements. The purpose of the report is to highlight areas of performance deficiency and recommend methods of improvement. This is a summary report prepared after analyzing each SOE and public company controlled by the GoM. Thus, detailed analysis will be available in each individual report.

As financial statements are the principle tool that can be used to evaluate financial performance of a company, a comparative analysis of financial statements of the companies was conducted for the purpose of this analysis.

This report comprises of the companies whose annual reports were published prior to 01 December 2020.

Privatization and Corporatization Board (PCB) expects all the SOEs to finalize audited financial statements and conduct their Annual General Meetings before end of May. (*Note: CMDA has extended the annual report timeline for public companies this year*.) The following are companies whose annual reports were not received before the aforementioned date mainly due to delays in finalizing Audited Financials of those SOEs. It is worth noting to mention that PCB has been working with the relevant parties to speed up the audit of SOEs.
PCB will analyze and publish reports upon receipt of annual reports by these companies.

#	Company Name	#	Company Name
1	Waste Management Corporation Limited	6	Maldives Marketing and Public Relations Limited
2	Island Aviation Services Limited	7	Public Service Media
3	Maldives Integrated Tourism Developmnet Corporation Limited	8	Kahdhoo Airport Company Limited
4	Road Development Corporation Limited	9	Business Centre Corporation Limited
5	Aasandha Company Limited		

For ease of better comparison, interpretation and understanding, the following series of tables present SOEs in two groups; with the first subgroup consisting of SOEs whom government provides capital contributions for sustainability and provision of services and with the second subgroup consisting of SOEs who receive no capital contributions from the government for business sustainability and are therefore independent and profitable business entities.

2. Financial Highlights

#	Company	Non-Current Assets	Current Assets	Total Assets	Loans and Borrowings	Total Liabilities
1	Addu International Airport Private Limited (AIA)	567,549,618	38,958,869	606,508,487	281,146,575	674,121,675
2	Fahi Dhiriulhun Corporation Limited (FDC)	724,413	2,233,445	2,957,858	-	32,677
3	Maldives Centre for Islamic Finance Limited (MCIF)	2,186,716	526,294	2,713,010	-	2,510,442
4	Maldives Hajj Corporation Limited (MHCL)	110,274,371	29,513,483	139,787,854	-	163,878,204
5	Maldives Sports Corporation Limited (MSCL)	1,408,838	2,764,471	4,173,309	-	1,693,804
6	SME Development Finance Corporation Private Limited (SDFC)			264,997,276		857,144
7	Trade Net Maldives Corporation Limited (Tradenet)	-	-	-	-	269,290
8	Maldives Fund Management Corporation Limited (MFMC)	3,352,607	7,629,275	10,981,882	-	3,310,899
TOTAL		**685,496,563**	**81,625,837**	**1,032,119,676**	**281,146,575**	**846,674,135**
*The above SOEs are for whom government provides capital contributions.						
9	Bank of Maldives Plc (BML)	NA	NA	11,345,329,616	NA	19,471,125,000
10	Dhivehi Raaajjeyge Gulhun Plc (Dhiraagu)	2,382,088,000	1,234,292,000	3,616,380,000	-	1,111,618,000
11	Fenaka Corporation Limited (Fenaka)	2,485,762,341	557,729,592	3,043,491,933	76,239,251	935,632,518
12	Greater Male' Industrial Zone Limited (GMIZL)	-	4,361,017,935	4,361,017,935	-	28,038,494
13	Housing Development Corporation (HDC)	18,989,273,079	11,293,582,557	30,282,855,636	9,733,032,258	13,786,129,312
14	Housing Development Finance Corporation PLC (HDFC)	-	-	1,751,435,800	-	1,235,660,426
15	Maldives Airports Company Limited (MACL)	12,082,273,933	3,000,946,508	15,083,220,441	6,778,302,815	8,802,498,465
16	Maldives Islamic Bank Plc (MIB)	-	-	3,809,014,490	-	3,238,949,835
17	Maldives Ports Limited (PORTS)	1,054,365,857	654,662,969	1,709,028,826	193,551,932	686,715,725
18	Maldives Transport and Contracting Company Plc (MTCC)	1,027,719,589	1,184,628,636	2,212,348,225	335,609,649	1,214,447,873
19	Male' Water and Sewerage Company Private Limited (MWSC)	1,482,396,150	947,006,897	2,429,403,047	176,646,580	940,047,497
20	Maldives Tourism Development Corporation Plc (MTDC)	983,331,195	94,129,648	1,077,460,842	-	455,698,193
21	State Electric Company Limited (STELCO)	3,432,728,000	1,024,211,997	4,456,939,997	3,002,354,927	3,761,910,104
22	State Trading Organization Plc (STO)	2,206,749,099	4,063,930,738	6,270,679,837	2,084,137,672	4,050,667,680
TOTAL		**46,126,687,243**	**28,416,139,477**	**91,448,606,625**	**22,379,875,084**	**59,719,139,122**
GRAND TOTAL		**46,812,183,806**	**28,497,765,314**	**92,480,726,301**	**22,661,021,659**	**60,565,813,257**

Table 1: Financial Highlights

The above table illustrates the balance sheet figures of SOEs as at the end of 31 December 2019. Among the above SOEs, HDC is the highest asset-based company with total assets of MVR 30 billion. This is because HDC has a significant amount of investment properties. Second, is MACL, which is also a high asset-based company with total assets of MVR 15 billion. MACL has significant capital works-in-progress including new runway, fuel farm and cargo terminal.

Companies such as STO, STELCO, Fenaka, GMIZL, MTCC, MTDC, MWSC, PORTS, MIB and Dhiraagu have total assets over MVR 100 million.

HDC and MACL have the most significant loans and borrowings among the SOEs as a result of huge capital projects of these two companies.

In terms of liabilities, BML has the highest liabilities because of significant dues to customers (customer deposits).

3. Financial Analysis

Revenue

#	Company	2018	2019	% growth
1	Maldives Sports Corporation Limited (MSCL)	290,128	371,329	28%
2	Addu International Airport Private Limited (AIA)	52,609,106	65,030,122	24%
3	Maldives Hajj Corporation Limited (MHCL)	79,137,122	80,489,909	2%
4	Maldives Centre for Islamic Finance Limited (MCIF)	243,871	31,315	-87%
5	SME Development Finance Corporation Private Limited (SDFC)*	N/A	5,976,714	
6	Fahi Dhiriulhun Corporation Limited (FDC)*	N/A	-	
7	Trade Net Maldives Corporation Limited (Tradenet)*	NA	-	
8	Maldives Fund Management Corporation Limited (MFMC)*	N/A	-	
TOTAL		**132,280,227**	**151,899,389**	**-34%**
*The above SOEs are for whom government provides capital contributions.				
9	Greater Male' Industrial Zone Limited (GMIZL)	80,647,233	136,422,474	69%
10	Maldives Islamic Bank Plc (MIB)	144,671,427	206,488,164	43%
11	Fenaka Corporation Limited (Fenaka)	1,134,149,389	1,404,193,509	24%
12	Maldives Airports Company Limited (MACL)	4,746,544,013	5,364,202,999	13%
13	Housing Development Finance Corporation PLC (HDFC)	126,306,836	141,406,589	12%
14	Bank of Maldives Plc (BML)	2,516,518,000	2,758,459,000	10%
15	State Electric Company Limited (STELCO)	1,757,355,443	1,922,912,331	9%
16	Dhivehi Raaajjeyge Gulhun Plc (Dhiraagu)	2,762,487,000	2,859,006,000	3%
17	Maldives Ports Limited (PORTS)	758,200,640	758,185,644	0%
18	State Trading Organization Plc (STO)	9,404,114,486	9,319,256,401	-1%
19	Maldives Transport and Contracting Company Plc (MTCC)	1,281,440,000	1,137,135,255	-11%
20	Male' Water and Sewerage Company Private Limited (MWSC)	1,254,442,095	1,009,756,365	-20%
21	Maldives Tourism Development Corporation Plc (MTDC)	70,605,050	56,788,545	-20%
22	Housing Development Corporation (HDC)	1,213,575,534	335,467,455	-72%
TOTAL		**27,251,057,146**	**27,409,680,731**	**60%**
GRAND TOTAL		**27,383,337,373**	**27,561,580,120**	**26%**
** these companies were incorporated in 2019.*				

Table 2: Revenue

The highest revenue (MVR 9 billion) was achieved by STO for the year ended 2019, followed by MACL, which has achieved a revenue growth of 13% compared to previous year. In addition, Dhiraagu, BML, STELCO and MTCC have achieved a revenue growth and generated a revenue of over MVR 1 billion for the year 2019.

The revenue of AIA has improved in 2019 mainly from jet fuel and ground handling charge. HDFC has also recorded a growth of income contributed by all the income segments. In addition, revenue of MSCL also shows an improvement, indicating that company has initiated to create sales from new areas.

On the other hand, revenue of MTDC and MCIF shows a reduction in 2019 against previous year. Actual fund flow during the 2 years remained the same for MTDC, but the application of new IFRS is the reason for the drop-in revenue. The newly established companies such as FDC and MFMC has not generated any revenue during 2019 as the operations has not yet started.

Nevertheless, most of the companies have recorded a healthy revenue growth from FY2018 to FY2019 (Detailed reviews are included in annual review report of individual companies).

Gross Profit

#	Company	2018	2019	% growth
1	Addu International Airport Private Limited (AIA)	(54,252,419)	(32,652,815)	40%
2	Maldives Sports Corporation Limited (MSCL)	290,128	102,989	-65%
3	Maldives Hajj Corporation Limited (MHCL)	(9,907,241)	(9,920,103)	0.13%
4	Maldives Centre for Islamic Finance Limited (MCIF)	(443,203)	9,620	-102%
5	SME Development Finance Corporation Private Limited (SDFC)	N/A	4,777,213	-
6	Maldives Fund Management Corporation Limited (MFMC)	N/A	-	
7	Fahi Dhiriulhun Corporation Limited (FDC)	N/A	-	
8	Trade Net Maldives Corporation Limited (Tradenet)	N/A	-	
TOTAL		**(64,312,735)**	**(37,683,096)**	**-127%**
*The above SOEs are for whom government provides capital contributions.				
9	Maldives Airports Company Limited (MACL)	2,437,741,746	2,901,861,184	19%
10	Bank of Maldives Plc (BML)	2,104,570,000	1,926,705,000	-8%
11	State Trading Organization Plc (STO)	1,189,695,515	1,345,109,703	13%
12	Dhivehi Raaajjeyge Gulhun Plc (Dhiraagu)	1,102,647,000	1,145,922,000	4%
13	Fenaka Corporation Limited (Fenaka)	357,211,689	630,244,045	76%
14	Male’ Water and Sewerage Company Private Limited (MWSC)	630,146,207	552,899,231	-12%
15	State Electric Company Limited (STELCO)	349,594,831	462,824,071	32%
16	Housing Development Corporation (HDC)	856,430,498	277,891,698	-68%
17	Maldives Islamic Bank Plc (MIB)	174,590,165	245,685,104	41%
18	Maldives Ports Limited (PORTS)	273,639,233	160,544,685	-41%
19	Maldives Transport and Contracting Company Plc (MTCC)	240,480,413	155,864,524	-35%
20	Housing Development Finance Corporation PLC (HDFC)	126,306,836	141,406,589	12%
21	Greater Male' Industrial Zone Limited (GMIZL)	(66,341,604)	55,859,015	184%
22	Maldives Tourism Development Corporation Plc (MTDC)	41,265,154	37,254,920	-10%
TOTAL		**9,817,977,683**	**10,040,071,769**	**207%**
GRAND TOTAL		**9,753,664,948**	**10,002,388,673**	**80%**
* *Operating profit is used for service-based companies*				

Table 3: Gross Profit

In terms of gross profit value, the highest growth was achieved by Maldives Airports Company Limited as a result of increasing revenue more than cost of sales. Nevertheless, the highest gross profit growth was recorded by STELCO with proper cost management.

STO has achieved gross profit growth of 13%. The company was able to manage and reduce its cost of sales by 3% when revenue was only dropped by 1%. Dhiraagu, MIB and HDFC have also achieved a positive gross profit growth of 4%, 41% and 12% respectively.

The gross profit made by BML, MWSC, MTCC, MTDC, MSCL and MCIF have declined in 2019. The operating profit of BML declined due to high interest expenses and provision charges. The negative gross profit growth of MWSC is mainly due to reduction of revenue from construction projects. In addition, MTCC was unable to manage the costs during 2019 even though the company's revenue declined, hence gross profit has declined.

Net profit

#	Company	2018	2019	Growth
1	Maldives Hajj Corporation Limited (MHCL)	(11,163,934)	(12,251,142)	10%
2	Addu International Airport Private Limited (AIA)	(84,500,201)	(60,338,985)	-29%
3	Maldives Sports Corporation Limited (MSCL)	(5,898,355)	(4,646,376)	-21%
4	Maldives Centre for Islamic Finance Limited (MCIF)	(7,029,602)	(6,681,205)	-5%
5	SME Development Finance Corporation Private Limited (SDFC)	N/A	(859,868)	-
6	Maldives Fund Management Corporation Limited (MFMC)	N/A	(1,865,329)	-
7	Fahi Dhiriulhun Corporation Limited (FDC)	N/A	(3,118,339)	-
8	Trade Net Maldives Corporation Limited (Tradenet)	N/A	(314,520)	-
TOTAL		**(108,592,092)**	**(90,075,764)**	**-45%**
*The above SOEs are for whom government provides capital contributions.				
9	Maldives Airports Company Limited (MACL)	1,128,644,551	1,160,305,352	3%
10	Bank of Maldives Plc (BML)	1,098,760,000	1,039,127,000	-5%
11	Dhivehi Raaajjeyge Gulhun Plc (Dhiraagu)	905,093,000	941,759,000	4%
12	Male' Water and Sewerage Company Private Limited (MWSC)	411,443,989	308,790,288	-25%
13	State Trading Organization Plc (STO)	14,411,864	303,028,444	2003%
14	Maldives Ports Limited (PORTS)	228,753,152	116,587,929	-49%
15	State Electric Company Limited (STELCO)	105,040,398	109,003,008	4%
16	Housing Development Finance Corporation PLC (HDFC)	98,995,225	91,095,151	-8%
17	Maldives Islamic Bank Plc (MIB)	52,550,465	84,014,091	60%
18	Housing Development Corporation (HDC)	2,209,488,014	61,964,694	-97%
19	Maldives Transport and Contracting Company Plc (MTCC)	36,055,579	52,875,917	47%
20	Greater Male' Industrial Zone Limited (GMIZL)	(69,193,191)	44,403,191	164%
21	Fenaka Corporation Limited (Fenaka)	(143,093,809)	35,914,643	125%
22	Maldives Tourism Development Corporation Plc (MTDC)	23,714,495	19,104,224	-19%
TOTAL		**6,100,663,732**	**4,367,972,932**	**2205%**
GRAND TOTAL		**5,992,071,640**	**4,277,897,168**	**2160%**

Table 4: Net Profit

Both MACL and BML has achieved a net profit of over MVR 1 billion in 2019.

STO shows a significant improvement in net profits mainly due to the gain recognized from impairment reversal on trade, other and related party receivables. It is also worth mentioning that other income was increased by 10% while other operating expenses was reduced leading to significant increase in operating profit.

Further, net profits of Dhiraagu, STELCO and MTCC also shows improvement in 2019 compared to previous year. However, it is important to note that ministry of finance granted a subsidy of MVR 94 million for the year to compensate loss from transport segment of MTCC.

On the other hand, net profit of BML, MWSC, MPL, HDFC and MTDC has declined in 2019. This was mostly because these companies were inefficient in managing their overheads.

There are loss making SOE's whose operations are funded solely by the capital injecctions from the GoM namely MSCL, MCIF and AIA. However, the net loss of these companies shows reduction in 2019.

Short Term Liquidity Ratios

#	Company	2018	2019
1	Maldives Sports Corporation Limited (MSCL)	6.80	1.90
2	Maldives Centre for Islamic Finance Limited (MCIF)	1.98	0.33
3	Maldives Hajj Corporation Limited (MHCL)	0.58	0.22
4	Addu International Airport Private Limited (AIA)	0.09	0.10
5	SME Development Finance Corporation Private Limited (SDFC)	N/A	53.08
6	Fahi Dhiriulhun Corporation Limited (FDC)	N/A	68.00
7	Maldives Fund Management Corporation Limited (MFMC)	N/A	7.59
8	TradeNet Maldives Corporation Limited (Tradenet)	N/A	-
*The above SOEs are for whom government provides capital contributions.			
9	Greater Male' Industrial Zone Limited (GMIZL)	2.19	155.54
10	Housing Development Corporation (HDC)	3.05	2.90
11	State Trading Organization Plc (STO)	1.04	1.15
12	Maldives Ports Limited (PORTS)	2.57	2.01
13	Male' Water and Sewerage Company Private Limited (MWSC)	1.30	1.36
14	Fenaka Corporation Limited (Fenaka)	0.76	0.67
15	Maldives Airports Company Limited (MACL)	1.13	1.53
16	Bank of Maldives Plc (BML)	1.34	1.35
17	Maldives Islamic Bank Plc (MIB)	1.12	1.18
18	Housing Development Finance Corporation PLC (HDFC)	1.42	1.35
19	Dhivehi Raaajjeyge Gulhun Plc (Dhiraagu)	1.51	1.65
20	State Electric Company Limited (STELCO)	1.54	3.28
21	Maldives Tourism Development Corporation Plc (MTDC)	0.18	2.20
22	Maldives Transport and Contracting Company Plc (MTCC)	1.23	1.39

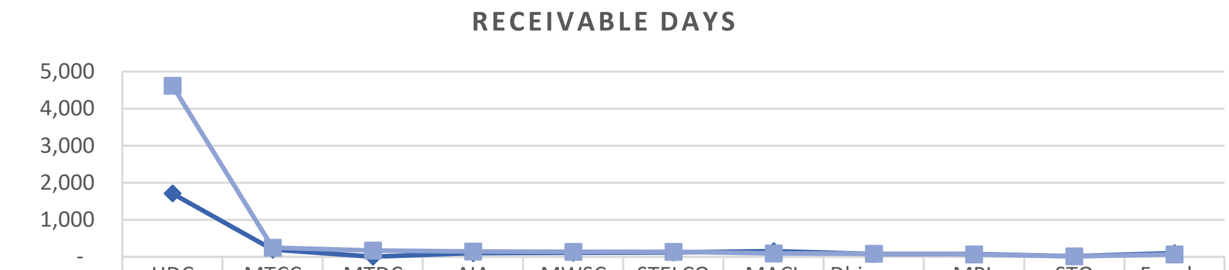
Table 5: Current ratio

The ideal level of current ratio is 2:1, therefore, for every MVR 1 worth of short-term liability (current liability) there should be MVR 2 worth of current assets, although it could defer based on the nature of business. The higher the current ratio, the more capable the company is of paying its obligations. However, a high ratio (over 3) does not necessarily indicate that a company is in a state of financial well-being either. Depending on how the company's assets are allocated, a high current ratio may suggest that that company is not using its current assets efficiently, not securing financing well, or is not managing its working capital well.

The highest asset value when compared to current liabilities have been seen in FDC, SDFC and MFMC. However, it is important to note that its current assets (cash and cash equivalents) are the capital injections from the GoM, as such the high ratio does not mean that the company is operationally efficient.

In addition, as per the above table, except AIA and MCIF, all other companies have current assets above its current liabilities. We note that MCIF does not earn revenue from operational activities and the company's cash position is seen stable solely due to government capital injections.

Working Capital Management

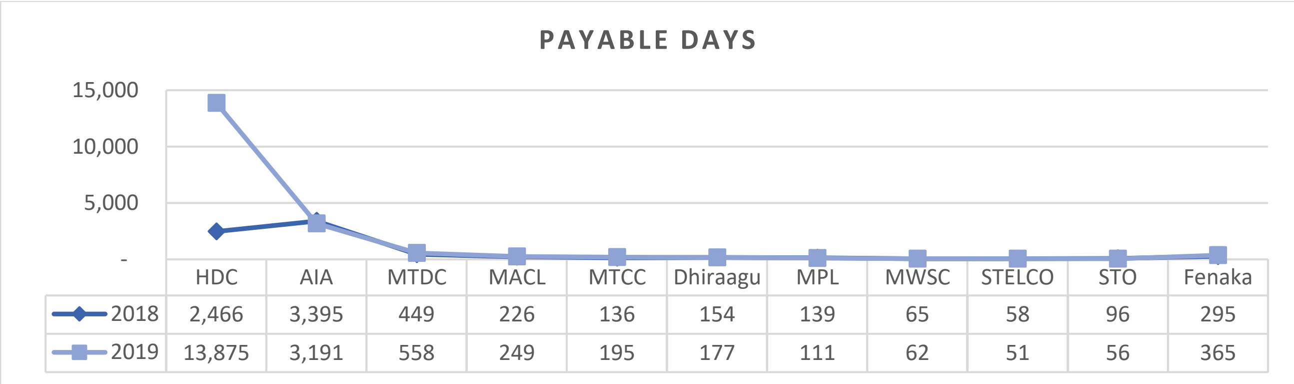


	HDC	MTCC	MTDC	AIA	MWSC	STELCO	MACL	Dhiraagu	MPL	STO	Fenaka
2018	1,710	200	3	101	113	118	156	77	74	15	100
2019	4,624	248	170	148	140	139	93	88	69	12	63

Table 6: Receivable Days

(Companies excluded in the above graph are not applicable for receivable days)

Accounts receivable represents the money that is contractually owed to the company by its customers and the lower the company's collection ratio, the more efficient its cash flow. As per the above table STO, MPL, Dhiraagu and MACL collects its payments at an acceptable time than the other companies. STO has significant amount of outstanding from Feneka Corporation which is over 90 days. It is also important to note that majority of trade and other receivable are amounts receivable from related parties and the companies find difficulties to collect such payments.



	HDC	AIA	MTDC	MACL	MTCC	Dhiraagu	MPL	MWSC	STELCO	STO	Fenaka
2018	2,466	3,395	449	226	136	154	139	65	58	96	295
2019	13,875	3,191	558	249	195	177	111	62	51	56	365

Table 7: Payable Days

Payable day's measures how long it takes to pay its creditors or suppliers. The longer they take to pay their creditors, the more money the company has on hand, which is good for working capital and free cash flow. Nonetheless, it will affect the relations with creditors and suppliers.

Most of the companies pay its creditors and suppliers within one year namely STO, STELCO, MWSC, MPL, Dhiraagu, MTCC and MACL.

The significantly high receivable and payables days of HDC is due to the nature of the business the company have significant receivables and payables.

AIA and MTDC takes the longest time to settle its creditors. This ratio shows company's inefficiency to pay its creditors. Even though it supports to company cash position they have to consider risk associated in terms of relationship with suppliers. A further extension may take company into more challenging condition such as it may affect growth of business and it may need to drive cash from other sources to pay credit bills. Almost 97% of payables of MTDC is dividend payable to the shareholder.

Shareholders Returns

<u>Earnings and Dividend</u>

Company	Earnings per Share		Dividend per Share		Payout Ratio	
	2018	2019	2018	2019	2018	2019
Addu International Airport Private Limited (AIA)	(189)	(264)	-	-	-	-
Maldives Sports Corporation Limited (MSCL)	(0.22)	(0.35)	-	-	-	-
Maldives Hajj Corporation Limited (MHCL)	(4)	(4)	-	-	-	-
Maldives Centre for Islamic Finance Limited (MCIF)	(4)	(3)	-	-	-	-
Maldives Fund Management Corporation Limited (MFMC)	N/A	8	-	-	-	-
Fahi Dhiriulhun Corporation Limited (FDC)	N/A	68	-	-	-	-
SME Development Finance Corporation Private Limited (SDFC)	N/A	53.1	-	-	-	-
TradeNet Maldives Corporation Limited (Tradenet)	N/A	(69.54)	-	-	-	-
*The above SOEs are for whom government provides capital contributions.						

Dhivehi Raaajjeyge Gulhun Plc (Dhiraagu)	11.91	12.39	11.91	12.00	100%	97%
Maldives Ports Limited (PORTS)	54	27	22	32	82%	60%
Male' Water and Sewerage Company Private Limited (MWSC)	1,541	1,157	924	693	60%	60%
Maldives Airports Company Limited (MACL)	752	774	451	464	60%	60%
Housing Development Finance Corporation PLC (HDFC)	62.10	57.16	25	28	40%	48%
Maldives Islamic Bank Plc (MIB)	2.9	4.5	0.80	1.58	27%	35%
Maldives Transport and Contracting Company Plc (MTCC)	4.7	6.6	-	2.00	-	30%
State Trading Organization Plc (STO)	12.8	268.9	55	58	430%	22%
State Electric Company Limited (STELCO)	700,269	726,687	-	133,333	-	18%
Bank of Maldives Plc (BML)	204	193	24	26	12%	13%
Fenaka Corporation Limited (Fenaka)	(1)	0.18	-	-	-	-
Greater Male'Industrial Zone Limited (GMIZL)	(6.9)	4.4	-	-	-	-
Housing Development Corporation (HDC)	49.99	1.40	-	-	-	-
Mladives Tourism Development Corporation Plc (MTDC)	0.70	0.56	-	-	-	-

Table 8: Earnings and Dividend

As per the above table 10 companies have declared dividend based on 2019's profit. Dhiraagu has the highest payout ratio in 2019, however this is a reduction compared to previous year. Further, MACL, and MWSC has maintained its 60% payout ratio in 2019 as well. On the other hand, PORTS have also declared 60% of their profit, while payout ratio was 82% in the previous year.

Although STO achieved significant profits in 2019, the dividend per share was only increased by MVR 3 per share, hence payout ratio shows a significant reduction.

Financing

Gearing

#	Company	2018	2019
1	Addu International Airport Private Limited (AIA)	91%	138%
2	Maldives Hajj Corporation Limited	No borrowings	
3	Maldives Centre for Islamic Financing Limited (MCIF)	No borrowings	
4	Maldives Sports Corporation Limited (MSCL)	No borrowings	
5	TradeNet Maldives Corporation Limited	No borrowings	
6	Maldives Fund Management Corporation Limited (MFMC)	No borrowings	
7	Fahi Hdiriulhun Corporation Limited (FDC)	No borrowings	
8	SME Development Finance Corporation Private Limited (SDFC)	NA	
*The above SOEs are for whom government provides capital contributions.			
9	State Trading Organization Plc (STO)	22%	19%
10	Maldives Ports Limited (MPL)	11%	16%
11	Male' Water and Sewerage Company Private Limited (MWSC)	5%	3%
12	Maldives Airports Company limited (MACL)	39%	46%
13	Housing Development Corporation (HDC)	30%	37%
14	State Electric Company Limited (STELCO)	76%	78%
15	Maldives Transport and contracting Company Plc (MTCC)	35%	33%
16	Fenaka Corporation Limited	28%	6%
17	Greater Male'Industrial Zone Limited	No borrowings	
18	Dhivehi Raajjeyge gulhun plc (Dhiraagu)	No borrowings	
19	Maldives Tourism Development Corporation Plc (MTDC)	No borrowings	
20	Bank of Maldives (BML)	NA	
21	Housing Development Financing Corporation Plc (HDFC)	NA	

Table 9: Gearing

AIA is the highest geared company among SOE's and government-controlled companies. As at the end of 2019, AIA has loans of MVR 281 million from BML at a fixed interest rate of 8.5%. The loan is secured by the guarantees of GoM and Kasa Holdings Pvt Ltd as such this loan is repaid by the GoM and Kasa holding as injection to AIA. In addition, the shareholders loan has increased from MVR 35.9 million to 121 million.

STELCO is also a highly geared company with 78% of gearing. At the end of 2019, STELCO had loans and borrowings of MVR 3,002 million, which is an increase of 10% compared to previous year.

Conclusion

Financial year 2019 was successful for most of the companies such as MACL, BML, Dhiraagu, STO and STELCO. The highest net profits were achieved by MACL followed by BML. MACL is investing heavily on capital expenditure and it is important to highlight that most of these investments are funded through borrowings. Thus, financial risk of the company is rising.

Bank of Maldives is the market leader of banking services, and it has added 15000 new customers during the year. This was the fourth year in succession Bank achieved a Profit after Tax of over MVR 1 billion.

STO has been a well performing company and has generated a revenue of over MVR 9.3 billion in FY2019, with a remarkable recovery of its profitability compared to previous year.

The financial year 2019 was a successful year for STELCO, achieving a revenue growth of MVR 165 million (9%) compared to previous year. The profitability has also improved by increasing overall efficiency of power generation and distribution. The company also has huge amounts of loans and borrowing, and government injects huge amount each year to repay the loans.

Conversely, AIA, MCIFL, MSCL, SDFC, MFMC, FDC has made a loss in FY2019. AIA has been a loss-making company since its inception with high risk of going concern. The company has an accumulated loss of over MVR 365 million at the end of 2019.

SDFC, MFMC and FDC are newly established companies in 2019. While SDFC has started generating revenue from its business while other two companies have not generated any revenue in 2019.

As per the financial statement analysis, it was understood that most of the SOEs reviewed in this report are performing well, however there are some SOEs such as MCIF, MSCL and AIA who are under performing. The overheads of these under-performing SOEs are financed through government capital contribution. Similarly, all new companies are operated with the capital contribution from shareholder. The companies must consider the importance of fund management (capital contribution) (efficiently, effectively and economically) and must maximize returns to the investors rather than utilizing it for business operations.

ADDU INTERNATIONAL AIRPORT PRIVATE LIMITED

Annual Financial Review

FY2019

1. Ownership Structure

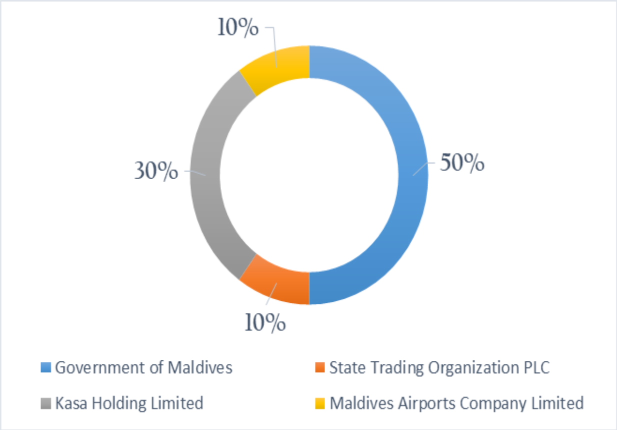


Figure 1: Shareholding Structure

As at 31st December 2019, the Company shares were owned by Government of Maldives (GOM), Kasa Holding Limited, Maldives Airports Company Limited (MACL) and State Trading Organization PLC (STO). However, shareholding was changed in February 2020 due to Government acquisition of 10% shareholding previously held by STO. Consequently, on 3 September 2020, 10% held by MACL was also transferred to Government.

As at 31st December 2019, the total authorized share capital was 400,000 ordinary shares at MVR 1000 each and the government of Maldives owned 50% directly and 70% indirectly through shares in STO and MACL.

2. Financial Review

2.1 Revenue

Total revenue has increased by 24% from 2018 to 2019 (MVR 53 million to MVR 65 million) mainly due to increase in revenue from jet fuel and ground handling charge.

The company's main source of revenue is from sale of jet fuel, comprising 62% of total revenue. Overall the increase is due to increase in flight operations during 2019.

Revenue	FY 2018	FY 2019	Variance	%
Jet fuel revenue	34,255,454	40,479,054	6,223,600	18%
Ground handling charge	8,662,901	13,064,623	4,401,722	51%
Landing fees	3,595,597	4,572,075	976,478	27%
Parking fee	3,079,550	3,637,331	557,781	18%
Ground power unit charges	1,402,449	2,034,669	632,220	45%
Pessenger service charge	750,424	420,331	(330,093)	-44%
Airport pass	60,300	58,250	(2,050)	-3%
Cargo handling/terminal income	653,242	589,157	(64,085)	-10%
Monthly fee on flight training	149,189	174,632	25,443	17%
Total	**52,609,106**	**65,030,122**	**12,421,016**	**24%**

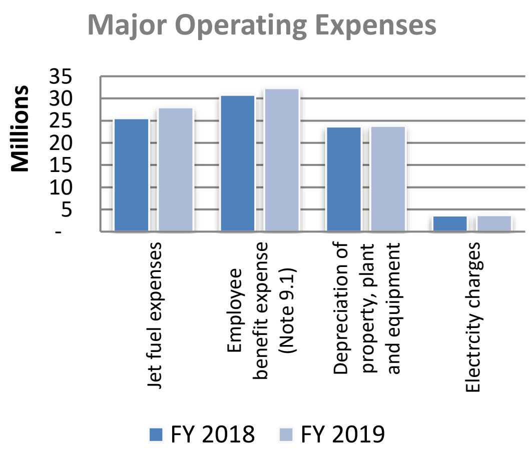
Table 1: Revenue breakdown

3.1 Other Income

Total other income has also increased by 20% over the comparable period (from MVR 6.2 million to MVR 7.5 million). Over 91% of other income includes rent income to the company which has increased over the period.

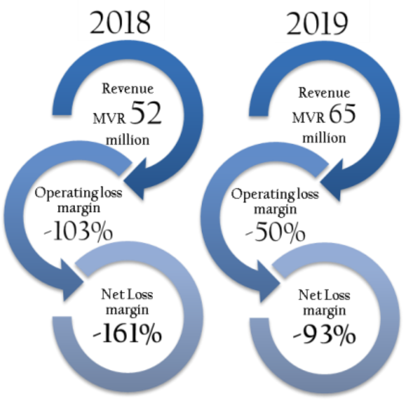
Since AIA's revenue primarily depends on the air traffic and the number of flights landed on the Gan International Airport, revenue increasing through its core business can be achieved by increasing ultimate demand for the need to travel Addu region. For instance, factors related to overall increase of demand on tourism can increase number of passengers travelling to Addu region. Air ticketing prices and flight schedules along with services provided by airlines play vital role in increasing or decreasing demand on both domestic and international customers effecting revenue for AIA. The government's initiation to invest and develop facilities and operations of AIA as well as the regional development will support to achieve overall objective of the company.

3.2 Operating Expenses



Total operating expenses of the company has increased by 6% in 2019 (MVR 96 million to 101 million). Among the company's major expenses, jet fuel expenses and employee benefits show a significant increase by 10% and 5% accordingly. Reasons for increase are due to the corresponding increase in jet fuel revenue and increase in number of staffs along with employee training expenses.

3.3 Profitability

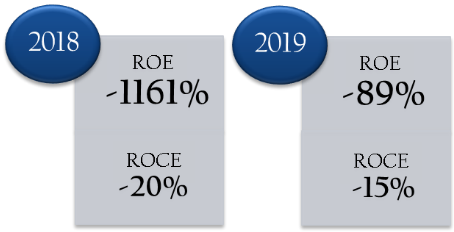


The company has not made any profits since its inception. The negative gross margin of the company suggests that the company is not covering direct costs of running the airport from the revenue they generate.

Currently, 62% of AIA's revenue is generated through the sale of jet fuel. The margin on jet fuel sales has increased from 25% to 31% from 2018 to 2019 supporting to overall reduce the net loss margin from -161% to -93%. The operating expenses have seen a slight increase over the period (by 6%).

It is important to note that based on the company's position in the market and the general demand, business is mainly influenced by external factors such as demand and supply of tourism related activities. The regional development plan by the government would mean that company has a positive strategic future in this business and thus needs to plan and invest on the needful areas.

3.4 Return on Equity (ROE) and Return on Capital Employed (ROCE)



ROE measures a company's profitability by revealing how much profit a company generates with the money shareholders have invested. ROCE measures a company's profitability and the efficiency with which its capital is employed.

Since the company has not made any profits from its inception, ROE and ROCE continues to be negative to current comparable year. However, by maintaining its overheads and increasing revenue, company is able to reduce the negative ROE and ROCE significantly.

Negative shareholder's equity could be a warning sign that a company is in financial distress. In other words, negative shareholder's equity indicates that company must dig deeper and explore the reasons for the negative balance, and to proactively take measures to overcome from going concern issue.

3.6 Financing

Debt to Total Assets and Debt to Equity

Debt to assets ratio measures what proportion of debt a company is carrying compared to its assets. A ratio value greater than one indicates a company has more debt than assets.

The company's debt to assets ratio has increased from 1.01 to 1.11 which indicates the company is unable to withstand losses without harming creditor interests.

Debt to equity ratio measures the financial leverage of a company by indicating what proportion of debt company hold over the totally equity. While total liabilities were increased from MVR 613 million to MVR 674 million (by 10%), equity has fallen significantly from -7.2 million to -67 million (by 830%) due to accumulated loss of MVR 365 million as at 2019. This has resulted to worsen the debt/equity ratio over the comparable period, indicating that the company has been aggressive in financing its developments with debt.

Gearing

The financial risk of the company has increased as the gearing ratio has increased from 138% to 201% in 2019. As at 2019, company has borrowed a total of MVR 428 million (2018: MVR 375 million) for financing its activities.

Gearing	FY 2018	FY 2019	% change
Total loans and borrowings	375,732,861	428,567,317	14%
Capital employed	272,323,890	213,638,670	-22%
Gearing ratio (LL/CE)	138%	201%	63%
Interest cover(EBIT/Interest)	-1.79	-1.18	0.61

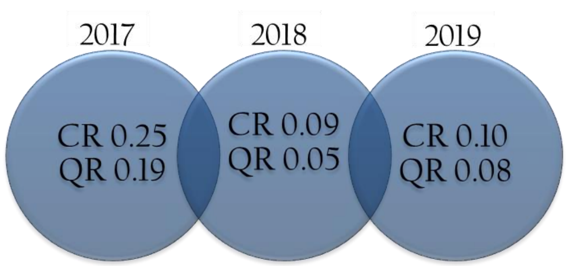
Although total loans and borrowings have increased slightly by 14% over the period, the reduction in capital employment by 22% has led to increase overall gearing ratio from 138% to 201%.

Finance cost over the period has decreased from MVR 30 million to MVR 27 million due to repayments of interest-based loans over the period. Consequently, the interest cover has decreased from -1.79 to -1.18. This ratio illustrates that the company is not in a position to pay its finance cost on outstanding debts.

3.7 Working Capital Management

Working capital management is the strategy intended to monitor and utilize current assets and liabilities, to ensure operational effectiveness and financial efficiency. One of the main aims of proper working capital management is to maintain sufficient cash flow to meet short term obligation.

Current ratio and Quick ratio



Current ratio measures whether the company has enough resources to meet its short-term obligations. In 2019 the company has MVR 0.10 current asset for every MVR 1 worth of short-term liability. This ratio illustrates that the company's short-term liabilities are more than to its current assets, thus settling short term obligations are now delayed or complicated.

Current Asset	FY 2018	FY 2019	% change
Inventories	12,539,578	8,580,533	-32%
Trade and other receivables	14,624,865	26,373,967	80%
Cash and cash equivalents	1,790,887	4,004,369	124%
Total current asset	**28,955,330**	**38,958,869**	**0**

Current Liabilities	FY 2018	FY 2019	% change
Loans and borrowings	96,134,768	147,315,459	53%
Lease liability	-	766,374	-
Trade and other paybales	237,497,665	244,787,984	3%
Total current liabilities	**333,632,433**	**392,869,817**	**18%**

Quick ratio measures a company's ability to meet its short-term obligations with its most liquid assets (excluding inventory). The quick ratio of the company has slightly improved from 0.05 to 0.08 over the comparable period. It is important to highlight that the closing inventory of the company has decreased from MVR 12 million to MVR 8 million in 2019.

Receivable and Payable Days

Receivable and Payable Days	FY2018	FY2019	% change
Receivables	14,624,865	26,373,967	80%
Payables	237,497,665	244,787,984	3%
Total sales	52,609,106	65,030,122	24%
Other operating cost (jet fuel expense)	25,534,262	28,003,262	10%
Receivable days	**101**	**148**	**47**
Payable days	**3,395**	**3,191**	**(204)**

Accounts receivables are considered valuable because they represent money that is contractually owed to the company by its customers. In order to manage and retain a favorable cash position it is important to collect outstanding debt as quickly as possible. Receivable days of the company have increased from 101 days to 148 days. This indicates the company took more days to collect its receivables during 2019.

It is important to note that majority of receivables are from related parties such as government and other state-owned enterprises. In order to manage working capital efficiently AIA must make financially viable arrangements with related parties to improve cash position.

We draw attention to Note 31 to the financial statements. The Company has incurred a loss of MVR 60,338,985/- during the year ended 31 December 2019 and accumulated losses of MVR 365,613,188/- as at 31 December 2019. Further, the Company's Current Liabilities excess its Current assets by MVR 353,910,948/- and total liabilities exceeded its total assets by MVR 67,613,188/- as at 31 December 2019. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter. – External Audit 2019

It is important to highlight that the total number of receivables has increased from MVR 14 million to MVR 26 million from 2018 to 2019. And the company has incurred an impairment loss of receivables by MVR 13 million and MVR 3 million during 2018 and 2019 respectively. Considering the liquidity position, the company has to make strict receivable collection strategies to collect the money.

Payable days measure how long it takes to pay trade creditors or suppliers. Although technically the longer time a company takes to pay its creditors, the better it is for working capital and cash position, sometimes, this cash flow advantage might be at the expense of the good business relation with company's creditor.

In 2018, AIA took 3395 days on average to pay creditors and it has decreased to 3191 days in 2019. This ratio shows company's inefficiency to pay its creditors. A further extension may take company into more challenging conditions such as, it may need to drive cash from other sources to pay credit bills and may affect overall growth of the business.

Based on the adverse changes seen in above key ratios, and the significance of impairment loss on trade receivables, it is identified that company is not effectively managing its working capital. As a result, company is unable to maintain cash flows to meet its short-term obligation and operate effectively.

4 External Audit

Upon auditing the financial statement of AIA for the year ended 31 December 2019, Auditor General has expressed a qualified opinion on financial statements on the basis quoted below.

As per Note 14 to the financial statements the net carrying value of property, plant and equipment relating to the airport operation is MVR 566,409,641/- as at 31 December 2019. As per IAS 36 "Impairment of Assets", the Company shall assess as at end of each reporting period whether there are any indicators that an asset may be impaired. The Company has been making losses for last few years and recorded accumulated losses of MVR 365,613,188/- as at 31 December 2019. These factors should have been considered as impairment indications. However, the Company has not performed an impairment assessment to measure the recoverable amount of the property plant and equipment relating to the airport operation as at 31 December 2019. Therefore, we were unable to determine the possible effects on these financial statements as at 31 December 2019.

As per Note 18 to the financial statements, amounts due from Island Aviation Service limited amounting to MVR 13,687,572/- was included in Trade and receivables balance as at 31 December 2019. However, the Company has not assessed the recoverability of this balance as at reporting date. Therefore, we are unable to satisfy ourselves regarding the recoverability of amounts due from Island aviation service limited amounting to over MVR 13,687,572 as at 31 December 2019.

5 Conclusions and Recommendation

It is apparent from the review of financial statements that the company is an underperforming company with the high risk of going concern. The company has been making losses since its inception, with an accumulated loss of over MVR 365 million at the end of 2019.

Based on the company's position in the market and the general demand, business is mainly influenced by external factors such as growth of bed capacity and tourist arrivals etc. Therefore, to reduce losses for the company, it is important to streamline its business activities and concentrate on reducing costs meanwhile working with other stakeholders to market the region as a tourist destination.

The gearing position of the company is worse with high level of gearing and a negative interest cover. Further, the company is not able to cover its short-term liabilities with the current resources.

The company has to improve its working capital management for a positive cash flow position. AIA has to give emphasis on maintaining its current assets and current liabilities at an appropriate level, given that at present the company's current liabilities exceed its current assets.

Therefore, in order to survive, the company has to find alternatives sources of revenue and cut down avoidable expenses.

BANK OF MALDIVES

ANNUAL FINANCIAL REVIEW

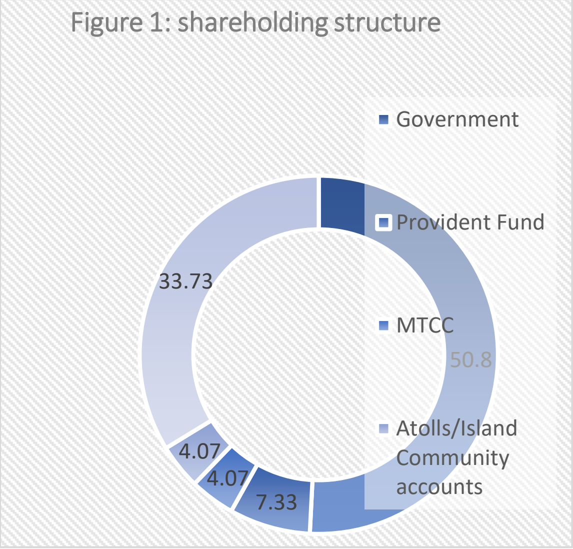
FY2019

1. Introduction

BML is a public quoted company incorporated on 11th November 1982 with limited liability. The bank provides a comprehensive range of financial services including corporate and retail banking, deposit services, treasury and investment services, project financing, issuing of credit cards and debit cards, electronic banking and money remittance services. It is engaged in both conventional and Islamic banking.

BML is the leading financial provider in Maldives with over 285,000 customers and largest network of branches, Agents, ATMS, and POS terminals in Maldives.

2. Shareholding Structure

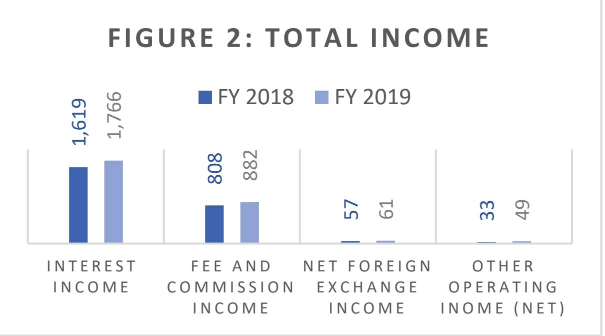


The majority shareholder of BML is Government of Maldives (GoM) holding 50.8% of share capital.

3. Financial Analysis

3.1 Income

BML has made a gross income of MVR 2.7 billion in FY 2019, an increase of 10% with most core income lines showing satisfactory growth.

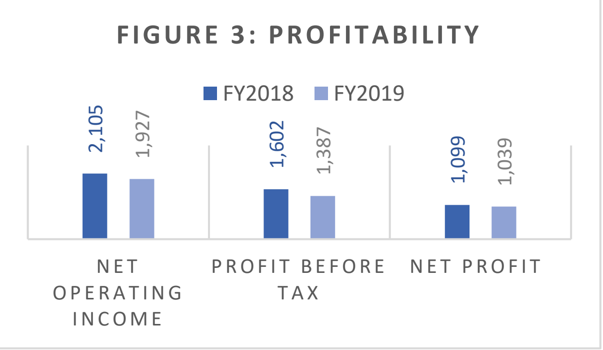


The above table consists of gross revenue figures.

The main source of income for the bank is interest income and a growth of 8% was recorded by net interest income despite significant increase in funding costs.

Fees and Commission Income now contributes almost one third of the Bank's total income.Net Fees and Commission Income increased by 7% with strong performance in Cards. Net foreign exchange income and other operating income has also recorded a growth of 9% and 46% respectively. The growth of other operating income is mainly from recoveries of writing off loan and receivables.

3.2 Profitability



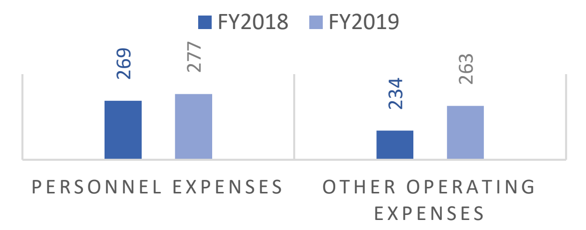
Net operating income of the bank has reduced by 8% compared to FY2018, due to high interest expenses and provision charge. Thus, net profit also shows a reduction of 5%. However, the bank has achieved a net profit after tax of MVR 1.04 billion, this is the fourth year in succession Bank achieved a PAT of over MVR 1 billion.

Moreover, the net operating income before operating overhead expenses decreased by 8% mainly as result of higher credit impairment. Further net profit for the year also decreased by 5% as result of increasing personnel expenses and other operating expenses by 3% and 12% respectively.

Expenses

Total operating expenses has recorded a growth of 7%, owing to the robust growth in business volumes and extensive investment programs. Nevertheless, the Bank's cost/net income ratio was maintained at 24%.

FIGURE 4: TOTAL OPERATING EXPENSES



Operating expense consist of personnel expenses and other operating expense. The personnel expenses (salaries, wages and other related expenses) has increased by MVR 13.9 million against previous year. Other operating expenses has grown significantly over MVR 28.9 million compared to 2018. In addition, administrative and establishment expenses have also recorded a growth of over MVR 4 million. Travel and transport expenses also increased by MVR 4.4 million while other expenses have increased from MVR 6 million to MVR 11 million in 2019.

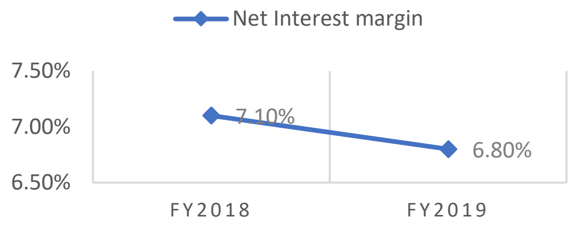
The below table shows the major expenses which increased in 2019.

Expenses	FY2018	FY2019	%
Salaries, wages and other related expenses	242,035,000	255,977,000	6%
Depreciation of property, plant and equipment	49,396,000	52,422,000	6%
Depreciation of right-of-use assets	-	27,617,000	
Administration and establishment expenses	40,921,000	44,952,000	10%
Communication expenses	15,593,000	19,753,000	27%
Travel and transport expenses	20,097,000	24,519,000	22%
Consultancy fees	7,584,000	8,485,000	12%
Other expenses	6,381,000	11,447,000	79%

3.3 Net Interest Margin

Net interest margin reveals the bank's net profit on interest-earning assets, such as loans or investment securities.

FIGURE 5: NET INTEREST MARGIN

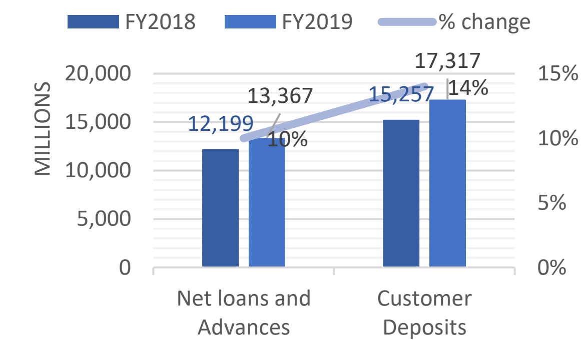


Net interest margin has declined in 2019, because the total earning assets grew at a higher rate than net interest income.

Loans and receivables to customers has grown over MVR 1.1 billion over the past year. Net interest income also achieved a growth of 8%.

3.4 Loans and Deposits

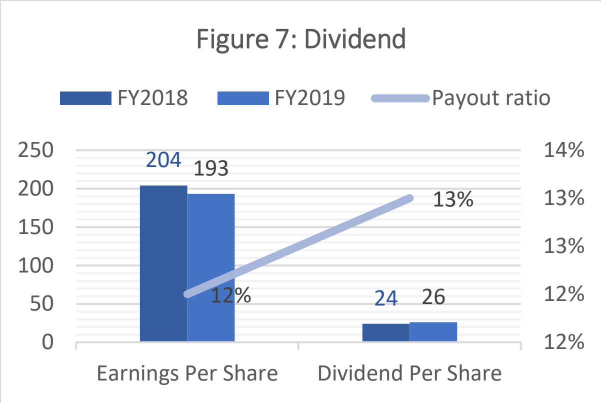
Figure 6: Loan to Deposits



Deposits grew by more than MVR 2 billion, (growth of 14%) which accounts to almost 2/3 of the industry growth. The loan book also grew by MVR 1.2 billion or 10% as the Bank continued it's lending to businesses and individuals. An impairment for loans and receivable of MVR 306 million was recognized in FY2019.

Although the deposit itself is a liability owed by the bank to the depositor, it will fuel bank's liquidity.

3.5 Shareholders Return

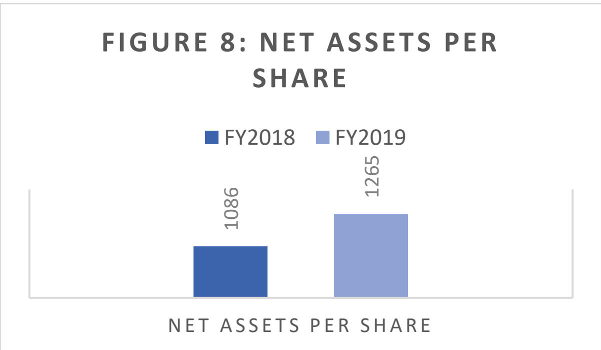


BML has recommended a record final dividend of MVR 139,929,920 for 2019 which equates to MVR 26 per share (2018: MVR 24 per share).

While earnings per share has reduced by MVR 11 per share, bank has increased its dividend per share by MVR 2, thus payout ratio has increased. Higher returns will attract the investors. Although it seems that the bank is maintaining a low payout ratio of 12% - 13% it is reasonable within banking industry. Low payout ratio means the bank is investing money in the business rather than distributing it to shareholders, thus generating future returns.

3.6 Net Assets Per Share

Total Assets finished the year at MVR 26.3 billion, a growth of MVR 3.3 billion on the previous year. Equity and reserves have recorded a growth of MVR 959 million in comparison to previous year mainly from current year's profit. Even though the share capital remained unchanged, increasing reserve has led to an increase in net assets per share.



3.7 Capital Management

MMA requires each bank or banking group to hold a minimum level of regulatory capital of MVR 150 million and to maintain a ratio of total regulatory capital to risk-weighted assets (the 'Basel ratio') at or above 12%.

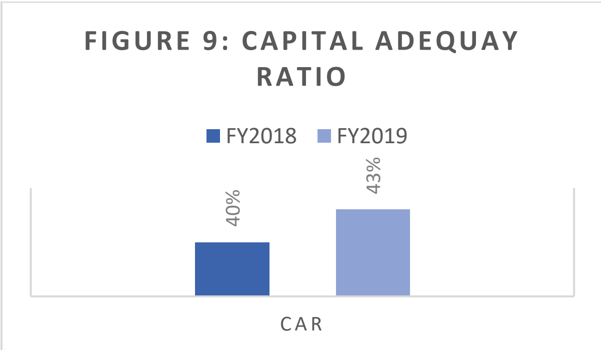
The Bank's regulatory capital is divided into two tiers:

- Tier 1 Capital: Share capital, retained earnings and reserves created by appropriations of retained earnings; and
- Tier 2 Capital: Current year earnings, general provision and qualifying subordinated loan capital.

The Bank during the year updated its capital computation methodology to comply with the Basel 3 Standardized Approach.

As per Basel 3 guidelines, the Total Capital Ratio must be maintained at or above 15% for both Tier 1 and Tier 2 Capital.

The Bank reported 35% and 43% for Tier 1 and Tier 2 Capital respectively for the year ended 2018 (2018: Tier 1 - 37%, Tier 2 - 47%).



The Capital Adequacy Ratio was maintained well above the minimum regulatory requirement of 12% and finished the year at 43% (2018: 40%). Maintaining an acceptable CAR protects bank depositors and the financial system as a whole.

3.8 Loan Book Quality

Total non-performing loans less interest in suspense at the end of 2019 stood at MVR 783 million, an increase of MVR 330 million mostly due to a couple of non-performing corporate loans. The ratio of non-performing loans to total loans increased from 3.5% to 5.5%, however, the Bank's loan book quality remains better than the industry average and provision cover ratio was maintained at 100%.

3.9 Leverage and Risk

Banking is a highly-leveraged business requiring regulators to dictate minimal capital levels to help ensure the solvency of each bank and the banking system. Maldives Monetary Authority (MMA) is the regulator of financial sector, who ensure compliance to uphold the soundness and integrity of the banking system.

Credit Risk

The Bank classifies its financial instruments as Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below.

Stage 1	Stage 2	Stage 3
(Initial Recognition)	(Significant increase in credit risk since initial recognition)	(Credit Impaired)
12- Month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Loans and Receivables are summarized as follows;

	FY2018	FY2019
Stage 1 - Performing	11,594,873,000	12,520,556,000
Stage 2 - Significant increase in credit risk (SICR)	583,174,000	373,267,000
Stage 3 - Credit impaired (Default)	980,925,000	1,440,940,000
Gross loans and receivables to customers	13,158,972,000	14,334,763,000
Less: allowance for impairment	(960,068,000)	(967,847,000)
Net loans and receivables to customers	12,198,904,000	13,366,916,000

As shown in the above table 10% of loans and receivables are at sage 3 where the loans credit is impaired. The Bank sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximizing recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness.

Liquidity Risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

The group maintains a statutory deposit with MMA equal to 10% of customer deposits. Furthermore, the group maintains a ratio of net liquid assets to liabilities to reflect market conditions.

	Total undiscounted financial assets	Total undiscounted financial liabilities	Financial assets to liabilities
less than 3 months	9,324,023,000	16,565,535,000	0.6
3 to 12 months	4,175,629,000	1,323,433,000	3.2
1 to 5 years	3,006,375,000	447,737,000	6.7
Over 5 years	9,718,247,000	150,785,000	64.5
Total	26,224,274,000	18,487,491,000	1.4

As per the notes to the financial statement, Management believes that in spite of substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank.

4. External Audit

The external audit of BML was conducted by PWC. As per their opinion, the financial statements of the company give a true and fair view of its financial position as at 31 December 2019. The following was identified by the auditor as key audit matters.

→ Impairment of loans and advances: the allowance is considered to be a matter of most significance as the calculation of loan loss allowance is a complex area and requires management to make significant assumptions and judgment. As at the end of the year, 51% of total assets of the bank consisted of loans and advances amounting to MVR 13.3 billion shown net of loss allowance of MVR 967.8 million.

5. Conclusion

The financial year 2019 was yet another successful year for the bank with over 15000 new customers. However, Profit After Tax was lower than 2018 at MVR 1.04 billion, impacted by higher funding costs and provision charges.

The bank has a solid financial plat form with a deposit base of MVR 17 billion and assets worth of MVR 26 billion. In addition, BML has the leading market share in retail, corporate and SME segments.

The ratio of non-performing loans to total loans increased from 3.5% to 5.5%, due to a couple of non-performing corporate loans. However, the Bank's loan book quality remains better than the industry average and provision cover ratio was maintained at 100%.

The bank is strongly capitalized with a capital adequacy ratio of 43%, (2018: 40%) well above regulatory requirements. The bank also has solid policies to mitigate the credit and liquidity risk.

The proposed dividend for FY2019 of MVR 140 million (MVR 26 per share) is the highest payout proposed in the Bank's history.

Bank has been investing in expanding their business across the country. They have opened 2 new branches and 10 new Self Service Banking Centers and expanded cash agent network further to deliver basic banking services through 277 agents.

DHIVEHI RAAAJJEYGE GULHUN PLC

ANNUAL FINANCIAL REVIEW

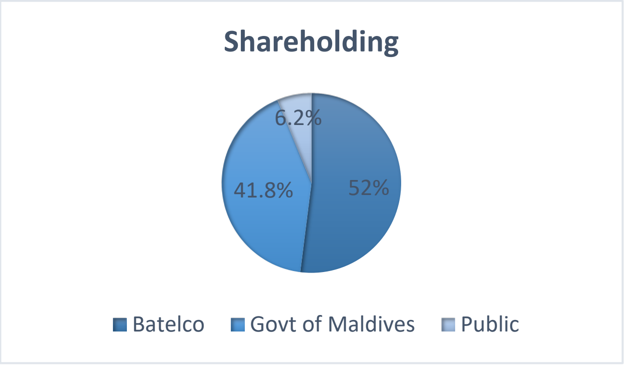
FY2019

1. Introduction

Dhivehi Raajjeyge Gulhun PLC (Dhiraagu) was originally incorporated under the Limited Liability Companies Decree No. 1988/123 and presently governed under the Companies' Act No. 10 of 1996 as a limited liability company in the Republic of Maldives. The company provides telecommunication services in the Maldives.

The company is a listed company in the Maldives Stock Exchange (MSE), in the Republic of Maldives with effect from 29th September 2011.

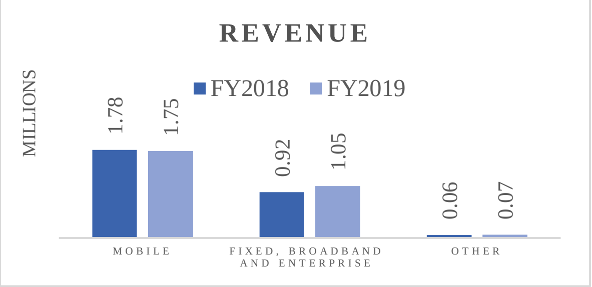
2. Ownership Structure



BTC Islands Limited (Batelco) holding 52%, and the Government of Maldives (GoM) holding 41.8%, are the two substantial shareholders of Dhiraagu. The remaining 6.2% of shares are held by the general public.

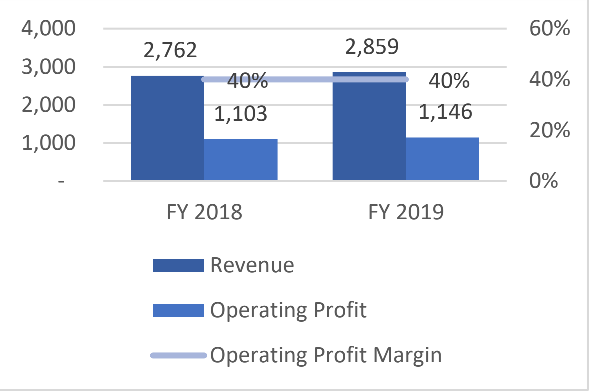
3. Financial Analysis

3.1 Revenue



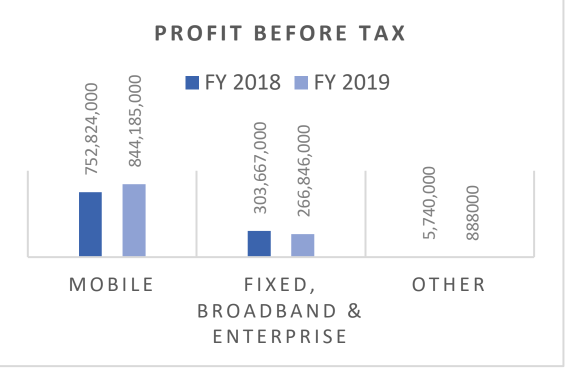
Revenue grew by MVR 96 million (3.5%) in 2019 mainly contributed by an increase in revenue from fixed, broadband and enterprise segment. Revenue from mobile has seen a 2% decline in revenue in 2019.

3.2 Operating Profit Margin



Although revenue has increased by 3.5% the operating profit margin has remained constant over the comparable period, due to possible increase in operating costs and depreciation and amortization cost.

3.3 Segment Profit



Although profit from mobile segment has seen a marginal increase by 12%, a decrease in profit is seen from fixed, broadband and enterprise segment along with another segment. This was mainly due to increase in operating expenses and depreciation and amortization over the comparable period.

Segmental Margins

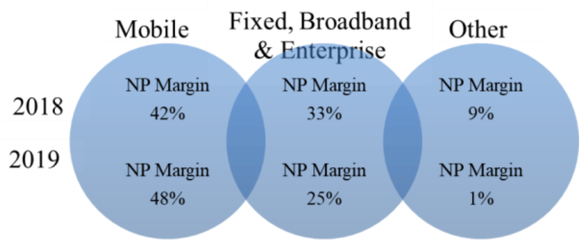


Figure 2 Segmental Profit Margins

As seen in the figure, Mobile segment has increased its net profit margin over the period whereas, the other two segments show a decline. Other income includes the customer equipment maintenance, bulk SMS services, domain and web hosting and other adjacent services.

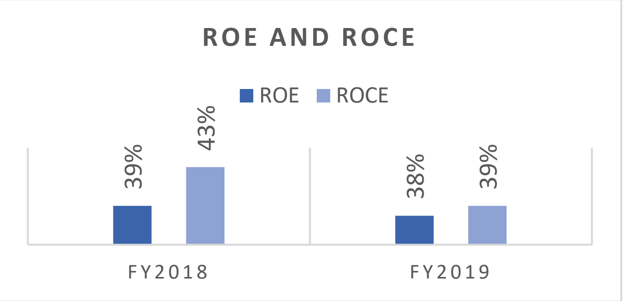
3.4 Operating Costs

The operating expenses has slightly increased by 1% in 2019. Operating lease rental has seen a drastic fall over the period and external publicity has decreased by 24%. On the other hand, other admin expenses, network cost and property/utility costs has increased by 17%. 12% and 8% respectively.

The below table shows the movements in the operating expenses.

Operating Costs	FY 2018 '000'	FY 2019 '000'	%
Direct cost of service	516,082	539,674	5%
Personnel costs (Not	225,791	231,016	2%
License fees	115,207	120,010	4%
Operating lease renta	50,335	563	-99%
Support services	48,050	48,050	0%
External publicity	53,480	40,675	-24%
Network costs	118,323	132,295	12%
Property and utility c	110,165	118,565	8%
Professional fees	15,179	15,570	3%
Other administrative	76,819	90,005	17%
Total	**1,329,431**	**1,336,423**	**1%**

3.5 Return on Equity (ROE) and Return on Capital Employed (ROCE)



ROE measures the ability of the company to generate profit with the money shareholders have invested. ROCE measures a company's profitability and the efficiency with which its capital is employed.

Both ROE and ROCE has slightly decreased over the comparable period, as both equity and capital employed has seen a growth of 8% and 15% in 2019. During this period, profit has only increased by 4%. In general, investors tend to favor companies with stable and rising ROCE.

3.6 Shareholders Returns

Share Performance

Share Performance	FY 2018	FY 2019	% change
Earnings per share	11.91	12.39	4%
P/E Ratio	6.72	8.47	26%
Dividend per share	11.91	12.00	1%
Net assets per share	30.66	32.96	8%
Dividend pay-out ratio	100%	97%	-3%

Overall, share performance has improved over both years. Dividend payout ratio has seen a slight decrease compared to 2018. Whereas DPS and EPS has increased enabling increase P/E ratio.

Companies in telecommunication sectors have stable and predictable earnings and cash flows, and thus can support much higher payout. A high payout ratio is always attractive to the investors. However, maintaining 100% payout ratio means that the company is distributing the annual earnings to its shareholders without adding to the reserves.

The weighted average traded share price has recorded an increase from MVR 82.91 to MVR 98.10 in FY2019. The increased share price of the company suggests potential investors are attracted to invest in the company and existing shareholder expects to earn a higher return.

Net Assets per Share

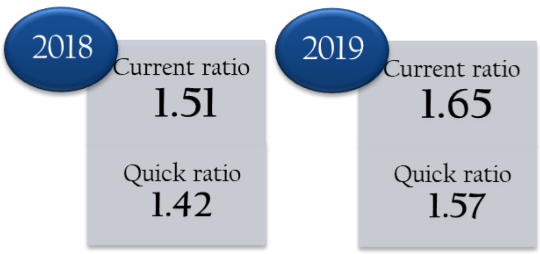
Net assets per share has increased from MVR 30.66 to 32.96. The net Assets of the company has increased by 7.5% from 2018 to 2019. High net assets per share is attractive to investors as it is a sign that company is performing well.

During 2019 a total of 6,102 shares were traded at Maldives Stock Exchange, which is lower than the shares traded in 2018 (8,751 shares).

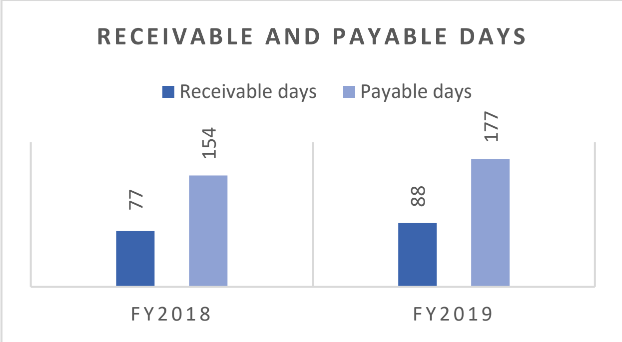
3.7 Financing

The company does not have any borrowings or loans; accordingly, the company's operations and investments are financed by itself. Thus, the company does not have to keep up with costs of servicing bank loans or debt finance, allowing to use the capital for business activities. However, given the stable cash flow position of the company, leveraging through debt can be beneficial to the company.

3.8 Working Capital Management



Both the liquidity ratios of current and quick ratios have improved in 2019, along with the increase in current assets of the company (by 26%) compared to the level of increase in current liability (16%). Quick ratio assesses the liquidity position without considering the inventory.



In order to manage cash position and retain a favorable cash position it is important to collect outstanding debt as quickly as possible. The receivables days of Dhiraagu has increased from 77 to 88 days and considering the previous years it is extending (2017: 61 days). This means the customers are taking almost three months to settle their bills. The company's trade receivable has increased by 18%. Total receivables at the end of the year represents 24% of its revenue of FY2019.

The recognized provision for impairment of trade receivables and contract assets has increased from MVR 15 million to MVR 27 million from 2018 to 2019.

Payable days has increased a bit from 154 days to 177 days from 2018 to 2019 as the trade payables has seen a 16% increase over that period.

Although receivable days and payables days shows some adverse results, company is able to generate liquid assets through its effective and efficient business operations. As a result, company was able to create 26% more current assets than previous year while reducing and maintaining its current liabilities.

3.9 Free Cash flow

Free cash flow (cash flow from operating activities less purchase and construction of property and equipment / purchase of intangible assets) was MVR 965 million for 2019. This is a 56.4% increase from 2018 mainly due to higher operating cash flow and lower capital expenditure.

4 External Audit

The external audit of the company for FY2019 was conducted by KPMG and have expressed an unqualified opinion on the financial statements of the company. However, matters related to the revenue recognition, capitalization of assets along with IFRS 16 lease arrangements was highlighted in other matter paragraph. Auditors further note that the audit opinion was not modified based on those matters.

5 Corporate Governance

Dhiraagu has been committed to adhere to good governance practices and responsible business practices that are ethical, sustainable and accountable. In this regard, the board regularly reviews company's governance arrangements as well as developments in market practice, expectation and regulation.

The boards Remuneration, Nomination and Governance committee is responsible for periodical review of the Dhiraagu CG code to ensure their practices conform to regulatory standards. The board responsibilities are detailed in the board charter. The board meetings are conducted at least once in every quarter

Internal control, risk oversight and risk management are undertaken rigorously and effectively enabling a strong, integrated risk and compliance culture.

6 Conclusion

Financial results of 2019 show a strong performance with a gross revenue of MVR 2.8 billion, with a revenue growth of 3.5%. The profit after tax is MVR 941 million in FY2019, which is an increase of MVR 36 million in comparison to previous year.

Earnings per share grew by 48 laari to MVR 12.39 and dividend payout ratio was 97% in FY2019.

Further, the company does not have any borrowings and its business operations are fully financed by itself. Thus, the company does not have to keep up with costs of servicing bank loans or debt finance, allowing to use the capital for business activities.

Free cash flow was maintained at MVR 965 million for 2019. This is a 56.4% increase from 2018 mainly due to higher operating cash flow and lower capital expenditure.

Company has maintained its working capital effectively and efficiently, resultant to increase its liquid assets by 14% and show improvement to the liquidity ratios.

FAHI DHIRIULHUN CORPORATION LIMITED

ANNUAL FINANCIAL REVIEW

FY2019

1. Introduction

Fahi Dhiriulhun Corporation Limited was incorporated on 25 March 2019 as a limited liability company under Presidential Decree No: 02/2019. The government holds 100% shares of the company.

The purpose of the company is providing and carry out various classes of housing projects, at an affordable price, under a single roof in order to provide a better standard of living for the citizens of the Maldives.

Financial Analysis

1.1 Profitability

As the company started its operations in 2019, the historical performance comparison is not conducted in this report. However, in future reports historical evaluation will be conducted.

During 2019, FDC has not started any revenue generating activities. Hence, the only items in their income statement is the administrative expenses incurred for the initial startup of the business and payroll expenses. In addition, by renting out the extra office space, FDC has earned MVR 190,968 during the year.

Expenses

During the first year of operation, FDC has incurred MVR 3.3 million as administrative expenses.

Administrative Costs	FY2019
Personnel costs	1,828,402
Ofice rent	581,264
Consultancy	246,027
Trade fees	257,730
Travelling	95,539
Utilities	71,614
Miscelleneous Expenses	64,967
Printing & Office Supplies	55,122
Depreciation & Amortization	40,490
Small Tools & Equipments	33,944
General Advertisement	11,164
Training	8,000
Bank Charges	1,388
Other General Expenses	13,656
Total	**3,309,307**

At the end of 2019, FDC had 9 staffs. However, staffs are going to increase in 2020 as their operations increase.

By the end of the year, the company was meeting with potential developers for new projects and have signed some agreements.

The company has ended the year 2019 with a net loss of MVR 3.1 million.

1.2 Working Capital management

Working capital management is the strategy intended to monitor and utilize current assets and liabilities, to ensure operational effectiveness and financial efficiency. One of the main aims of proper working capital management is to maintain sufficient cash flow to meet short term obligation.

Current Ratio

Since the company began its operations in the second quarter of 2019, the company has significant cash balance which is the capital injected by the government. Further, the only current liability is the trade and other payables of MVR 32,677. Hence, the books show a high current ratio of 68.

Other working capital ratios such as receivables and payable days are not yet relevant to this company.

2. External Audit

Upon auditing the financial statement of FDC for the year ended 31 December 2019, Auditor General has expressed that financial statement gives a true and fair view of the financial position of the company.

3. Conclusion

Financial year 2019 was the first year of operation for FDC and hence company has not made any income in 2019. As such FDC has ended the year with a net loss of MVR 3.1 million.

During the year, the management has engaged in collecting data on housing needs of the citizens and works were carried out in developing designs for their final product. As such FDC signed framework agreement with three parties to develop 11,200 housing units the company is expected to generate revenue through sale of these housing units in the long-term.

As of now, there is no short-term liquidity risks as the company has not started its operations yet. Therefore, the company has high levels of short terms assets in the form capital injections relative to its liabilities.

FENAKA CORPORATION LIMITED
ANNUAL FINANCIAL REVIEW
FY2019

1. Introduction

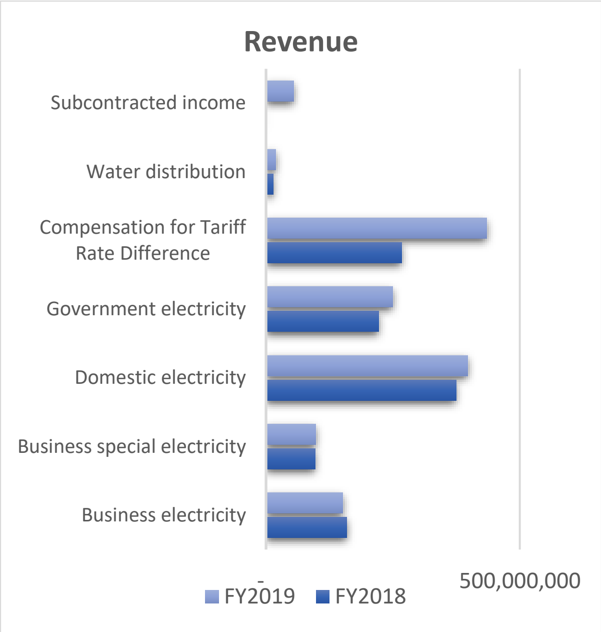
Fenaka Corporation Limited is a limited liability company incorporated in the Republic of Maldives since 01 August 2012 under the Company's Act No.10 of 1996. The company is 100% owned by the Government of Maldives.

The main objectives of the company are provision of supply of electricity, water and sewerage systems in Maldives except in Greater Male' Atoll.

2. Financial Analysis

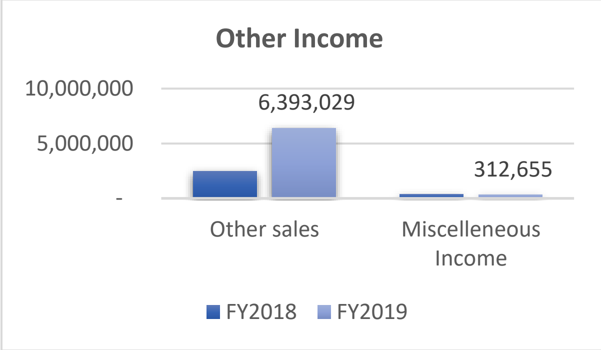
2.1 Revenue

Fenaka has recorded a substantial revenue growth of 24% in 2019. The total revenue generated by the company in 2019 is MVR 1,404 million. (2018: MVR 1,134 million).



The main revenue segment of the company is domestic electricity, which contributes 28% of the total revenue. However, in 2019 compensation for tariff rate difference from Government has exceeded compare to the change in domestic electricity revenue. Except business electricity, all other revenue segments have shown growth in 2019 compared to previous year.

In addition, other income of the company has also increased from MVR 2.8 million to MVR 6.7 million, a growth of 18%.



Other sales represent revenue from government projects, which has recorded a significant growth in 2019.

2.2 Expenses

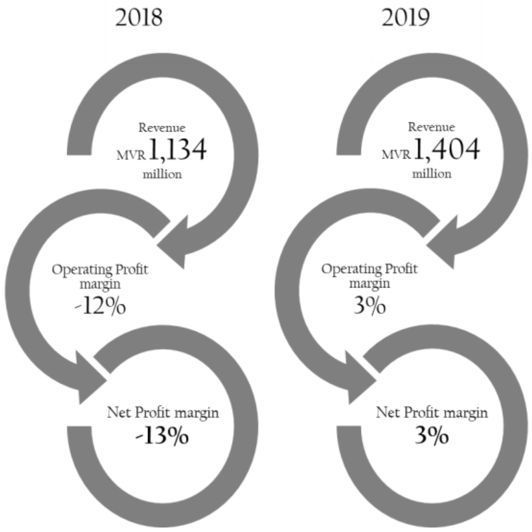
The cost of sales of the company has declined, while revenue grew at 24%.

On the other hand, total expenses of the company have recorded a 20% increment in 2019.

Expenses	2018	2019	Variance
Administrative Expenses	495,708,423	597,112,866	101,404,443
Selling and Distribution Expenses	2,329,334	199,025	(2,130,309)
Total	**498,037,757**	**597,311,891**	**99,274,134**

Selling and distribution expenses has recorded a reduction of MVR 2 million, while MVR 101 million increment has seen from administrative expenses. Among administrative costs, personnel cost of the company has increased by MVR 35 million and depreciation and amortization charge also increased by MVR 31 million compared to previous year. In addition, travel and transport also recorded an increment of MVR 12.4 million, mainly because of transportation of spares to Islands and Transportation of Asset Valuation Teams.

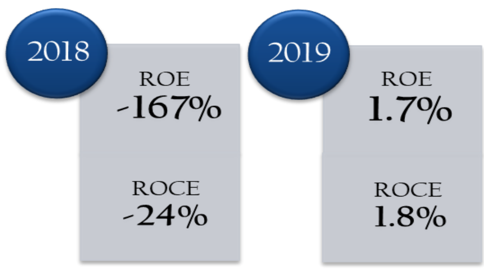
2.3 Profitability



Fenaka Corporation has made a net profit in 2019 after several loss-making years. This was achieved mainly because of increment in compensation for tariff difference and reducing company's overheads. Further reduction of finance costs has also contributed to the profitability of the company. The operating profit and net profit margin for the year is 3%. Hence, this year has been marked as a notable year for the company.

The operating cashflow of the company has changed from a negative MVR 27.9 million to a positive 182 million in 2019 (increment of MVR 210 million). Further, compensation for tariff rate difference from government have increased from MVR 267 million to MVR 434 million, over an increment of MVR 167 million.

2.4 Return on Equity (ROE) and Return on Capital Employed (ROCE)



ROE measures a company's profitability by revealing how much profit a company generates with the money shareholders have invested. ROCE measures a company's profitability and the efficiency with which its capital is employed.

With a net profit in 2019, Fenaka Corporation has achieved a positive ROE and ROCE. Total assets and equity show a significant increment due to the adjustment of valuation of Utility companies. As a result of this, the authorized and paid up share capital has been restated and latter reflects an increment of MVR 14 million. Further, total PPE has also been restated by MVR 2,113 due to valuation.

2.5 Shareholder's Return

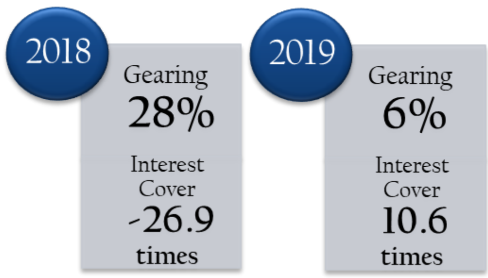
Dividend Policies

Dividend policy is the strategy a company uses to decide how much of its earnings will be paid out to its shareholder. The company has not declared any dividend for past years since the company has not made any profits.

Earnings Per share (EPS)

The company's issued share capital has increased from 100 million to 280 million due to valuation of utility companies as mentioned earlier. The earnings per share for 2019 id MVR 0.13 per share. (2018: (14.3) per share).

2.6 Financing



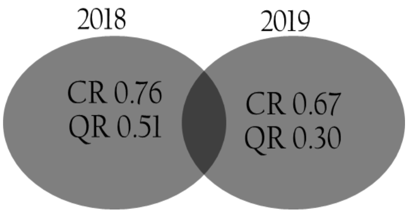
The gearing ratio of the company has significantly reduced mainly because of increase in capital employed due to the valuation adjustment. Total loans and borrowings have also reduced in 2019 due to repayment of MVR 33 million.

The interest cover ratio is used to determine how easily a company can pay their interest expenses on outstanding debt. The interest covers of has improved with improved profitability. The finance cost of the company has reduced in 2019 as total borrowing have also declined.

2.6 Working Capital Management

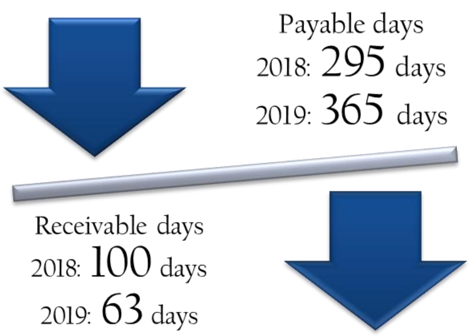
Current and Quick Ratio

Working capital management refers to a company's strategy designed to monitor and utilize the two components of working capital, current assets and current liabilities, to ensure the most financially efficient operation of the company. The main purpose is to make sure the company always maintains sufficient cash flow to meet its short-term operating costs and short-term debt obligations.



Both current and quick ratio of the company is below the ideal level. The current liabilities of the company exceed current assets. Among current assets of the company only inventories show increment in 2019. Both trade and other receivables and cash and cash equivalents of the company has declined. The majority of the current liability consist trade and other payables, which has increased from MVR 627 million to MVR 774 million. Hence, the short-term liquidity position of the company is unsatisfactory.

Receivable and Payable days



Accounts receivable represents the money that is contractually owed to the company by its customers. As shown in above it takes in average of 100 days in 2018 to collect the payments and this has reduced to 63 days in 2019.

A lower average collection period is generally more favorable than a higher average collection period. A low average collection period indicates the company collects payments faster.

Reduction of trade and other receivables and increase in sales has both contributed to the favorable collection period of the company.

Payable days measure how long it take to pay its creditors or suppliers. The longer they take to pay their creditors, the more money the company has on hand, which is good for working capital and free cash flow. Nonetheless, it will affect the relations with creditors and suppliers.

Fenaka Corporation's payables days has increased from 295 days to 365 days. If the number of days increases from one period to the next, this indicates that the company is paying its suppliers more slowly and may be an indicator of worsening financial condition. The increase in payables days is mainly because of the capital investments. During 2019, Fenaka has invested MVR 258.6 million on PPE and intangible assets. (2018: MVR 127.8 million). Significant capital projects will tighten up company's cash, hence a company like Fenaka who's main cash inflow is from government in the form of tariff difference, this practice might not be sustainable. The company might face cashflow shortages. Nevertheless, these projects will bring future cashflow, however a company should also consider short term sustainability as well.

The cash and cash equivalents of the company shows a drop of 85% (MVR 33 million) against previous year. Further, the current liabilities of the company exceed its assets meaning the short-term liquidity position of the company is weak.

3. External Audit

After auditing the financial statements of Fenaka Corporation, the Auditor General has expressed a qualified opinion.

The auditors were unable to verify the accuracy of the brought forward opening balances as at 1 January 2019. Opening balances affect the determination of the past performance of the Company, therefore they were unable to determine whether adjustments to the results of opening balances and retained earnings might be necessary. Hence, the opinion is qualified because of the effect of this matter on the comparability of the current period's figures and corresponding figures.

4. Conclusion

The financial year 2019 was a successful year for Fenaka Corporation, achieving a net profit after loss-making years. The company has achieved this through increasing their revenue and cutting down the direct costs. Thus, Fenaka has recorded 76% growth in their gross profit compared to 2018.

The short-term liquidity position of the company does not look favorable with significant amounts of current liabilities relative to current assets. In addition, the cash and cash equivalents of the company has reduced over MVR 33 million compared to previous year.

Total assets and share capital of the company shows a significant increment compared to previous year. This is because of the valuation of the asset valuation of the companies. Upon valuation, the authorized share capital of the company has been restated from 100 million shares to 280 million shares.

In terms of gearing, the loans and borrowings of the company shows a reduction of MVR 26 million against 2018. Thus, the leverage of the company has reduced. As at the end of 2019, company's financial commitment stands at MVR 134.9 million. In addition, capital investment of the company has increased from MVR 127.8 million in 2018 to MVR 258.6 million in 2019. Thus, the payables of the company have also increased over MVR 146.8 million.

GREATER MALE INDUSTRIAL ZONE LIMITED

ANNUAL FINANCIAL REVIEW

FY2019

1. Introduction

GIMZL is a limited liability company incorporated in the Republic of Maldives by Virtue of Presidential Decree No. 07/2018 on 20th March 2018. The government of Maldives decided to merge Thilafushi Corporation limited and Gulhifalhu Investments Limited and a new company was formed by the name of Greater Male' Industrial Zone Limited ("GMtZL").

The main objectives of the company are to reclaim land in K. Thilafushi and Gulhifalhu and to develop infrastructure to earn rental income from land warehouses and apartments in the two islands.

LIQUIDATION

Government of Maldives has decided to merge the company with Housing development Corporation limited (HDC). A "Deed in respect of Transferring assets, Contracts and Liabilities "was signed between the company and HDC on 23 September 2020 and accordingly the company has transferred all its assets, contract and liabilities to HDC at their carrying values as of 31 July 2020.

Thus, the financial statement of 2019 has been prepared on the liquidation basis.

2. Financial Analysis

2.1 Revenue

GMIZL has recorded revenue of MVR 136 million in 2019, (2018 (266 days): MVR 80.6 million) 69% growth compared to previous year.

Revenue	FY2018	FY2019
Land rent income	78,811,932	135,050,170
Apartment rental income	1,742,632	1,190,013
Warehouse rental income	-	115,162
Vehicle rental income	39,600	500
Room rental income	5,000	-
Acquisition fee income	48,069	66,629
Total Revenue	**80,647,233**	**136,422,474**

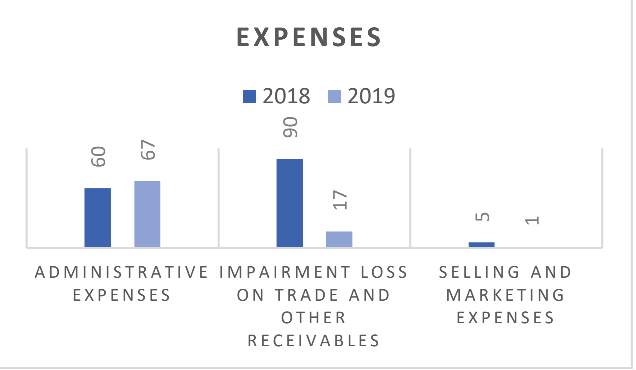
The main source of revenue for the company is land rental income from Gulhifalhu and Thilafushi land. The revenue for 2018 is for 266 days, since the company was formed in 20 March 2018.

The other income of the company has declined in 2019 compared to 2018 as shows below;

Other income	FY2018	FY2019
Fine charges	6,375,046	1,313,705
Jetty Fees	642,380	1,137,791
Dividend income	11,810	100,900
Gain on disposal of PPE	-	99
Other income	1,010,527	1,674,625
Total Other Income	**8,039,763**	**4,227,120**

The main reason for the reduction in other income is reduction in fine charges. All other income units show improvement in 2019.

2.2 Expenses

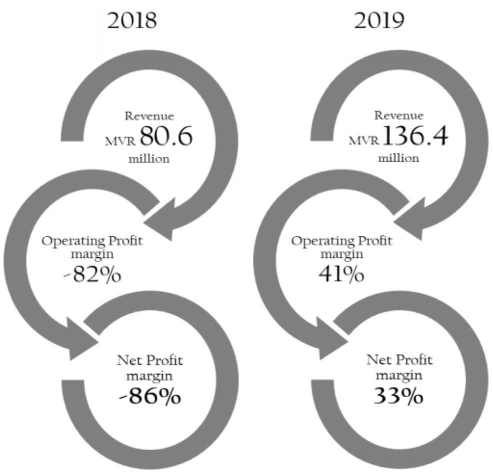


Total expenses of the company show a reduction compared to previous year, this is because the impairment loss on trade and other receivables has significantly reduced. These trade receivables are amounts transferred from Gulhifalhu Investment Limited (GIL) and Thilafushi Corporation Limited (TCL) upon amalgamation of these two companies. Further, selling and marketing expenses has also reduced. However, administrative expenses of GMIZL has increased from MVR 60 million to MVR 67 million. The major expenses of the company are as follows;

Administrative Expenses	FY2018	FY2019
Depreciation of PPE	2,638,325	3,425,386
Impairment of Capital work in progress	-	1,782,390
Amortization of Intangible assets	193,676	234,381
lease expenses	1,933,028	-
Depreciation of right-of-use assets	-	3,109,836
Director's remuneration	1,092,136	1,370,843
Personnel costs	37,711,017	38,967,693

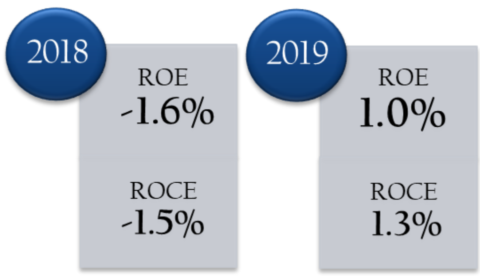
Depreciation expenses has increased because during 2019 company has invested additional MVR 11 in property plant and equipment. GMIZL has also recorded an impairment of capital work-in-progress of over MVR 1.7 million. Further, MVR 3 million was recorded as depreciation of right-of-use assets. Personnel costs of the company also shows an increment MVR 1.25 million, however 2018 figure is not for a whole year, hence this might not be an actual increment.

2.3 Profitability



GMIZL has made an operating and net profit in 2019 after a loss-making year. Hence the profitability ratios have significantly improved. the company has achieved net profit through increasing their revenue and cutting down the expenses, specifically impairment loss on trade and other receivables.

2.4 Return on Equity (ROE) and Return on Capital Employed (ROCE)



ROE measures a company's profitability by revealing how much profit a company generates with the money shareholders have invested. ROCE measures a company's profitability and the efficiency with which its capital is employed.

GMIZL has achieved a positive ROE and ROCE in 2019 since the company has achieved a net profit.

The non-current assets of the company have been classified as current assets since the accounts were prepared on liquidation basis. Nevertheless, the total assets of the company show an increment of MVR 54.4 million mainly from PPE and cash and cash equivalents. Further, total equity also shows an increment of MVR 44.6 million due to reduced accumulated losses.

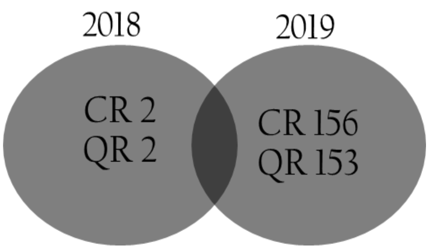
2.5 Financing

The company does not have any loans and borrowings, so that company's operations are fully financed by the company.

2.6 Working Capital Management

Current and Quick Ratio

Working capital management refers to a company's strategy designed to monitor and utilize the two components of working capital, current assets and current liabilities, to ensure the most financially efficient operation of the company. The main purpose is to make sure the company always maintains sufficient cash flow to meet its short-term operating costs and short-term debt obligations.



Both current and quick ratio shows a significant increment since all non-current assets were classified as current assets in 2019. The current ratio excluding the non-current assets still stands at 3.1, which is higher than previous year.

The current liabilities of the company stand at MVR 28 million, which is an increment of MVR 9.8 million compared to previous year.

Current Liabilities	FY2018	FY2019
lease liabilities	-	1,965,447
Trade and other payables	14,721,271	17,122,265
Business Profit tax payable	511,282	6,010,757
Amount due to a related party	2,937,525	2,937,525
Amount due to a director	2,500	2,500
Total	**18,172,578**	**28,038,494**

The largest current liability of GMIZL is trade and other payables of MVR 17 million.

Trade and other payables	FY2018	FY2019
Trade payables	2,862,198	1,290,039
Other Payables	876,759	142,306
Security Deposit	7,842,576	10,681,045
Accrued expenses	1,385,209	815,265
Acquisition fee received in advance	1,754,529	4,193,610
Total	**14,721,271**	**17,122,265**

The company leases office premises and a ferry, which was previously classified as operating lease under IAS 17 and recognized as lease expenses in the profit and loss. In 2019 Lease liabilities under current liabilities shows the same leased assets recognized under IFRS 16.

Amounts due to related party shows amounts due to Ministry of Finance and Treasury.

GMIZL also have significant business profit tax payable.

The company has transferred all its assets, contract and liabilities to HDC at their carrying values as of 31 July 2020.

3. External Audit

After auditing the financial statements of GMIZL, the Auditor General has expressed a qualified opinion due to the below reasons.

- The primary source of income of the company is to earn rental income form rent lease. As per IFRS 16 Leases "A lessor shall recognize lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished". However, the Company does not recognize rent income on straight-line basis or on another systematic basis, instead the rental income is recognized on cash basis. Hence, auditors were unable to quantify the impact of the deviation due to non-availability of a comprehensive computation. Accordingly, they were unable to determine the adjustments that might be necessary to the statement of comprehensive income-liquidation basis, statement of cash flows-liquidation basis and statement of changes in equity-liquidation basis for the year ended 31st December 2019, and for the comparative year ended 31st December 2018.
- Investment property of the Company comprises two islands, namely; "Thilafushi" and "Gulhifalhu" which are held for earning rental income. The value of Gulhifalhu Island was ascertained by an independent valuation performed on 17th February 2016. As per the valuation, the value of the island and its buildings and infrastructure amounted to MVR 166,227,600/- (USD 10,780,000/-). However, the Company had completely omitted this valuation in presenting the value of investment property in the financial statements. Accordingly, due to the incompleteness of the value of Gulhifalhu Island auditors were unable to verify the value of investment property and the corresponding liabilities and capital balances as at 31st December 2019 and for the comparative year ended 31st December 2018.

4. Conclusion

As the Government of Maldives has decided to merge the company with Housing development Corporation limited (HDC) and subsequently "Deed in respect of Transferring assets, Contracts and Liabilities "was signed between the company and HDC on 23 September 2020, the financial statement of 2019 has been prepared on the liquidation basis.

In terms of revenue, GMIZL has achieved a significant growth of 69% compared to previous year. In addition, the overheads of the company have declined, which has led the company to make a net profit in 2019.

The company's operations are fully funded by company's working capital, as such GMIZL does not have any loans and borrowings.

Under liquidation basis, all non-current assets of the company have been classified as current assets.

Thus, the short-term liquidity position shows a significant improvement. Nevertheless, the liquidity position of the company on normal basis is also good compared to most of SOEs. In terms of receivables and payables, the payables of the company are considerably higher than its receivables mainly because of security deposit. All the assets and liabilities have been transferred to HDC at their carrying values as of 31 July 2020.

HOUSING DEVELOPMENT CORPORATION LIMITED

ANNUAL FINANCIAL REVIEW

FY2019

1. Introduction

HDC was incorporated in 2005 as a limited liability company. The main business activity of the company is to reclaim the land of Hulhule-Farukolhufushi lagoon and to establish infrastructure and to provide residential, commercial and industrial developments for sale or lease.

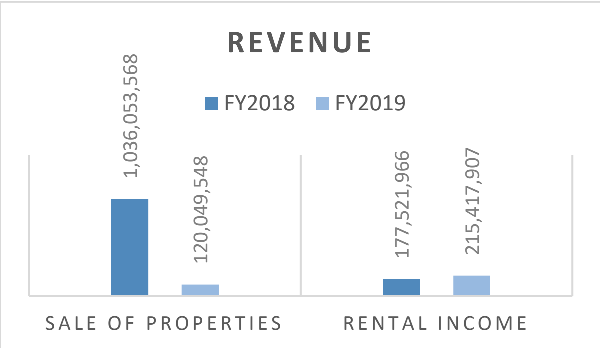
HDC acts as the master developer of Hulhumalé, a planned city situated in the capital region.

The Government of Maldives (GOM) holds 100% shares of the company. The GOM has transferred the ownership of Hulhule-Farukolhufushi lagoon to the company under the presidential Decree No.2005/37 on 23rd March 2005.

2. Financial Review

2.1 Revenue

The total revenue of the company has significantly dropped from MVR 1,213 million (FY2018) to MVR 335 million in 2019, almost a reduction of 72%.



The reduction of revenue of the company is solely from reduction of sale of properties. Rental income on the other hand has increased by 21%.

Other income	FY2018	FY2019
Maintenance revenue	8,949,172	9,805,773
Government grant income recognized	4,025,228	4,160,496
Profit on sale of PPE	418,713	-
Profit on sale of Investment properties	3,367,430	-
fair value gain on investment property	2,777,414,936	313,205,002
Provision reversal for impairment loss of non-interest-bearing receivable	-	11,429,651
Miscellaneous income	36,391,211	12,744,340
Total Other Income	**2,830,566,690**	**351,345,262**

Other income of the company has also declined mainly from fair value gain on investment property, profit on sale of PPE, profit on sale of investment properties and miscellaneous income. The fair value gain on investment property has reduced form MVR 2,777 million to MVR 313 million. The said fair value gain related to the Phase 1 of the land reclaimed and developed under Hulhumale' development master plan. This land was initially revalued by a professional valuer on 2006 and the difference between land development cost up to Dec 2006 and the revalued amount was recognized through P/L. During 2017, the company changed its policy to recognize all its investment properties at fair value and accordingly gain on fair value is recognized. It is important to note that although this was included in other income, it is an unrealized gain.

As shown in the above table, the company has reversed impairment provision of MVR 11.4 million in this year and has recognized this amount as other income.

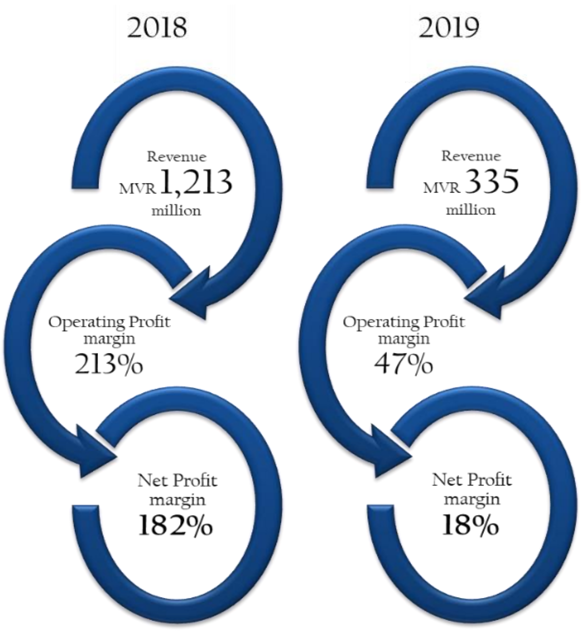
Government grants related to housing units transferred to the company are recognized as other income when the asset is sold to the third parties.

2.2 Profitability

Gross profit

HDC has made a gross profit of MVR 277.8 million in 2019, which is a fall of MVR 578 million against previous quarter. Nevertheless, gross profit margin shows improvement from 71% to 83%. This is mainly because costs of sales have reduced greater than that of sales.

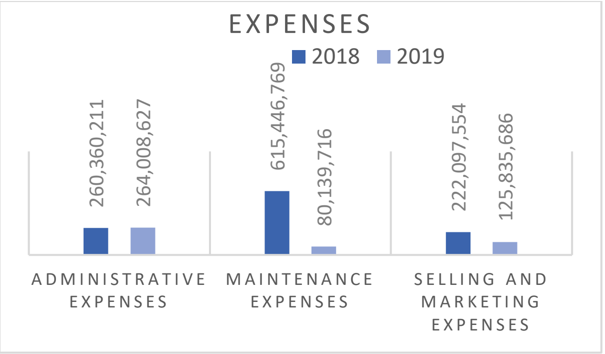
Operating Profit & Net Profit



While the total revenue of the company has recorded a fall of 72%, operating profit has declined by 94%. This is because the other income also reduced significantly in 2019. In addition, net profit of the company has seen a drastic fall from MVR 2,209 million (2018) to MVR 61.9 million (2019). Thus, net profit margin has reduced accordingly.

2.3 Expenses

The below table shows the expenses of the company for both the year in review. The total overheads show a reduction of MVR 627.9 million compared to previous year.



Some of the individual administrative expense has increased in 2019. In this regard, other general & administrative expenses have increased from MVR 21.8 million to 84.8 million and depreciation and amortization increase from MVR 19 million to MVR 20 million. The personnel expenses of the company have reduced in 2019, due to reduction in allowances, travelling & visa and defined benefit plan.

Maintenance expenses shows a significant reduction of over 87% in 2019. The most significant expenses of this was airport link road cost, which is lower in 2019. In addition, company has saved form building maintenance and public area maintenance expense as well.

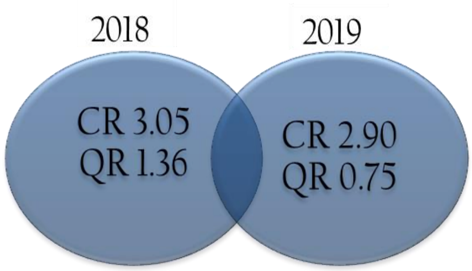
Most of the selling and marketing expenses are provisions made for various receivables. In this regard, HDC has made new two provisions in 2019, which is provisions for sea life customers (MVR 48.9 million) and provision for 1000 Flat A category customers (MVR 11.5 million). However, in 2019 no provision was made for impairment loss of non-interest-bearing receivables.

Total overheads of the company contribute to 140% of HDC's revenue of 2019.

2.4 Working Capital management

Working capital management is the strategy intended to monitor and utilize current assets and liabilities, to ensure operational effectiveness and financial efficiency. One of the main aims of proper working capital management is to maintain sufficient cash flow to meet short term obligation.

Current and Quick Ratio



According to the liquidity ratios the company is in a healthier liquidity position. However, it is important to consider the nature of the current assets. The major current asset of the company is inventory and then trades receivables. HDC's inventory consists of land stock and property, which is illiquid. The trade receivables include tenants who will be paying based on the contractual agreement, hence it can only be collected as per the schedule. To have a better view of the liquidity position, we have calculated the cash ratio excluding the inventory and receivable component. The ratio is 0.05, illustrating an alarming status.

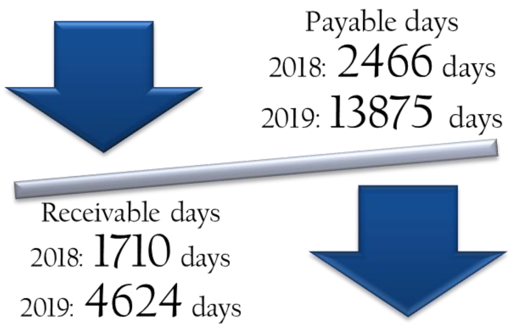
Both ratios show a reduction compare to previous year since current liabilities has grown much higher than current assets. Further, inventory is the most significant component of current asset and it has grown in 2019, thus quick ratio is much lower than company's current ratio. Majority of HDC's inventory is work-in-progress, which represents the cost incurred on the construction of 7000 housing, 1530 housing and hiyaa-vehi housing project.

Trade and other receivables of the company is recorded in both current and non-current assets. Current portion of trade and other receivables of the company shows a reduction MVR 1,537 million compared to previous year. In addition, amounts due from related parties has also reduced in 2019. The company has made a provision for impairment for total receivables of MVR 575 million which represents 12% of trade receivables and 166% of total revenue. During 2019, HDC has made a provision of MVR 125 million for trade and other receivables. HDC should be more cautious of its collection policies.

Among HDC's current liabilities, trade and other payables is the largest component which represent 54% of total current liabilities. Followed by loans and borrowings representing 40% of total current liabilities.

Generally short-term liabilities have lower interest rates compared to long term, thus it will be profitable to choose short term finance to devote on short term projects. Therefore, before choosing a method of finance a company has to consider the risk and rewards.

Receivable and Payable days



Both receivable and payable days increased in 2019. In order to manage cash position and retain a favorable cash position it is important to collect outstanding debt as quickly as possible.

Although total receivables reduced, receivables days has increased since revenue has reduced at much higher rate. Usually these kinds of business have high receivables due to the nature of receivables. Similarly, total payables have also reduced, but cost of sales decreased more than payables, increasing the payable days. The longer they take to pay their creditors, the more money the company has on hand, which is good for working capital and free cash flow. The majority of trade payables of HDC is payable to contractors, therefore if the company could pay according to the contract terms there won't be any issues with the suppliers.

2.5 Return on Equity (ROE) and Return on Assets (ROA)

	2018	2019
ROE	14%	0.4%
ROCE	10%	0.6%

ROE measures a company's profitability by revealing how much profit a company generates with the money shareholders have invested. ROCE measures a company's profitability and the efficiency with which its capital is employed.

Both the ratios have significantly reduced as company's profitability has declined and capital employed, and equity and reserves improved. Nevertheless, positive result illustrates that HDC is generating profits with the money shareholders have invested.

2.6 Shareholders Returns

Dividend Policies

Dividend policy is the strategy a company uses to decide how much of its earnings it will pay out to shareholders. The company has not declared any dividend for FY2018 and FY2019.

Earnings per share of the company has reduced from MVR 49.99 (2018) to MVR 1.40 in 2019.

Some investors are concerned with dividend only and others take in to account performance since they expect a high capital gain in the long run.

Usually businesses try to maintain a balance of their debt to equity ratio in advance of declaring dividend and which is a long-term goal rather than short term.

2.7 Financing

	2018	2019
Debt/Assets	0.42	0.46
Debt/Equity	0.73	0.84

Gearing of HDC has increased with increased loan and borrowings, thus financial risk of the company has increased. In FY2019 the company has obtained MVR 2.5 billion additional funds for their housing projects.

HDC has been heavily borrowing which has increased company's financial leverage. As such, company's total borrowings stand at MVR 9,733 million as at the end of FY2019.

HDC has invested MVR 10 million in property, plant & equipment and MVR 628 million in investment properties. Further, MVR 445 million was spend on loan repayments during the year and MVR 16.5 million as loan facility fees. It is important to note that majority of borrowed funds are invested on ongoing development projects.

Interest Cover

Interest expenses of the company has increased from MVR 103 million to MVR 184 million due to increased borrowings. Interest cover of the company has seen a significant drop as a result of reduction in HDC's operating profit. The interest cover reduced from 25 to 0.8 times in 2019.

3. External Audit

The external auditor of the company has expressed an unqualified opinion in the financial statements for the year 2019. Therefore, we assume that financial statement of HDC is free from material misstatement.

4. Recommendation and Conclusion

As per the financial evaluations of HDC it is evident that the performance of the company has declined compared to previous year. The total revenue of the company has declined by over MVR 878 million and net profit by MVR 2,147 million. The loss of net profit was mainly attributable to the decline in other income by MVR 2,479 million. The significant other income in 2018 was due to recognition of a fair value gain on Investment property.

In terms of short-term liquidity position the company have enough current assets to settle current liability. However, quick ratio has reduced below 1 due to significant inventory. However, the receivable collection and payable days are not maintained at an acceptable level. HDC has to make policies on managing receivable and payables of the company in order to manage the cash flow position. It is important to highlight the Significant impairment of receivables. The company has made a total provision for impairment of receivables of MVR 575 million which represents 12% of trade receivables and 166% of total revenue. During 2019, HDC has made a provision of MVR 125 million for trade and other receivables. As such, HDC should be more cautious of its collection policies. HDC can reduce days in accounts receivable by evaluating accounts receivable on a more frequent basis and take a more assertive stance in the collection of accounts receivable and delinquent accounts.

Further, the company has not declared any dividend in both the financial years in review. The earnings per share has dropped from MVR 49.99 (2018) to MVR 1.40 in 2019 due to decline in profitability.

The company has been heavily borrowing for their housing projects. During 2019, HDC has borrowed MVR 2.5 billion additional funds, which makes the total borrowing MVR 9,733 million as at the end of FY2019. As a result, the financial risk of the company is increasing. Nevertheless, completion of these projects will enable more revenue and optimistically more profit as well.

HOUSING DEVELOPMENT FINANCING CORPORATION PLC

ANNUAL FINANCIAL REVIEW

FY2019

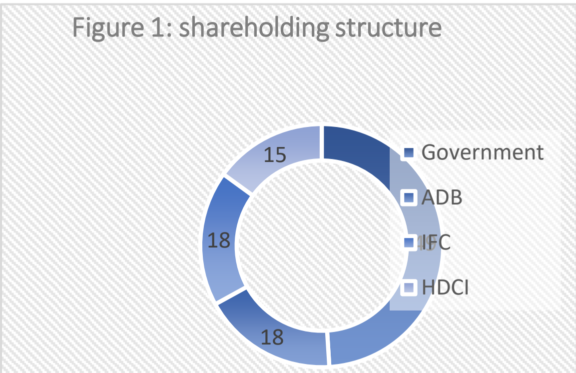
1. Introduction

HDFC was incorporated as a state-owned enterprise on 28 January 2004 by a Presidential Decree under the Companies Act Law No. 10/96. The Company was registered as a public company on 9 February 2006 and was privatized with the signing of a "Shareholders" agreement for privatization between the Government of Maldives (GoM), International Finance Corporation (IFC) of the World Bank Group, Asian Development Bank (ADB) and HDFC Investments Ltd- India on July 23, 2008.

HDFC is engaged in the business of granting housing loans for residential and commercial purpose. The company is a limited liability Company and is incorporated and domiciled in the Republic of Maldives.

HDFC has the second largest market share, with over one-third of the housing finance market and registered mortgages at 49.1%. HDFC has concluded fourteen years of operations, having given more than MVR 2 billion of both, conventional and Islamic housing finance to thousands of Maldivian citizens.

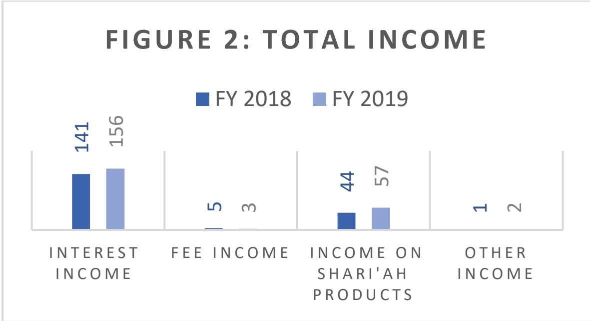
2. Ownership Structure



HDFC's major shareholders are; Government of Maldives (49%) Asian Development Bank (18%), International Finance Corporation (18%) and HDFC Investments Limited, India (15%).

3. Financial Analysis

3.1 Income

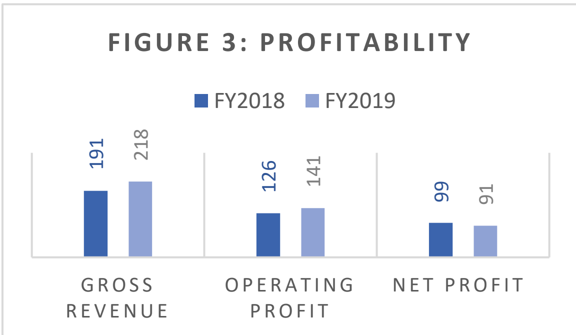


The above table consists of gross revenue figures.

The total operating income has increased by 13.8% from 2018 to 2019 (MVR 191 million to MVR 217 million). This was contributed by 10% growth from interest income, 29% growth by gross income on shari'ah products and 118% growth by other income. Out of total income, interest income is the main revenue segment of the company with an income of MVR 156m, followed Amna unit with income of MVR 43.7 million from short term investments. Fee income on the other hand has recorded a reduction of 38% compared to previous year.

Interest income comprises of interest from housing loans and treasury bills/ other deposits with bank.

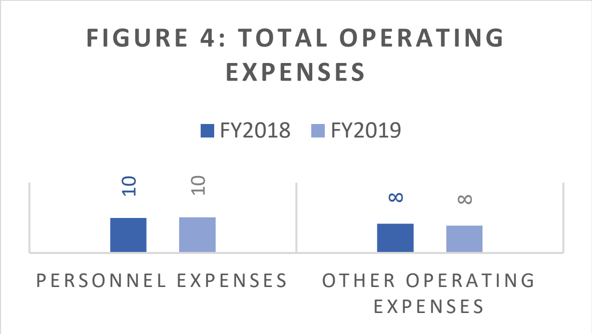
3.2 Profitability



While gross revenue increased by 13.8%, net operating income has also maintained growth at 12%. However, the Profit after tax (PAT) was reduced at a rate of 8% mainly because of high credit impairment losses as a result of decline in asset quality.

Expenses

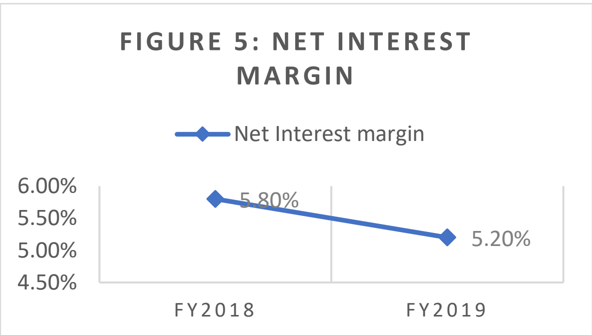
The Companies total expenses (except provisions) during the year was MVR71.58 million as compared to MVR64.57 million in the previous year, which is increased by 10.86%. Out of the total expenses for the year, interest expenditure was MVR53.64 million (74.94%), and remaining operating expenditure was MVR17.93 million compared to MVR 18.27 million in 2018.



Operating expense consist of personnel expenses and other operating expense. The personnel expenses (salaries, wages and other related expenses) has recorded a minimal increment of just 2% against previous year. Other operating expenses has also recorded a reduction of 6% compared to 2018.

3.3 Net Interest Margin

Net interest margin reveals the bank's net profit on interest-earning assets, such as loans or investment securities. Since the interest earned on such assets is a primary source of revenue for a bank, this metric is a good indicator of a bank's overall profitability, and higher margins generally indicate a more profitable bank.



Although total earning assets and net interest income has increased in this year, the net interest margin has shown a reduction. The interest earning assets has reached MVR 2.16 billion in 2019 as compared to MVR 1.74 billion in 2018.

HDFC is confident that it has sufficient interest margins to absorb any adverse impacts due to interest fluctuations on any unmatched positions. Further HDFC has the option of changing the interest offered to customers per the sanction letters issued to the customers.

3.4 Gross loan and Facility Portfolio

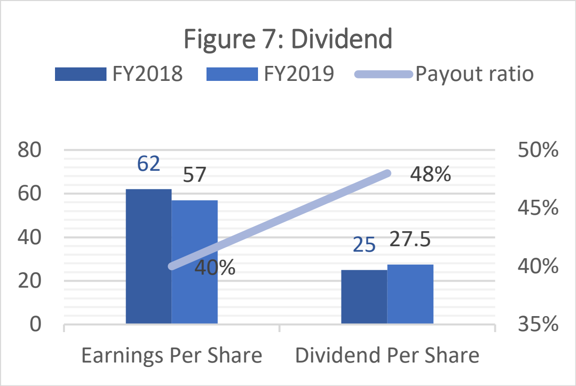
The Company's housing loan and facility portfolio has reached MVR 1.9 billion, out of which Conventional and Amna holds 72% and 28% respectively.

Since the commencement of Amna (Shari'ah products) in 2012, it has shown a very positive growth over the period of seven years. As such, the portfolio has grown from MVR 28 million to MVR 497 million over this period, an increase of 30% on the previous year. Net income from Amna products has shown a remarkable 35% growth from 2018 to 2019 (MVR 25.1 million to MVR 33.9 million). At the end of the year Amna holds 28% of the Company's portfolio.

HDFC offers three sharia compliant products all related to housing. They are Isthisna' for Home construction, Musharaka Muthangisa for land/home purchase and Murabahah for home renovation.

Conventional loan portfolio has increased by 2% in 2019. As per the annual report, during the year, the Company has sanctioned facilities to 53 customers amounting MVR 125 million as compared to 107 customers amounting MVR 363 million in 2018, recording a fall of 50% in sanction number and 65% in sanction amount.

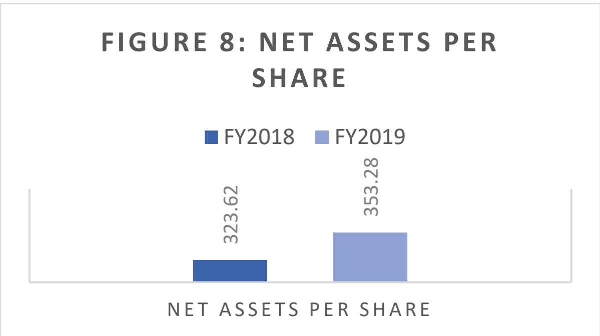
3.5 Shareholders Return



Earnings per share of HDFC have reduced from MVR 62 in FY2018 to MVR 57.16 in FY2019. However, the company has increased its dividend per share from MVR 25 in FY 2018 to MVR 27.1 in FY 2019. Thus, Dividend payout ratio has seen increment from 40% to 48%. However, HDFC's payout ratio is comparatively high when compared to similar companies. (BML: 12%)

3.6 Asset Quality

It was the year in which the Industry faced high impairment charges as a result of declining asset quality, however HDFC has managed to maintain its asset base. During the year HDFC reached the milestone of MVR 2.19 billion assets base.



3.7 Capital Management

HDFC's capital as managed by its management comprises of share capital, retained earnings and reserves created by appropriations of retained earnings and current year earnings.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarizes the composition of capital and the ratios of HDFC for the year ended 31st December 2019. HDFC complied with all of the externally imposed capital requirements to which they were subjected.

Capital Management	**FY2018**	**FY2019**
Share capital	159,375,000	159,375,000
Retained Earning	341,400,374	388,667,400
Reserves	15,000,000	15,000,000
Total qualifying capita	**515,775,374**	**563,042,400**
Risk-weighted assets		
On-balance sheet	849,425,314	939,155,236
Basel Ratio	**61%**	**60%**

The changes in the regulatory capital was mainly due to the profit earned during the year ended 31 December 2019. The increase in risk-weighted assets reflects the expansion of the loan portfolio during year.

It is important to note that, Netherlands Development Finance Company and Deutsche Investitutions und Entwicklungs Gesellschaft MBH require HDFC to maintain a ratio of total capital to the risk-weighted asset (the 'Basel ratio') at or above 12%. Hence, in the past two years HDFC has been performing well in this area.

3.8 Loan Book Quality

Reflecting the industry-wide trend of a deteriorating asset quality, the Company also experienced a slight increase in NPLs compared to 2018. However, Company managed to contain the gross and the net NPL ratios to 1.57% and 1.07% was reduced to 1.54% and 1.01% respectively as at December 31, 2019.

3.9 Leverage and Risk

Liquidity

Liquidity risk is defined as the risk that HDFC might be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

As at 31st December 2019

As at 31 December (in MVR '000)	Upto 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Deposits	91	182	6,809	4,369	85,971	**97,422**
Debt Securities in issue	4,890	24,468	44,835	253,042	452,306	**779,541**
Other borrowed funds	9,738	38,452	197,914	482,643	165,613	**894,360**
Other liabilities	-	-	61,830	-	289,837	**351,667**
Lease liabiliites	120	240	2,160	6,219	6,171	**14,910**
Total liabilities	**14,839**	**63,342**	**313,548**	**746,273**	**999,898**	**2,137,900**
Assets						
cash and balances with banks	127,995	70,056	-	-	-	**198,051**
Financial assets at amortized cost	194,806	-	30,041	-	-	**224,847**
Loans and advances	20,352	61,055	162,814	976,883	2,462,559	**3,683,663**
Other assets	-	-	1,147	1,006	-	**2,153**
Total assets	**343,153**	**131,111**	**194,002**	**977,889**	**2,462,559**	**4,108,714**
NET (Assets-Liabilities)	**328,314**	**67,769**	**(119,546)**	**231,616**	**1,462,661**	**1,970,814**

As at 31st December 2018

As at 31 December (in MVR '000)	Upto 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Deposits	-	-	8,362	-	74,061	**82,423**
Debt Securities in issue	2,756	1,475	14,307	78,696	256,727	**353,961**
Other borrowed funds	4,468	23,337	173,670	490,699	34,142	**726,316**
Other liabilities	-	-	59,413	-	228,608	**288,021**
Total liabilities	**7,224**	**24,812**	**255,752**	**569,395**	**593,538**	**1,450,721**
Assets						
cash and balances with banks	76,654	15,000	-	-	-	**91,654**
Financial assets held to maturity	-	29,976	-	-	-	**29,976**
Loans and advances	28,839	61,027	303,097	1,069,349	1,919,623	**3,381,935**
Other assets	80	147	1,554	5,575	-	**7,356**
Total assets	**105,573**	**106,150**	**304,651**	**1,074,924**	**1,919,623**	**3,510,921**
NET (Assets-Liabilities)	**98,349**	**81,338**	**48,899**	**505,529**	**1,326,085**	**2,060,200**

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, deposits with banks, financial asset at amortized cost and housing loan repayment from customers. HDFC would also be able to meet unexpected net cash outflows by discounting treasury bills, other investments and utilizing the undrawn borrowing facilities.

The value of the net assets (assets-liabilities) of the company has increased from MVR 515 million in 2018 to MVR 563 million in 2019. This is mainly because of increase in the liabilities specifically from debt securities.

4. External Audit

The external audit of HDFC was conducted by Price Waterhouse Coopers (PWC). As per their opinion, the financial statements of the company give a true and fair view of its financial position as at 31st December 2019. However, the matter addressed below was identified by the auditor as a key audit matter.

As at 31st December 2019, 79.5% of the total assets of the Company consisted of loans and advances amounting to MVR 1.7 billion shown net of loss allowance of MVR 43.26 million.

The loss allowance in respect of loans and advances represent management's best estimate of the impairment loss incurred and expected within the loan portfolio at the reporting date.

The loss allowance had been calculated using statistical methods and historical collection trends adjusted for forward-looking information. Significant estimates and assumptions used by the management in such calculations and the basis for impairment allowance is disclosed in Note 30.1.

External auditor has identified expected credit loss allowance for loans and advances as a key audit matter as the calculation of loan loss allowance is a complex area and requires management to make significant assumptions and judgments.

The audit opinion was not qualified over this matter, as such we believe there are no material misstatements in recognition of impairment.

5. Conclusion

The Company reported a 13.80% increase in Gross Revenues from operations at MVR217.65 million for the financial year ended 31 December 2019 as against MVR191.25 million for the previous year. However, Profit after Tax (PAT) for the year has decreased to MVR91.09 million against MVR98.99 million for the previous year, decreased by 7.99% over the last year. This was due to the impact of COVID-19 on ECL provision.

The Company has been maintaining a high asset quality. At the end of 31 December 2019, the total net loan/facility portfolio amounts to MVR 1.9 billion. Further, the company maintains a ratio of total capital to the risk-weighted asset (the 'Basel ratio') over 60%, well above regulatory requirements.

In addition, the company has a favorable liquidity position, maintaining net assets of MVR 572 million at the end of 2019. However, reflecting the industry-wide trend of a deteriorating asset quality, the Company too experienced a slight increase in NPLs compared to 2018.

Based on the financial results, the company has announced a dividend of MVR 27.5 per share for 2019 which is 10% higher than previous year. The Company has consistently maintained a high dividend pay-out ratio.

MALDIVES AIRPORTS COMPANY LIMITED

ANNUAL FINANCIAL REVIEW

FY2019

1. Introduction

MACL is a limited liability company incorporated in Maldives which is fully owned by government of the Maldives. The principal activities of the company are maintaining and operating airports and all related activities.

The company owns 65% issued share capital of Maldives In-flight Catering Private Limited, a limited liability company operating a flight kitchen and a transit hotel in Maldives.

2. Financial Review

3.1 Revenue

The total revenue of the company has recorded a growth of 13% in comparison to previous year, contributed by increasing revenue by all revenue sources excluding duty free sales.

MACL classified traffic and non-traffic revenue separately. At the end of 2019 MACL generated MVR 976 through traffic related sources and MVR 4,338 through Non-traffic revenue sources. Bothe traffic revenue and non-traffic revenue increase by 11% and 13% respectively.

Ground handling represents 50% of traffic revenue. Fuel is the main revenue generating segment which represent 65% of non-traffic revenue and 53% of total revenue of the company.

Fuel sale increase is predominantly due to increase in the international market as well as the quantity sold during the year.

Traffice Revenue	FY2018	FY2019	% change
Landing fee	242,083,958	265,987,247	10%
Parking fee	50,018,475	64,398,208	29%
Navigation fee	91,199,203	94,689,956	4%
Ground handling charges	440,378,273	489,342,376	11%
Departure control system	54,453,478	61,463,471	13%
Traffice revenue	**878,133,387**	**975,881,258**	**11%**

Non traffic revenue	FY2018	FY2019	% change
Fuel salaes	2,428,490,432	2,872,771,854	18%
Duty free sales	711,628,936	699,263,620	-2%
rent and lease charges	139,389,036	153,269,426	10%
cargo income	203,808,724	232,688,074	14%
utility sales	78,815,096	80,388,135	2%
lounge income	119,550,891	145,992,329	22%
Consignment commission	132,095,428	137,620,504	4%
Revenue share	24,354,217	27,178,856	12%
Misclellaneous	22,428,339	30,769,341	37%
Passenger releated	7,849,527	8,379,602	7%
Non traffic revenue	**3,868,410,626**	**4,388,321,741**	**13%**
Total revenue	**4,746,544,013**	**5,364,202,999**	**13%**

Other operating income has also decreased from MVR 98 million to MVR 84 million in FY2019. The major other income is reversal of impairment provision on trade receivables.

3.2 Profitability

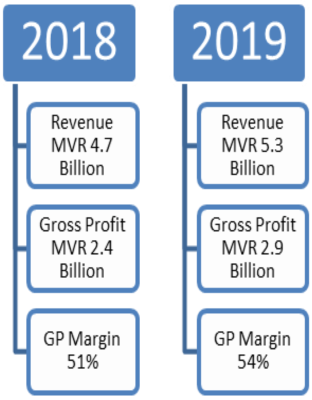


Figure 1: Gross Profit

Although Gross Profit of the company has increased by 19% and GP margin increased by just 3%. The gross profit margin of the company improved as result of increasing revenue more than cost of sales.

The highest revenue generating segment of the company is fuel, followed by duty free sales segment. The below chart shoes the profitability of these segments.

	Fuel		Duty Free	
	FY2018	FY2019	FY2018	FY2019
Sales	2,428,490,432	2,872,771,854	711,628,936	699,263,620
Cost of Sales	1,528,733,234	1,653,189,503	410,434,601	418,361,193
Gross profit	899,757,198	1,219,582,351	301,194,335	280,902,427
GP Margin	37%	42%	42%	40%

In 2019 highest margin is achieved by the fuel segment in comparison to duty free and GP margin increase from 37% to 42%. However, GP margin from duty free segment decrease by 2%.

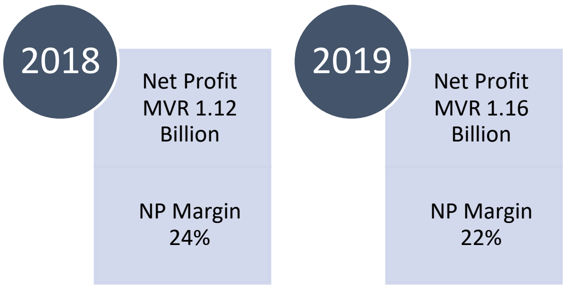


Figure 2: Net Profit

Net Profit of the company has recorded a growth of 3%, though Net Profit margin has reduced from 24% to 22%.

Expenses

The total administrative expenses have increased by 42%.

<u>Major variances</u>

Administrative expnses	FY2018	FY2019	% change
Depreciation on PPE	119,660,043	121,603,929	2%
Depreciation on investment properties	6,672,837	6,217,677	-7%
Amortisation charge - right of use assets	-	10,927,959	-
Amortisation changes	4,835,014	3,715,971	-23%
Employee benfits	637,614,644	470,082,861	-26%
Insurance	14,115,256	18,177,993	29%
Professional fees	12,401,830	4,290,107	-65%
Legal fees and expenses	694,129	910,140	31%
Licnence charges	3,009,333	4,752,839	58%
Import duty	9,977,947	7,071,480	-29%
Subscription expneses	22,310,720	35,554,738	59%
Functions and clebration	6,274,484	3,599,693	-43%
Printing and stationies	3,889,535	5,382,688	38%
Garbage disposal	8,490,566	7,358,491	-13%
Loss on disposal of PPE	28,910,590	4,765,505	-84%
Loss on isposal of investment properties	22,512,588	-	-100%
Provision for EoT claims	-	692,049,600	-
Other administrative expenses	37,787,863	19,311,085	-49%
Total	**939,157,379**	**1,415,772,756**	**51%**

Since MACL is a capital-intensive company, the company has significant amount as depreciation. The deprecation represents 7.5% of the administrative expenses, when compared to the previous year depreciation for the year has increased by 2% as the company has acquired new property, plant and equipment's amounting to MVR 52 million and transfer from work-in-progress amounting to MVR 98 million in 2019.

Total Employee related expenses has decreased by 16% including the direct salaries mainly as a result of decline in employee retirement benefit expenses from MVR 211 million to MVR 24 million.

Employee benefits related to direct cost has increase by 7% while salaries and wages under admin expenses has reduced by 26%. Out of total employee benefits 37% are direct cost in 2019 and in 2018 it stands at 29% of employee's benefits.

Overtime expenses has increased from MVR 28 million to MVR 36 million, which is an increase of over 28%.

The company has come to an agreement with Beijing Urban Construction Group on 19th January 2020, to pay a compensation for the prolongation, interest on delayed payment and suspension of the New Runway Project, Seaplane Terminal Facilities Project and VIA Auxiliary Infrastructure Project. A provision for the agreed compensation of MVR 692,049,600 has been made for the year ended 2019. Which is one of the reasons on increasing total administrative expenses. Excluding this compensation, the total expense will be 19% low compare to previous year.

Subscription expenses has increased from MVR 23 million to MVR 36 million and Insurance expenses has increased from MVR 14 to million MVR 18 million.

3.3 Working Capital management

Working capital management is the strategy intended to monitor and utilize current assets and liabilities, to ensure operational effectiveness and financial efficiency. One of the main aims of proper working capital management is to maintain sufficient cash flow to meet short term obligation.

Current and Quick Ratio

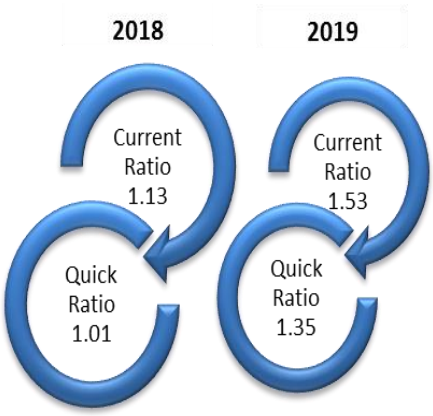


Figure 3: Current and Quick ratio

MACL's current assets has increased and current liabilities has decreased compare to 2018, this has resulted an improvement in both the ratios. Although a ratio of above 1 represents that a company is capable of meeting its short-term liabilities, it is important to highlight that the most significant component of current asset is trade receivable, which is unlikely to recover within one year. Other receivables of MACL are substantial as it represents 21% of total current assets and 45% of total receivables. Other receivables of MACL mainly include recoverable from Ministry of Finance amounting to MVR 614,518,360 (2018: MVR 1,216,638,951).

Other payables of the company mainly include retention amounting to MVR 92,830,258 (2018: MVR 74,714,572), interest payable amounting to MVR 105,962,151 (2018: MVR 60,683,416), advance received from customers amounting to MVR 64,070,776 (2018: MVR 49,640,511) and staff bonus provision amounting to MVR 23,096,345 (2018: MVR 30,972,443).

Receivable and Payable days

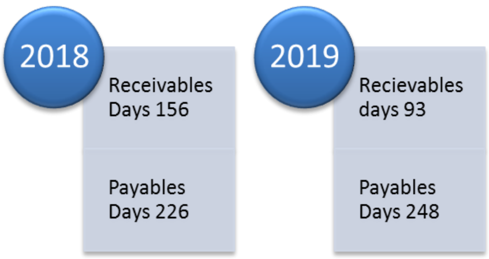


Figure 4: Receivable & Payable days

Receivable days of the company has decreased and on the other hand payable days has increased compare to previous year. In order to manage cash position and retain a favorable cash position it is important to collect outstanding debt as quickly as possible.

Even though revenue increased by 13% the total receivable for the year decrease mainly as result of settling MVR 602 million of ministry of finance.

As per the above figure, MACL now takes fewer days to collect receivables. Total receivables of the company is equivalent to 43% of its total revenue for the year and it includes trade receivables, advance and prepayments, tax receivables, interest receivables etc. If MACL could collect this receivable their cash position will be improved and could reduce level of dependence on external sources.

The payable days of the company has increased from 226 days to 248 days. The trade payables increase mainly as result of accounting MVR 692 million, compensation agreed for the prolongation, interest on delayed payment and suspension of the New Runway Project, Seaplane Terminal Facilities Project and VIA Auxiliary Infrastructure Project. Excluding this amount, the payable days for 2019 will be much low compare to previous year.

The longer it takes to pay suppliers which is good for working capital and cash position. However, if the company takes long time to pay their creditor business relation may get affected. Even though it supports to company cash position MACL has to consider risk associated in this management technique. A further extension may take company into more challenging conditions. It seems that MACL face difficulty in repaying trade payables as a result of challenge they face in collecting their receivables.

3.4 Return on Equity (ROE) and Return on Assets (ROA)

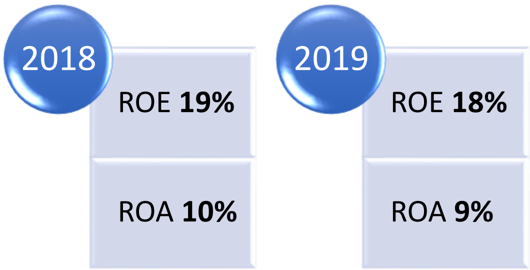


Figure 5: ROE and ROA

ROE measures a company's profitability by revealing how much profit a company generates with the money shareholders have invested. ROA measures how efficiently a company can manage its assets to produce profits during a period.

As shown above, both these ratios have reduced in 2019, mainly as a result of increasing total reserve and assets greater than that of profits. Total assets of the company increase as a result of investment on ongoing development projects. Positive result illustrates that MACL is generating profits with the money shareholders have invested.

3.5 Net Assets per Share

Net Assets per Share of MACL has increased from MVR 3,868 to MVR 4,187. The net assets of the company have increased from MVR 5,801 million to MVR 6,280 million while the number of shares remained constant. High net assets per share is attractive to investors as it is a sign that company is performing well.

3.6 Shareholders Returns

Earnings per share of the company has increased in 2019. MACL has declared 60% of net profit as dividends in both years, that is MVR 677 million in 2018 and MVR 696 million in 2019.

From the 2018 profit MACL paid MVR 75 million of the declared dividend to the government of the Maldives and the balance amounting MVR 602 million were set-off with the receivables from the government. In 2019 as well, Government agreed to set-off Government payable with the dividend receivables from MACL.

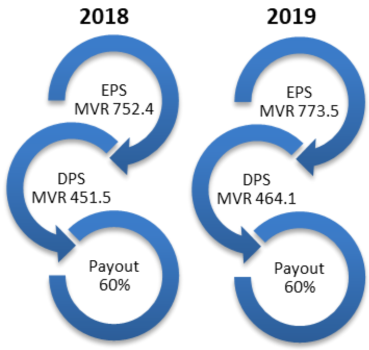


Table 6: Dividend

3.7 Financing

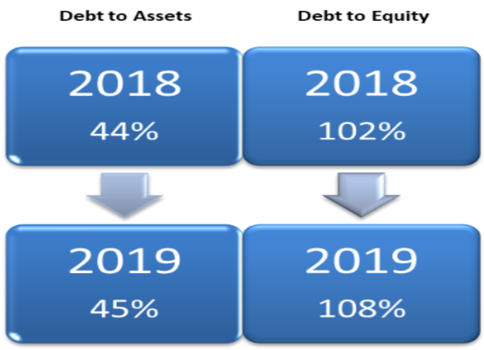


Figure 7: Gearing

Gearing of MACL has increased with increased loan and borrowings, thus financial risk of the company has increased. In 2019 MACL has obtained MVR 1.8 billion additional funds from external financial institutions (China Exim, ADFD, OFID, KFAED, China development bank and MMA corporate Bond). MACL entered into a subsidiary loan agreement with Ministry of Finance for upgrading the Velana International Airport development projects.

In 2018 MACL has a huge loan and borrowing figure under current liabilities. It included both conventional and Islamic financing facilities. In 2019 short term loan borrowing reduced from MVR 1,203 million to 172 million.

MACL is highly leveraged as the amount of debts has exceeded company's equity in 2018 and 2019.

MACL's total borrowings stands at MVR 6,778 million as at the end of 2019 when its total equity stands at MVR 6,280 million.

MACL has invested MVR 53 million in property, plant & equipment and investment MVR 198 million in treasury bills. The total Investment on capital work in progress in 2019 is MVR 2,172 million. It is important to note that majority of borrowed funds are invested on ongoing development projects.

Figure 9: Interest Cover

As a result of reduced finance costs and, the interest cover of the company has improved from 21.3 times to 22.9 times. This ratio shows that the company is capable of paying its interest expenses. Finance costs for the year reduced due to reduction in interest expense incurred on corporate bond.

4. External Audit

The external auditor of the company has expressed an unqualified opinion in the separate and consolidated financial statements for the year 2019. Therefore, we assume that financial statement of MACL is free from material misstatement.

5. Recommendation and Conclusion

MACL has performed well in 2019, achieving a revenue growth of 13% and a net profit growth of 3%. The revenue growth was achieved through the growth in almost all the revenue sources. However, the profit margins were slightly affected by the high costs and operating expenses of the company.

Even though asset value in 2019 is high compare to previous year, MACL was not able to gain same level of return out of the assets as some of the assets are at development stage. In 2019 return on assets and return on equity is marginally low compare to previous year.

In terms of short-term liquidity, MACL's can further improve liquidity position and efficient working capital management will help to obtain additional benefits financially and operationally. The most significant component of company's current asset is trade receivables which represents 45% of total current assets and 25% of total revenue. MACL has to collect its receivables in order to manage its cash flow.

The company is highly geared with 45% gearing ratio and highly leveraged as company's debts are more than its equity. MACL has to be cautious about its debts as too much debt will be dangerous for a company's creditworthiness. Nevertheless, MACL has created relatively same level of asset out of the debt. MACL will be able to generate additional revenue when ongoing development projects are completed. Therefore, credit worthiness and company performance will improve in near future.

The company has maintained payout ratio at 60% in 2018 and 2019. Further, net assets per share of the company has also improved reflecting strong performance of the company.

In order to improve financial performance, additional measures should be taken in managing cost and expenses. Identify value adding activities and invest more on value adding activities and eliminate or minimize all non-value adding activities from MACL operation.

The company should manage large infrastructure projects currently undertaken by company more efficiently in order to avoid costs such as the Extension of Time and project variances.

MALDIVES CENTRE FOR ISLAMIC FINANCE LIMITED

Annual Financial Review

FY2019

1. Introduction

MCIFL is a limited liability company, which is fully owned by Government of the Maldives (GoM). The company was incorporated on March 24, 2016 under the Presidential Decree bearing No: 2015/7 and governed under the Companies' Act No. l0 of 1996.

The principal objective of the company is to link the Islamic Finance industry in Maldives to international markets and promote Islamic finance in the region in order to help Maldives to be the hub for Islamic finance in South Asia region.

2. Financial Analysis

2.1 Revenue

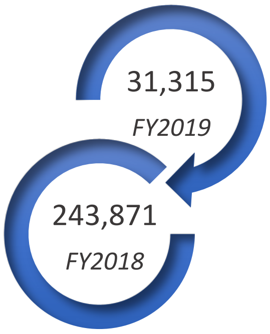


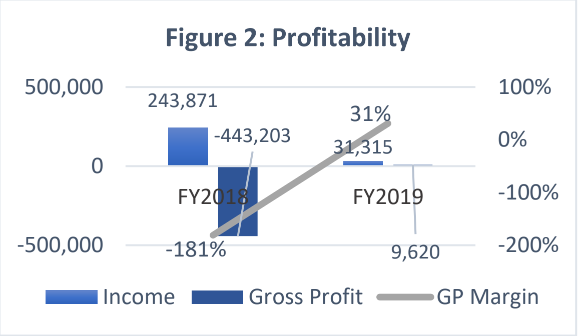
Figure 3 Revenue

In 2018, the company has earned revenue from educational programs (SAIIF), Workshop revenue and magazine advertisement. The revenue fell significantly compared to 2018, i.e. by 87%.

It is important to highlight that MCIF is unable to generate enough revenue even to cover their operational expenses. And they do not have a decent plan to generate operational revenue.

2.2 Profitability

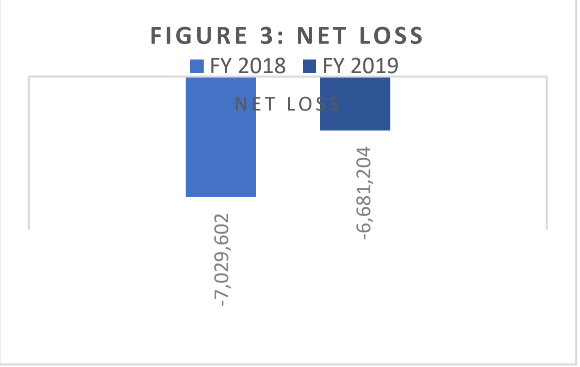
Gross Profit



Although 2018 shows higher income, MCIF has made a huge gross loss for the year 2018 due to high cost of sales. MCIF has spent MVR 687,074 on magazine production costs while only MVR 243,871 earned as income for the company. Thus, GP margin resulted in negative 182% while FY 2019 GP margin was 31%.

Though GP margin improved, this do not signify the level of input by the company in revenue generation or cost minimization. Rather it implies that there is no financial planning in seeking a sound revenue generation and the company lacks considering financial implication in any business dealing.

Net Loss



While the company made a gross profit of MVR 9620, the net loss made by the company in 2019 was 5% less than 2018.

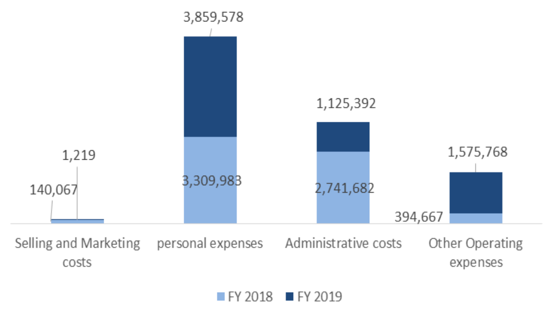
The company's loss reduced due to reduction in administrative expenses compared to 2018. As such administrative expenses reduced 59% (MVR 1.62

million). However, personal expenses and other operating expenses increased even though the company was not able to generate sufficient revenue.

Although the loss has reduced in comparison to previous year, negative margin further increased as result of low revenue generated compared to the operational expenditure. A business can sustain this only as long as it has cash reserves or other sources of capital. Currently, MCIF is surviving with the capital received from government. Therefore, to succeed, MCIF must ultimately grow its revenue or reduce its expenses so that it produces net income and a positive profit margin.

Expenses

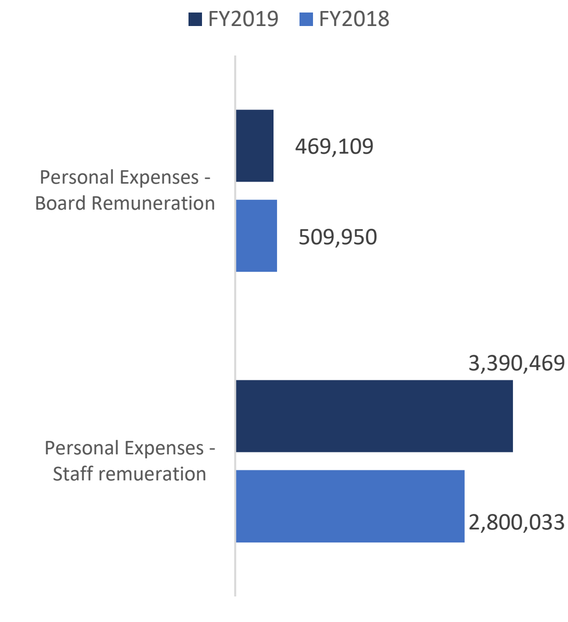
Figure 4: Expenses



The personnel and operating expenses have recorded a significant increase of 17% and 299% respectively. The increment in personnel expenses is due to transfer of Hazana Maldives Staff upon that company's Liquidation. Selling and marketing costs and administrative costs reduced by 99% and 59% respectively. However, considering the level of operations, administrative expenses are still high.

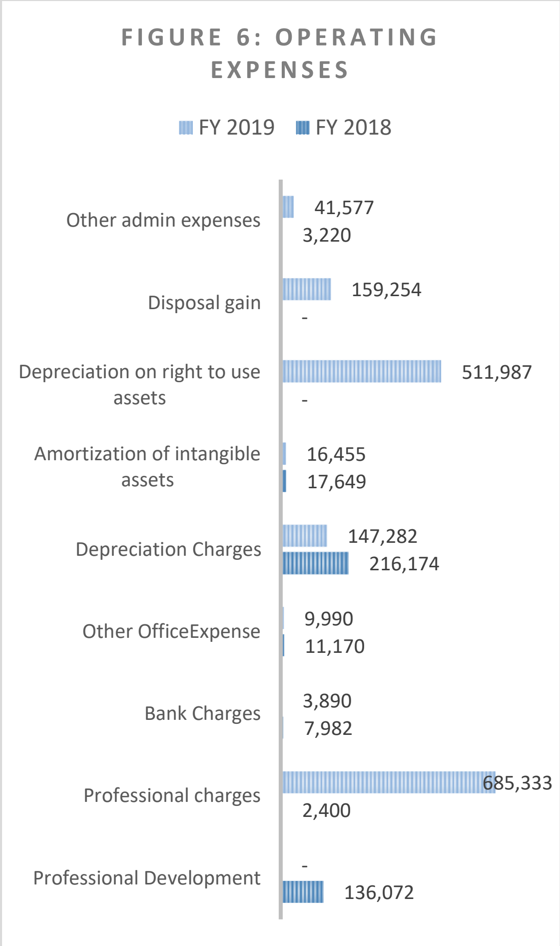
The personnel costs of the company are as follows;

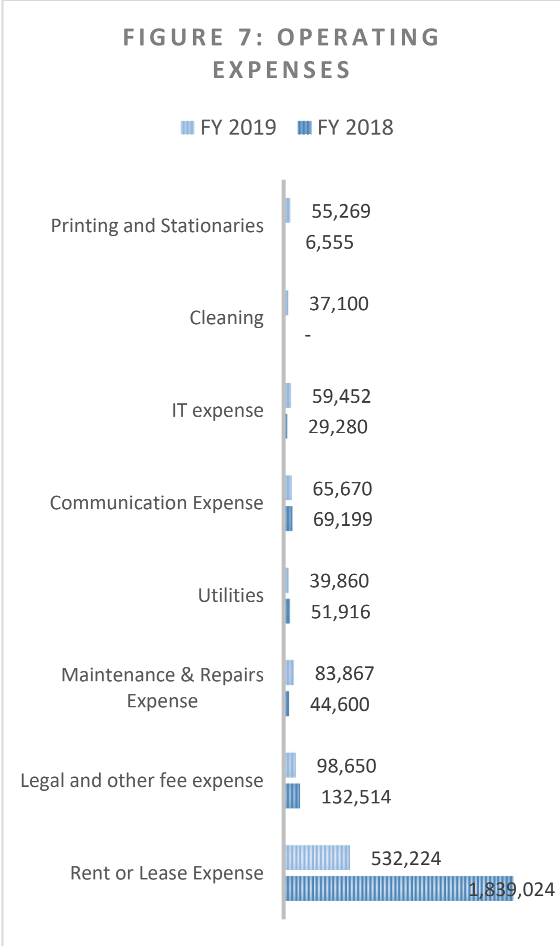
Figure 6: Personnel Expenses



Since MCIF staffs would receive Aasandha, it was earlier recommended not to use a separate medical insurance policy in order to reduce company's overheads. In 2019 the company has not incurred costs on staff medical insurance.

The operating expenses of the company consists of the following.





Total operating expenses of the company has reduced in 2019 compared to previous year. However, when looking into expense categories, personnel expenses and other operating expenses has increased.

Figure 7 shows the administrative costs incurred by the company other than the personal costs recorded. Rent expense reduced by 71% (MVR 1.3 million) while legal fees reduced by 25%. Utilities and communication expenses also has been reduced compared to FY 2019. However, expenses as such maintenance and repairs, IT expenses, cleaning and printing and stationaries have increased adding to their operational burden. Repair Costs Increased due to the Relocation of Office Premises to a New Building.

MCIF has also reduced its conference and event hosting expenses. Although the administrative expenses have reduced, it still stands at MVR 4.9 million which is significant compared to total revenue of the company.

2.3 Shareholders Returns

The company is unable to distribute any returns to shareholder since it is making huge losses since its inception in 2016. Moreover, it is very unlikely that any returns will be distributed in a near future as the company is unable to generate enough income to cover its operating costs. Currently, GoM, being the only shareholder is providing for the working capital requirements for the operation of the company. In 2019, the total operating costs and personal expenses of the company stands at MVR 6.55 million.

Net Assets per Share

MCIF has issued new shares of 610,000 in 2018 and 581,807 in 2019. The net assets of the company have increased as a result, however, net assets per share of the company is very low, and therefore the company is less attractive to investors.

2.4 Working Capital Management

Working capital management involves the relationship between a company's current assets and current liabilities. The goal of working capital management is to ensure that a company is able to continue its operations and that it has sufficient ability to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involves managing inventories, accounts receivable and payable, and cash.

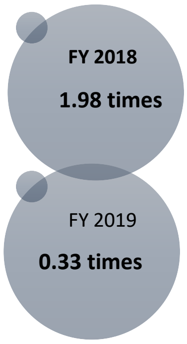


Figure 9: Current Ratio

Current assets of the company decreased while the current liabilities have increased in 2019. Thus, the current ratio has reduced significantly from 1.98 to 0.33 times. While the current ratio is low, only cash balance is the liquid assets the company have. If only the liquid assets are considered, the current ratio of the company is 0.04, indicating that the company is incapable to meet its short-term obligations. The cash balance of the company is the capital contribution by the government.

Accounts payable has increased from MVR 266,112 to MVR 687,566, which is a growth of 158%. The increase was mainly in terms of payable to vendors.

3. External Audit

In Auditor General's opinion the company's financial statement gives a true and fair view of the financial position of the company as at 31 December 2019 and its financial performance and its cash flows for the year ended.

Further, auditors have emphasized on company's significant accumulated loss in emphasis of matter paragraph of the audit report. However, the opinion was not modified in this regard.

4. Conclusion

The company has made a significant loss of MVR 6,681,304 for the financial year 2019 and has an accumulated loss of MVR 24,215,512 as at 31 December 2019. If the company is unable to generate enough revenue to support their operation government may need to continue their support, which results in increased government expenditure. In order to be self-sufficient, MCIF should come up with a feasible business model.

The company has no major revenue generating mechanism and plans while MCIF has significant personnel and operating costs, which makes the net loss of the company increase year on year. During 2019 the company has made a loss of MVR 6,681,204. If the company wants to survive it must find ways to control its operating costs.

Short term liquidity position of the company is very weak with cash being only the liquid asset. Moreover, the cash balance of the company is the capital contribution by the shareholder.

On April 2019, the government has decided to liquidate Hazana Maldives Limited and transfer all the assets and liabilities to MCIF. With Hazana Maldives being part of MCIF, still the company is not able to uphold a good position in the market.

Profitability of the company is essential for its survival in the long term. With significant accumulated losses the company is facing serious going concern issues. In order to sustain its existence, the company must find additional sources of income. In addition to that the company has to find ways to cut down its expenses as well.

MALDIVES FUND MANAGEMENT CORPORATION LIMITED

ANNUAL FINANCIAL REVIEW

FY2019

1. Introduction

Maldives Fund Management Corporation (MFMC) is a limited company incorporated on 26 June 2019 and domiciled in the Republic of Maldives.

The Corporation was formed by the virtue of Presidential Decree and was established with the aim of creating a company that assists in the mechanism of acquiring inexpensive finance options through fund structures for Maldivian investors and foreign investors under section 95 of the Companies Act of the Republic of Maldives (Act no: 10/96) and with the president's authority, by a Presidential Decree no: 3/201 9

The Corporation was established with the responsibilities of fulfilling national goals of development through increasing private sector investment with the aid of the government, to increase the wealth of the country and to increase the strategic investments through managing the risks and profit ratios.

It is important to note that the required number of members for the Quorum of the Board of Directors of MFMC was appointed in November 2019, while the staff recruitment process began in September 2019. Hence, the Corporation was operationalized in Q4 2019, although initially appointed directors had carried out preliminary technical groundwork from June 2019 with support from the Ministry of Economic Development.

2. Financial Review

2.2 Revenue

The company has generated zero revenue in 2019. MFMC was not able to generate sufficient revenue since inception. Government injects capital to the company to pay for the operational costs of the company.

The business model of MFMC is that the Corporation will act as an investment manager which charges fees for Funds under their management.

2.3 Profitability

In 2019 nearly 2 million was incurred on overhead expenses. Out of which half of overhead expense is related to personal cost. Following are the details of Employee benefit expenses.

Employee Benefit Expense	FY2019
Wages and Salaries	281,656
Other allowance	110,847
Directors remuneration	494,058
Contribution to MPS	19,716
Total Employee Benefit Expense	**906,277**

General and administrative expenses incurred by the corporation during the reporting period are as follows:

Other Operating expenses	FY2019
Depriciation PPE	96,564
Rent Expenses	190,968
Stationery and office supplies	12,305
Pantry expesnes	975
Bank charges	703
Travel Expesnes	50,189
Professional Fees	269,189
Legal Fees	124,829
Utilities	19,058
IT expenese	4,260
Transportation and handling	400
Selling and Marketing expenses	144,869
Total operating expenses	**914,309**

Net Profit/loss

MFMC had fast-tracked technical requirements for establishing Investment Funds for key policy areas, with initial draft Information Memorandums prepared during Q4 2019. The company commenced initial efforts to gauge investor sentiment through meetings with stakeholders, as well as participation in local / overseas conferences and events. Moreover, the company had started the screening process for potential acquisition targets for key policy funds, with discussions held with Government agencies, State-Owned Enterprises, private sector participants and other stakeholders.

The finance cost reported by the corporation consist of interest on lease liabilities of MVR 46,008. Security deposit of MVR 120,000 for lease of office building capitalized as financial assets and MVR 1,218 recognized as finance income from security deposit. The net loss for the year is MVR 1,865,329.

2.4 Return on Equity (ROE) and Return on Capital Employed (ROCE)

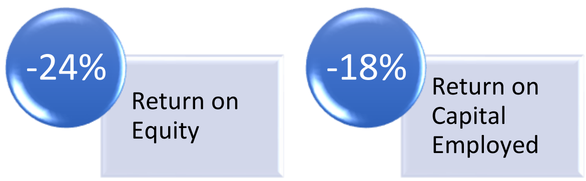


Figure 6: ROE & ROCE

Both ROE and ROCE are negative in 2019. In general, negative result illustrates that ineffectiveness of management using company's assets and capital in generation of return. In other words, in the Corporation is losing more money than it is bringing in, therefore, experiencing a net loss. However, incurring a loss is common in early stages on business startup as it takes quite some time to generate sufficient return from the investment. MFMC has not made any investment on cash generating activity yet.

2.5 Shareholder Returns

As the company made a loss of MVR 1,865,329, return on equity of the company is negative in 2019. Further no revenue is generated in 2019, therefore all operating and capital expenses are managed through the share capital. Therefore in 2019 no additional value is created for shareholders.

2.6 Net Assets per Share

As result of negative retained earnings, the total net asset of the company is lower than share capital or capital injection from shareholder.

Net asset per share of the company is MVR 8.04 which is lower than nominal value per share of MVR 10.

2.7 Working Capital management

Both current and quick ratio for the year is 7.59. These ratios illustrate that the company's ability to service its short-term obligations is satisfactory as they have more than enough current assets to settle existing short-term obligation.

Cash and cash equivalent is the only current asset in the financial statement. Further it is important to note that existing cash balance is the capital injected by shareholder.

3. External Audit

The external audit of MFMC was conducted by Auditor general's office. As per their opinion, the financial statement of the company gives a true and fair view of as at 31st December 2019.

4. Conclusion

Financial year 2019 was the first year of operation of the company and MFMC is working on technical requirement of anticipated funds and establishing internal processes for investment management, which are subject to completion of formalities based on investor road shows and fund marketing efforts. The government has injected MVR 9,536,310 during the year and remaining cash balance at the end of the year is MVR 7,629,275. During the year MFMC spent MVR 477,952 on capital expenditure for office setup.

The company is operating at a loss in 2019 and no revenue is generated during the year.

In order to operate smoothly MFMC needs to find revenue generating options and formulate practical business model to convince investor and source fund to their portfolios. Further MFMC needs to structure and plan their business more comprehensively by defining every aspect of each fund.

Company is working on establishing technical requirements required for establishing funds, including fund-specific documents, structured internal processes, and formulated a long-term strategic action plan as per a comprehensive business plan, all of which are subject to equity contribution before finalization.

MALDIVES HAJJ CORPORATION LIMITED

Annual Financial Review

FY2019

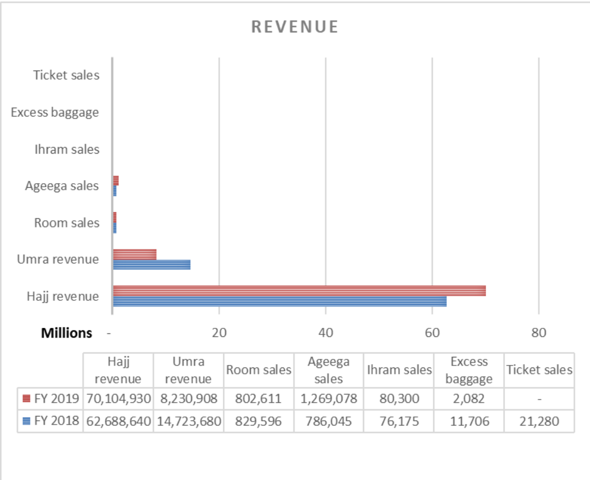
1. Introduction

Maldives Hajj Corporation Limited (MHCL) is a limited liability company, fully owned by the Government of Maldives (GoM). The company is established under the Presidential Decree No:05/2013 on 07 November 2013.

The main business activities of the Corporation involve facilitating travel to Saudi Arabia for pilgrims to perform Hajj and Umra services.

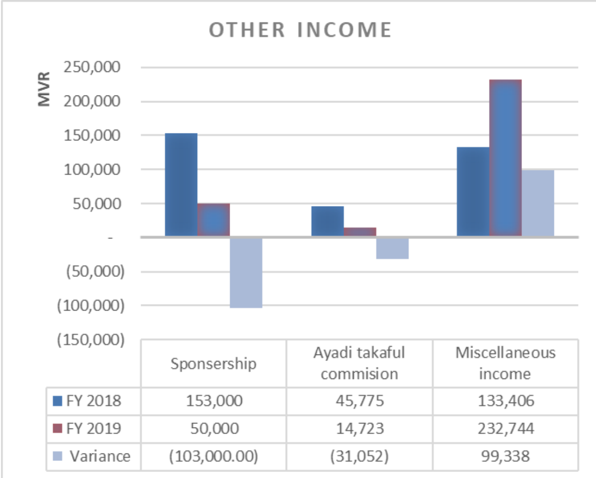
2. Financial Analysis

2.1 Revenue



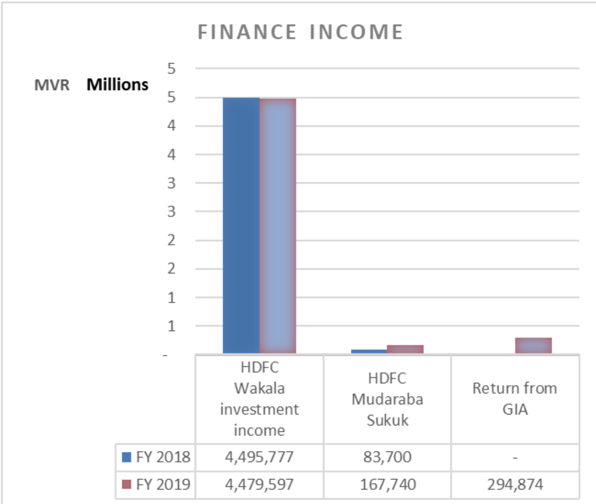
	Hajj revenue	Umra revenue	Room sales	Ageega sales	Ihram sales	Excess baggage	Ticket sales
FY 2019	70,104,930	8,230,908	802,611	1,269,078	80,300	2,082	-
FY 2018	62,688,640	14,723,680	829,596	786,045	76,175	11,706	21,280

Revenue has seen an increase by 2% over the comparable period. Income from Hajj services tends to be the biggest revenue drive which accumulates 87% of total revenue, while 10% of total revenue is generated from Umra services. Hajj revenue has increased from MVR 62.7 million to MVR 70.1 million (by 12%) while Umra revenue has decreased by MVR 6.5 million (by 44%) from 2018 to 2019.



	Sponsership	Ayadi takaful commision	Miscellaneous income
FY 2018	153,000	45,775	133,406
FY 2019	50,000	14,723	232,744
Variance	(103,000.00)	(31,052)	99,338

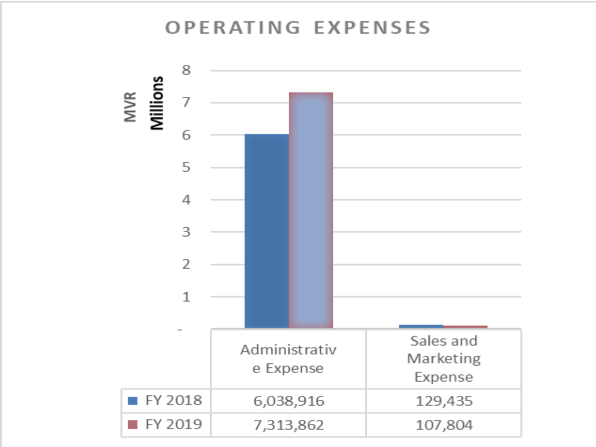
Total other income has seen a decrease by MVR 34,714 (by 10%) over the period, mainly due to decrease in income from Sponsorship and Ayadi takaful commission.



	HDFC Wakala investment income	HDFC Mudaraba Sukuk	Return from GIA
FY 2018	4,495,777	83,700	-
FY 2019	4,479,597	167,740	294,874

Company has been investing its accumulated fund collected as advance from customers for Hajj and Umra, in few financial assets from which finance income is generated periodically to the business. As such, company has increased its investments in financial assets from MVR 62.11 million to MVR 97.50 million (by 57%) from 2018 to 2019, whereas finance income has seen a growth by only 7.9%. And noteworthy to mention that fund has a remaining balance of MVR 53.85 million idle in the accounts of bank account assuming that it’s managed separately from its operation.

2.2 Operating Expenses



Overall, operating expenses has seen a significant increase by 20%, mainly due to increase in administrative expenses. More specifically, due to increase in salaries and allowances, director's remuneration, travel expenses, professional fee, repairs and maintenance have seen significant increase over the period.

Administrative Expenses

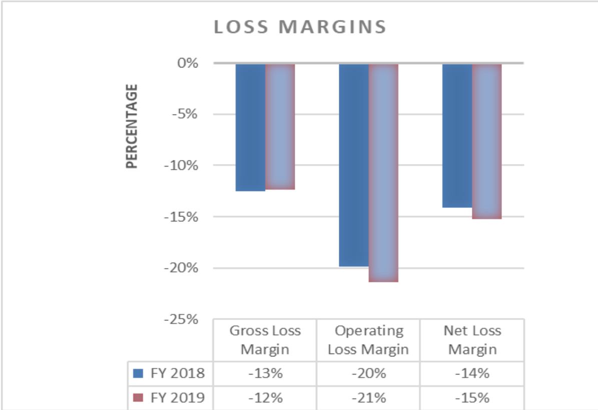
Salaries and allowances have increased by 14% (from MVR 3.03 to MVR 3.45 million) from 2018 to 2019. The company employs around 18 - 20 staffs in average throughout this period.

Maintaining its operating costs to an optimum level is important at a time where company is unable to meet its operating expenses with the total income earned.

Sales and Marketing Expenses

Sales and marketing expenses has seen a decrease from MVR 129,435 to MVR 107,804 (by 17%). It is apparent that company needs to occupy some amount of money on marketing expenses as competition is fierce among the private companies operating in this market, especially in the Umra service. However, company must ensure that marketing expenses incurred achieves its overall objectives of the marketing plan.

3.3 Profitability



Although loss margins remained almost same over the two years, it is worrying that company is unable to generate a profit out of its operation even when other income is considered. The main reason for the operating loss is due to the insufficient revenue generated compared to the direct cost incurred for the operation.

When further analyzed, it is apparent that Hajj rates charged from customer does not exceed its direct cost per customer. Hence, a gross loss is incurred from Hajj segment. Although the main objective of the company is to give opportunity for citizens of Maldives to perform Hajj and Umra at affordable price, company must ensure that its operating costs are covered from the income generated.

Because of continued operating loss for number of years, company might be facing going concern issues as it is evident that its operating and other expenses exceeds its operating and other income. Therefore, it is vital that company address this issue promptly and ensure a financially viable operation is being carried out.

3.4 Shareholder Returns

The company is unable to distribute any returns to shareholder since it is making huge losses. Currently, as the shareholder Government is providing for the working capital requirements of the company.

3.5 Working Capital Management

LIQUIDITY	FY 2018	FY 2019
Current Ratio	2.61	0.99
Quick Ratio	2.57	0.96
Working Capital	44,526,133	(337,404)
Current Assets	72,241,343	29,513,483
Current Liabilities	27,715,210	29,850,887

Working capital management refers to a company's strategy designed to monitor and utilize the two components of working capital, current assets and current liabilities. The main purpose is to make sure the company always maintains sufficient cash flow to meet its short-term operating costs and short-term debt obligations.

Over 85% of the company's current assets and 94% of current liabilities includes advance received from customers.

The current ratio of the company has deteriorated from 2.61 to 0.99 times (QR 2.57 to 0.96) due to reduction in cash and cash equivalents. It is important to note that as current assets consist mainly the advance received from customers which are invested in the financial markets to earn finance income. The reduction in the cash and cash equivalent in 2019 reflects the investment, this does not fairly reflect on the objective of this ratio.

2018
Receivable Days
16 Days
Payable Days
7 Days

2019
Receivable Days
17 Days
Payable Days
4 Days

Both receivable and payable days has slightly changed throughout the comparable period and are apparently low as most of the transactions are incurred on a cash basis rather than on credit.

4. External Audit

Upon auditing the financial statements of MHCL for the year ended 31 December 2019, the Auditor General has expressed an unqualified opinion.

5. Conclusion

The company has made a significant loss of MVR 12.25 million for the financial year 2019 and has an accumulated loss of MVR 59.59 million as at 31 December 2019. The financials were prepared on the basis that the company's ability to continue as a going concern.

The company was able to recognize a revenue of MVR 80.49 million for the year, whereas the expenditure of the company was hit by over MVR 97.98 million. The revenue generated does not cover its operating expenses, as operating expenses has seen a 20% growth over the period while revenue has increased only by 1.7%. More specifically the Hajj rate charged from customer does not cover its direct costs, resulting to a significant accumulated loss. Hence, it is important to address to this matter promptly.

The current ratio of the company is below 1 and needs improvement. Over 85% of current assets include the cash and cash equivalent received as advance from customers and capital from Government.

Company is investing its accumulated fund (advance from customers) in financial assets and is creating an extra finance income out of the fund. Finance income has increased from MVR 4.58 million to MVR 4.94 million over the years. finance income to financial assets has reduced from 7% to 5% from 2018 to 2019.

Auditor General has expressed an unqualified opinion for the financial statement of 2019.

MALDIVES ISLAMIC BANK

ANNUAL FINANCIAL REVIEW

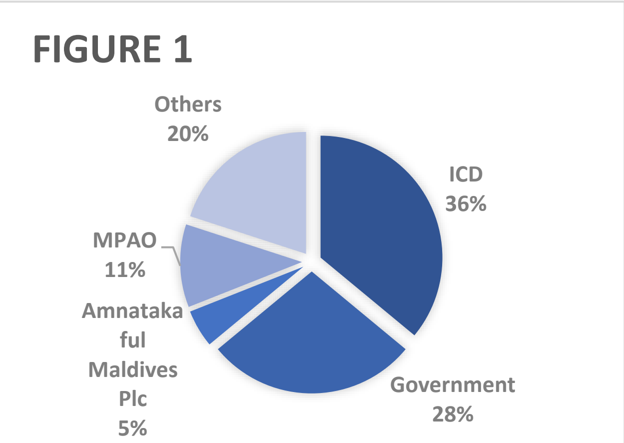
FY2019

1. Introduction

MIB was incorporated and domiciled in the Republic of Maldives on 1st April 2010 as a private limited Bank and presently governed under the Bank's Act. The bank received the banking license under the Maldives Monetary Authority (MMA) on 2nd August 2010 to conduct Islamic banking business in the Maldives and obtained certificate of approval to commence operations on 7th March 2011. The Bank subsequently converted to a Public Company on 19th June 2019 under the Companies Act and the Bank listed its shares on the Maldives Stock Exchange on 17th November 2019. The registered office of the Bank is at H. Medhuziyaaraiydhoshuge, 20097, Medhuziyaaraiy Magu, Male' City, Republic of Maldives.

The bank provides full range of banking services based on Shari'ah principles including accepting deposits, granting of financing facilities and other ancillary services.

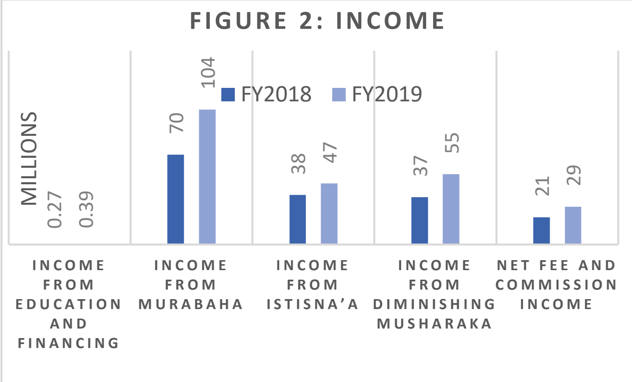
2. Shareholding Structure



Islamic Corporation for the Development of the Private Sector (ICD) holds 36%, and Government of Maldives (GoM) and Amanatakaful Maldives holds 28% and 5% of shares of MIB respectively. After the IPO, Maldives Pension Office now holds 11% and 20% is owned by the general public. The total share capital of the bank currently stands at MVR 337.50 million.

3. Financial Analysis

3.1 Income

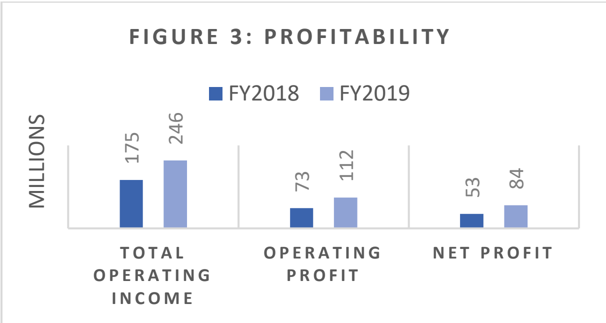


(the table shows net Income figures)

Income from financing activities has reached MVR 206 million, 43% increase compared to previous year, where all line items have recorded a growth.

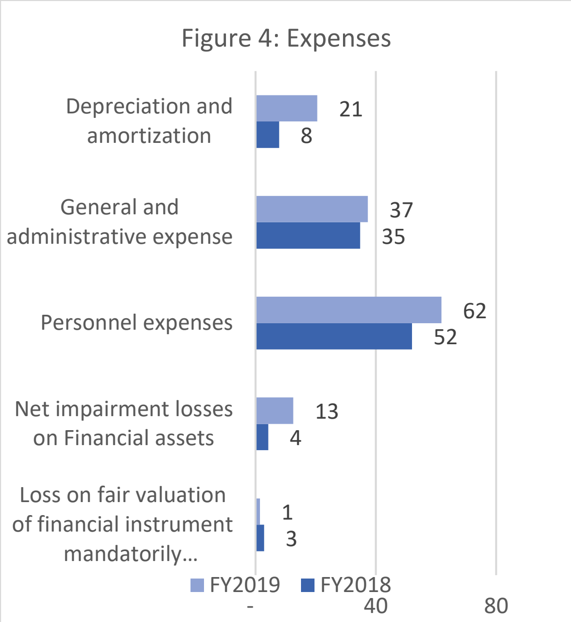
Profit from customer accounts amounting to MVR 44 million was paid to customers in FY2019 (FY2018: MVR 32 million) from income from financing activities.

3.2 Profitability



The bank has achieved a net profit of MVR 84 million, a growth of 60% compared to previous year. While total operating income has recorded a growth of 41%, the total operating expenses has increased by only 31%. Thus, cost to income ratio has reduced from 58% to 54%, indicating that MIB now incurs less cost to generate every MVR of income.

Expenses



Depreciation and amortization have increased by MVR 12 million, due to increase in non-current assets during 2019.

General and Administrative expenses on the other hand had increased by 7% while personnel expenses have increased by 19% over the comparable period.

Personnel expenses were the most significant cost of the Bank. The breakdown of personnel expenses as below;

PERSONNEL EXPENSES	FY 2018	FY 2019
Salaries and wages	35,527,951	42,041,682
Housing allowance	5,282,419	6,151,673
Annual and ramadan bonus	5,304,181	5,776,606
Contribution to defined contribution plans	2,085,167	2,375,546
Medical insurance	1,225,554	1,528,476
Training and development	1,137,517	879,575
Uniforms	375,526	537,470
Executive allowance	216,000	287,806
Other staff expenses	877,615	2,241,557
Total	**52,031,930**	**61,820,391**

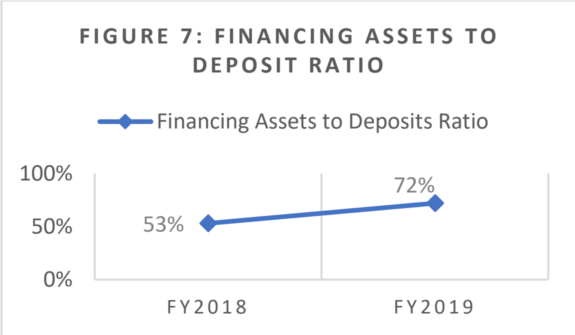
Figure 6: Personnel Expenses

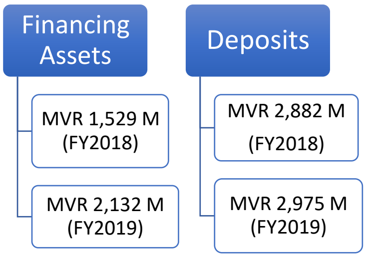
Net Impairment losses on financial assets of MVR 12 million was recognized, however this is a growth of 197% in comparison to previous year.

MIB has recognized MVR 1.44 million as loss on Fair Valuation of Financial Instruments Mandatorily Measured at FVTPL in FY2019 (a reduction of 50% compared to previous year).

3.3 Solvency

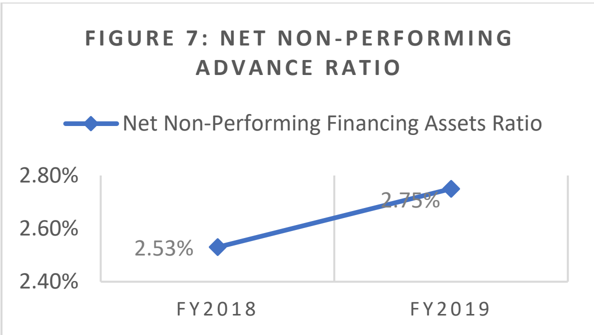
Financing Assets to Deposits Ratio





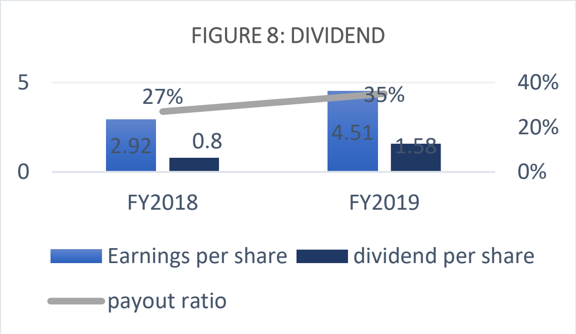
Both financing assets and deposits have recorded an upward growth, thus financing assets to deposit ratio has improved. A ratio of below 100% is acceptable, since it has more deposits than the assets invested.

Non- performing Advance Ratio



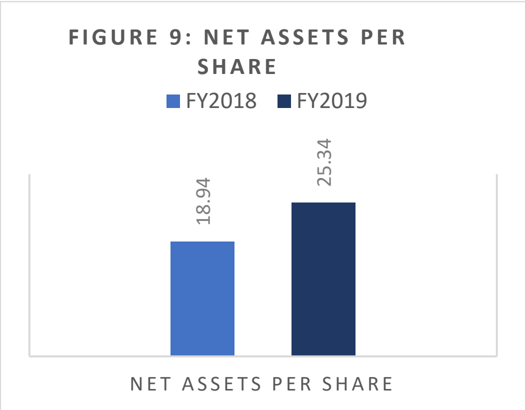
Non-performing advance refers to the advances that do not create any income for the bank. Non-performing advance ratio has increased from 2.53% to 2.75%, indicating the percentage of non-performing assets of MIB has increased which will have an unfavorable impact on bank's profitability.

3.5 Shareholders Returns



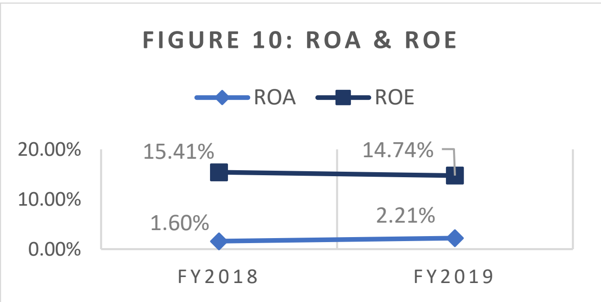
A dividend of MVR 1.58 per share has been declared for FY2019 (FY2018: MVR 0.80). The company has performed a share split at the ratio of 1:100 which was effective from March 2019, and additional 4.5 million shares were issued to the public through the IPO.

Net Assets per Share



The bank finished the year with total assets of MVR 3,809 million (2018: MVR 3,282 million), increased by 16% compared to previous year.

Return on Assets (ROA) and Return on Equity (ROE)



ROA has recorded an upward movement, indicating improvement in bank's ability to generate profits from Assets, while ROE has recorded downward movement due to increase in equity in 2019.

3.6 Capital Management

The Regulator of the Bank, Maldives Monetary Authority, sets and monitors capital requirements for the Bank.

MIB has complied with all regulatory capital requirements during both years FY2018 and FY2019. As per MMA guidelines, the total capital ratio must be maintained at minimum 6% for Tier 1 and minimum 12% for Tier 2 capital. MIB reported 15% and 18% for Tier 1 and Tier 2 capital respectively for the year ended 2019.

3.7 Leverage and Risk

Banking is a highly-leveraged business requiring regulators to dictate minimal capital levels to help ensure the solvency of each bank and the banking system.

Credit Risk

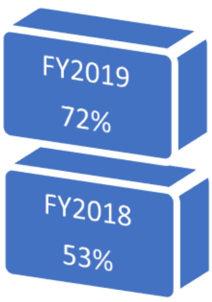
Receivable from Financing Activities are classified into 5 grades based on the number of days due.

	31/12/2019				31/12/2018
Receivable from Financing Activities Measured at Amortized Cost	Stage 1	Stage 2	Stage 3	Total MVR	Total MVR
Grade 1 - Low Risk (0 Days)	1,889,748,857	-	-	1,889,748,857	1,257,616,321
Grade 2 - Low Risk (1 - 30 Days)	138,006,144	-	-	138,006,144	128,216,116
Grade 3 - Fair Risk (31 - 60 Days)	0	51,825,856	-	51,825,856	112,841,454
Grade 4 - Fair Risk (61 - 89 Days)	-	23,272,168	-	23,272,168	9,799,226
Grade 5 - Default (Over 90 Days)	-	-	58,644,634	58,644,634	38,660,903
	2,027,755,001	75,098,024	58,644,634	2,161,497,659	1,547,134,020
Loss Allowance	-5,075,048	-1,643,332	-22,788,150	-29,506,530	-17,891,708
Carrying Amount	**2,022,679,953**	**73,454,692**	**35,856,484**	**2,131,991,129**	**1,529,242,312**

As per the above the table, 3% of financing activities are default at the end of 2019.

Liquidity Risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. Ratio of net liquid assets to deposits from customers at the reporting date were as follows.



External Audit

The external audit of BML was conducted by KPMG. As per their opinion, the financial statements of the company give a true and fair view of its financial position as at 31 December 2019. The following were identified by the auditor as key audit matters.

→ IT Systems and controls impacting the financial reporting- the bank's business utilize a large number of complexes, interdependent IT systems to process and record a high volume of transactions and the financial accounting and reporting processes are highly dependent on the automated controls.

→ Impairment of Receivables from Financing Activities–Financial Instruments.

→ IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Bank, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

4 Conclusion

Financial year 2018 was a positive year for MIB achieving solid business in all the segments. MIB has recorded a net profit growth of 60%.

Net income from financing activities had a healthy growth of 44%, while cost/income has reduced from 58% to 54%. Further, both financing assets and deposits has increased, thus increasing the ratio from 53% to 72%.

The bank is complying with the regulatory capital requirements outlined by MMA, reporting 15% and 18% for Tier 1 and Tier 2 capital respectively for the year ended 2018 under Basel 2 guidelines.

A dividend of MVR 1.58 per share has been declared for FY2019 (FY2018: MVR 80). The company has performed a share split at the ratio of 1:100 which was effective from March 2019, and additional 4.5 million shares were issued to the public through the IPO.

The overall performance of MIB for the year 2019 is satisfactory, ending the year with a Profit after tax of MVR 84 million (FY2018 52.5 million).

MALDIVES PORT LIMITED

ANNUAL FINANCIAL REVIEW

FY2019

1. Introduction

MPL is a limited liability company, which is fully owned by Government of Maldives (GoM). The company was incorporated in the Republic of Maldives on 3l July 2008 under the Act No. 25/82.

Principal business activity of the Company includes providing harbor facilities, storage, supplies and repair and maintenance services of ship and other ocean-going vessels. Beyond the main operation, the company provides public land transportation (bus) services and construct housing projects for staff.

2. Financial review

2.1 Revenue

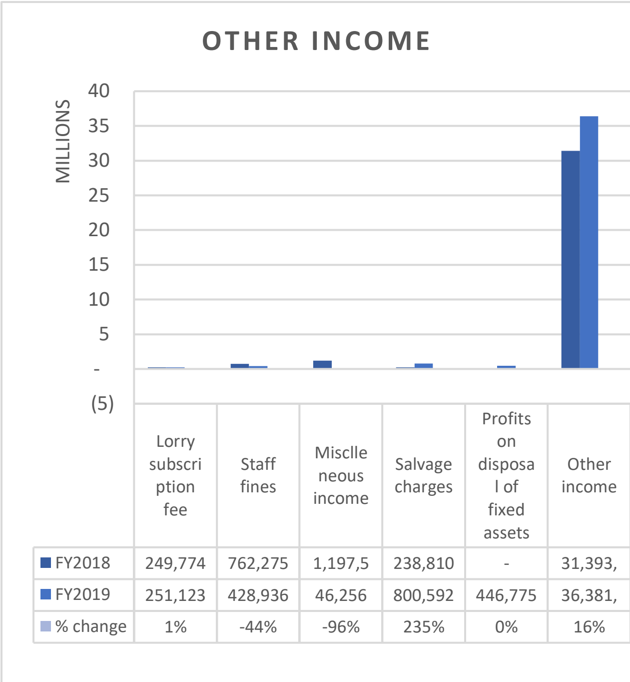
The company has recorded a revenue of MVR 758 million in FY2019, which is almost same as the revenue earned in 2018. The following table shows the revenue breakdown of the company.

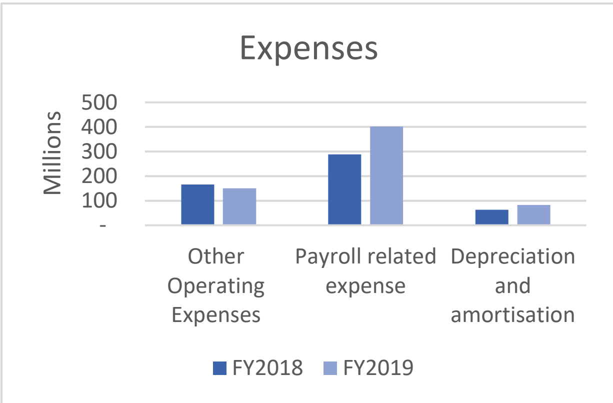
Revenue	FY2018	FY2019	% change
Ship arrival and pilotage services	85,315,806	78,003,424	-9%
Unloading the cargo	199,248,373	194,718,144	-2%
Clearing the goods	63,505,334	68,669,754	8%
Loading/Unloading the cargo	288,263,800	298,382,764	4%
Empty containers & vessel departure	67,952,098	42,676,995	-37%
Vessel & equipment hiring charges	8,899,609	6,792,080	-24%
Rent income	38,231,410	39,964,277	5%
Revenue from transport	2,969,351	24,349,723	720%
Revenue from ferry transport	3,814,859	4,628,483	21%
Total Revenue	**758,200,640**	**758,185,644**	**0%**

Revenue from loading and unloading which is the largest business activity of the company has seen an incremental growth of 4% while other revenue segments such as Pilotage services, and empty containers and vessel departure has seen significant reduction in revenue. Revenue from transport segment has seen a significant increase of 720% (2.9 million to 24 million) in 2019 compared to 2018. It should be noted that the revenue generation from Transport from GMTL (Greater Male transport Link) bus service started from 2019 and actual reason for the Increase in 2019 is due to start of GMTL operation. With the offsetting changes in revenue the total revenue of the company has remained at MVR 758 million.

2.2 Other Income

The total other income of the company has increased slightly by 13%. Although growth in staff fines and miscellaneous income decreased significantly other income saw a significant jump because of increase in income which is not classified in any category.



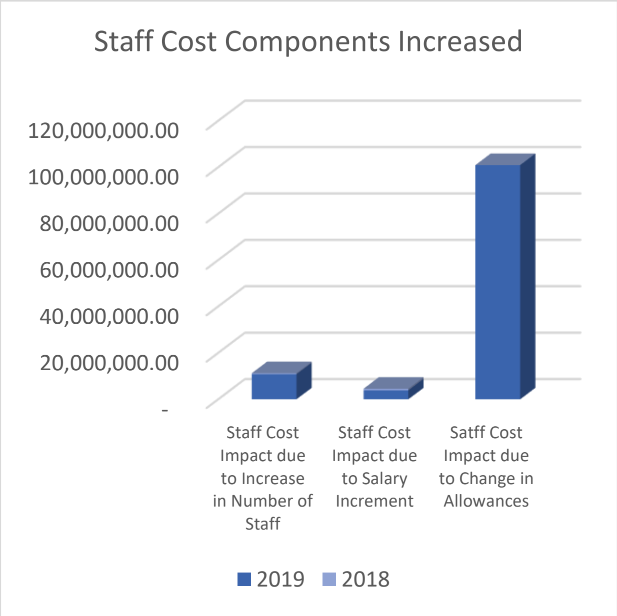


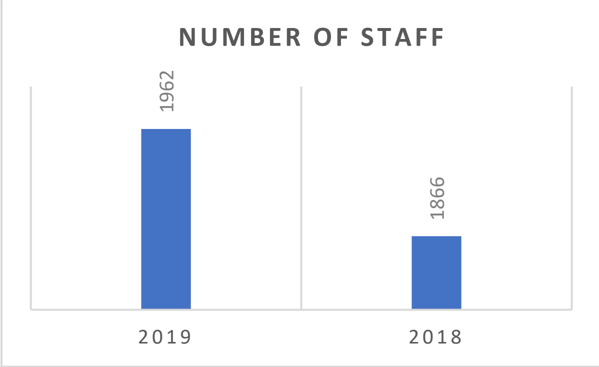
Company's expenditure increased by 23% which is MVR 177.5 million in 2019 compared with 2018. Although expenditure in Other Operating expenses reduced staff related costs increased significantly by MVR 113 million in 2019 compared to 2018 which is a 39% increase in staff costs. The revenue did not have significant increase during this period.

Besides the increase in staff related costs, costs which have changed significantly during 2019 compared to 2018 is shown below. The total other operating costs has decreased by 9% and this decrease is mainly due to decrease in non-cash expenses such as impairment of trade receivables.

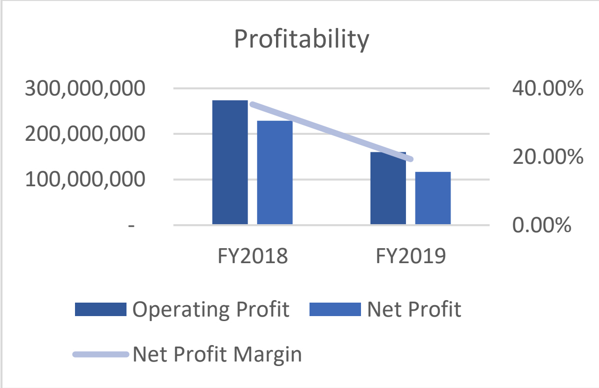
Other Operating Expense	FY2017	FY2018	% change
Equipment hire charges	3,645,389	5,603,905	54%
Electricity charges	14,605,999	20,151,684	38%
Fuel charges	42,815,963	45,104,692	5%
Professional fees	4,995,180	890,342	-82%
Advertising expense	4,663,206	2,396,226	-49%
Travelling	3,496,964	5,008,958	43%
Printing and stationary	2,219,891	3,389,861	53%
Repair and maintenance expenses	36,618,750	49,697,151	36%
Impairment of trade receivable	18,372,027	-	-100%
Payroll related expense	288,983,617	402,450,613	39%

The change in payroll is mainly due to change in the allowance structure of the company during March 2019. The impact of the changes in allowances was an increment of MVR 100.9 million. The number of staffs also increased during 2019 leading to an increment of salary of MVR 10.8 million.





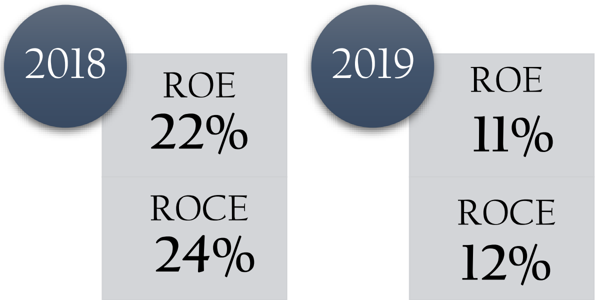
2.3 Profitability



Both operating profit and net profit of the company has declined in 2019 compared to 2018. The decline is mainly caused by the increase in staff expenses and eventual increase in total expenditure. The total staff related costs increased by MVR 113 million causing the total expenditure to increase by 23% without a significant increase in total revenue of the company.

Company's operating profit margin has reduced from 36% to 21% in 2019 compared to 2018. The net profit margin also declined sharply from 30% to 15% in the same period. The company has to focus on managing the costs more efficiently and reduce the staff related costs exponentially to increase the profit of the company.

2.4 Return on Equity (ROE), Return on Capital Employed (ROCE)

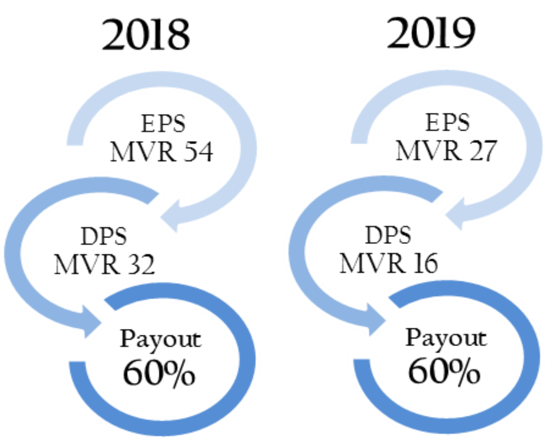


ROE measures a company's profitability by revealing how much profit a company generates with the money shareholders have invested. ROCE measures a company's profitability and the efficiency with which its capital is employed.

The company has accumulated a return to the equity holders amounting to MVR 116 million (2018: 228 million) with a ROE of 11% (2018: 22%) for the year ended 31 December 2019. The reduction in ROE and ROCE is due to significant decline in profits of the company.

Overall, both ROE and ROCE has decreased (increased by 50%), due to significant increase in staff costs in 2019.

2.5 Shareholders Returns



Dividend policy of a company is the strategy a company uses to decide on how much earnings they would pay out to shareholders in the form of dividends.

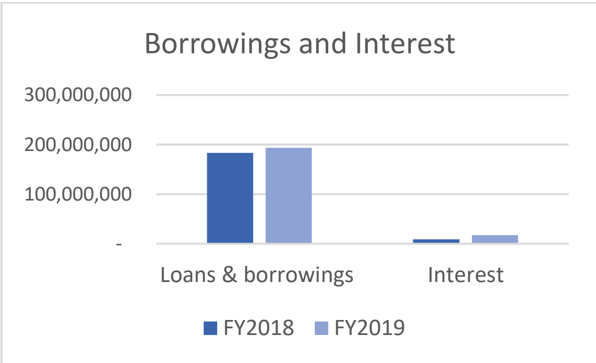
The company faced a lower net profit in 2019. However, as the government policy is to declare a dividend of 60% from the previous year's earnings the company has declared a dividend of MVR 32 per share as dividends from the profit of 2018 in 2019. Therefore, based on 2019 profits, the company has a payout ratio of 60% compared to 2018 figures.

The company should manage costs more efficiently to create a higher return to the shareholders.

2.6 Net Assets per Share

Total assets were increased by MVR 330 million while total liabilities have increased by MVR 351 million over the period from 2018 to 2019. The net assets per share has decreased from MVR 245 to MVR 241 mainly due to reduction in retained earnings of the company.

2.7 Gearing



Company's borrowing increased in 2019 by 6% while finance costs increased by 86% compared to 2018. The increase in borrowings is due to capital investments undertaken by the company in 2019.

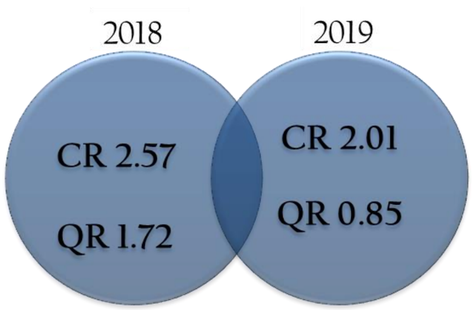
Gearing	FY2018	FY2019
Gearing ratio (LL/CE)	15.74%	13.99%
Interest cover(EBIT/Interest)	29	9

Company's gearing ratio also reduced in 2019 even though borrowing increased due to significant increase in capital employed of the company. Company's interest cover reduced significantly from 29 to 9 in 2019 compared to 2018. Even though, 9 is high, the company should take measures to address the core reasons related to the reduction in profit in 2019 which is driven by increased staff costs.

2.8 Working Capital Management

Working capital management refers to a company's strategy designed to monitor and utilize the two components of working capital, current assets and current liabilities, to ensure the most financially efficient operation of the company. The main purpose is to make sure the company always maintains sufficient cash flow to meet its short-term operating costs and short-term debt obligations.

2.9 Current Ratio & Quick ratio



The current assets and current liabilities of the company are as follows;

Current Assets	FY2018	FY2019	% change
Inventories	183,315,270	376,402,354	105%
Trade and other receivables	148,502,480	140,926,691	-5%
Contract assets	6,197,172	3,076,338	-50%
Other current financial assets	84,283,278	83,533,744	-1%
Cash and cash equivalents	131,274,457	50,723,842	-61%
Total	**553,572,657**	**654,662,969**	**18%**

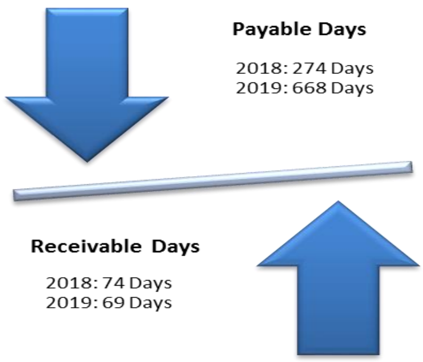
Current Liability	FY2018	FY2019	% change
Employee Defined Benefit liabilit	-	949,631	0%
Interest-bearing loans and borrov	63,281,818	36,626,195	-42%
Current Lease laibilities	-	9,196,667	0%
Trade and other paybales	125,163,982	276,284,486	121%
Contract Liabilities	270,077	960,079	255%
Business profit tax paybale	26,677,850	1,668,133	-94%
Total	**215,393,727**	**325,685,191**	**51%**

Current liabilities of the company are low compared to its current assets, as a result current ratio remained at sufficient levels in both 2018 and 2019 although there is a small reduction in current ratio in 2019. However quick ratio has fallen below 1 in 2019, due to lower levels of cash balances at the end of 2019 compared to 2018.

Although ratios seem to be decreasing compared to previous two years, these ratios illustrate that short-term liquidity position of the company is strong. However, it is important to highlight that over 79% of current assets are trade and other receivables and inventories, which shows that the company does not have as much as quick funds as shown in the ratio. Also, it has to be highlighted that significant amount on Inventory includes the Hiya Project cost.

The higher the current ratio, the more capable the company is of paying its obligations, as it has a larger proportion of asset value relative to the value of its liabilities. However, depending on how the company's assets are allocated, a high current ratio may suggest that company is not using its current assets efficiently, is not securing financing well, or is not managing its working capital well. Therefore, it is important to manage company's working capital to the most optimum level in order to ensure the most financially efficient operation.

3.10 Receivable and Payable days



Accounts receivables are considered valuable because they represent money that is contractually owed to the company by its customers. In order to manage and retain a favorable cash position, it is vital to collect outstanding debt as early as possible. The company's receivable collection days has reduced from 74 to 69 days. The receivable management shows a favorable trend over the years. But it is important to note that majority of receivables are from related parties such as government and other state-owned enterprises for instance, receivables from MMPRC balances over MVR 85 million as at December 2019. The company is moving to the right direction in terms of collection management by engaging with the related parties to schedule the collections. At the same time company must assess for the recoverability of longstanding receivables by studying nature, significance and current status of transactions incurred.

Payable day measures how long a company takes to pay trade creditors or suppliers. The longer it takes to pay the better for working capital and cash position. However, this cash flow advantage can be obtained at the expense of the business relationship with entity's creditor.

The payables days of the company increase from 274 to 668 days, mainly as result of increasing dividend payables.

4 External Audit

Upon auditing of the financial statements of MPL for the year ended 31 December 2019, the Auditor General has expressed a qualified opinion. The following basis for the qualified opinion is taken directory from the audit report of the company.

- The carrying value of the investment made in Kulhudhufushi Port Limited as stated in these financial statements is stated at MVR. 52,040,800/- (Note 15 to the financial statements). The investee incurred recurring losses since incorporation and the operational revenue has been decreasing over the years. Consequently, KPL has recorded an accumulated net loss of MVR. 69,176,392/- as at the year-end resulting in net assets to MVR. 32,864,408/- based on financial statements prepared by the management. As required by IAS 36; Impairment of assets, the Company should assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company should estimate the recoverable amount of the asset. Given the continuous losses, the management has not adequately assessed whether there is any indication that the said assets may be impaired. Accordingly, we were unable to sufficiently satisfy ourselves as to the valuation of the said balances stated in these financial statements.
- An amount of MVR. 24,004,229 is stated under capital work in progress being expenditure incurred in the construction of a Tug Boat. Since the construction has been suspended in 2010 due to a dispute with the contractor and we were not allowed access to the premises verify the physical existence of the asset, we are unable to satisfy ourselves whether the amount shown under capital work in progress in the statement of financial position is fairly stated.
- Related party receivables at the date of the statement of financial position includes receivables amounting to MVR. 13,073,636/- (Note 18.1 to the financial statements) from Maldives National Shipping Limited, which has been outstanding for more than eight years and therefore, doubtful of recovery. Hence, we are unable to satisfy ourselves whether the amount shown under related party receivables in the statement of financial position is fairly stated.
- Other receivables include MVR. 85,137,999/- (Note 18 to the financial statements) due from Maldives Marketing and Public Relation Corporation. The Company has been unable to recover two promissory notes originally matured on 31 March and 27 April 2015 respectively as of our opinion date. Based on the information available, the recoverability of these amounts is doubtful.

5 Conclusion

The company has a significantly lower performance in 2019 compared to 2018. The company's sales remained at the same level as 2018 and the company's staff costs increased by 39% which is MVR 113 million compared to the amount in 2018. The company has to take drastic measures to reduce the staff costs including a review of the optimal staff levels for the company.

In terms of liquidity management of the company, although the company was able to adequately manage the liquidity position, the trend shows that the company should focus on managing liquidity position without further deterioration. MPL has to make policies on managing receivable and payables of the company in order to manage the cash flow position. The company has to find a solution to long standing receivables to the company either by converting them to long term loans or through a restructuring process.

The company has declared a dividend of MVR 16 per share in 2019 (MVR 32 in 2018). Investors of the company get a good return as dividend for their investment however variation in dividend with a slight reduction may seem unfavorable in their perspective. The company has ample space to increase performance and profitability through better cost management and capital investments.

The financial risk in terms of gearing was maintained at an acceptable level. The interest covers of the company reduced in 2019 compared to 2018, however the company still has space to borrow and invest in capital expenditure.

Further auditor has expressed a qualified opinion on MPL financial statement in this year as well as previous year, which means auditors disagree with the company's management in certain assumptions, thus this needs to be addressed upon as soon as possible since some these significant issues constantly remains over the periods.

MALDIVES SPORTS CORPORATION LIMITED

Annual Financial Review

FY2019

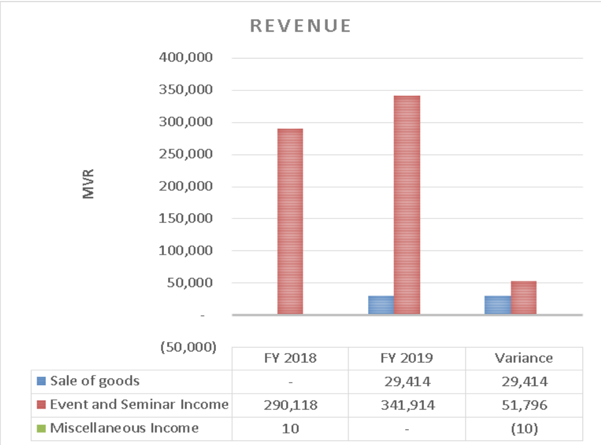
1. Introduction

MSCL is a limited liability company, fully owned by the Government of Maldives (GoM). The company is incorporated under Sports Act 30/2015 in Republic of Maldives on 15th day of March 2016 bearing registration number: C- 280/2016.

The main business activity of company is to develop sports related infrastructure and to generate income through sports related activities.

2. Financial Analysis

2.1 Revenue



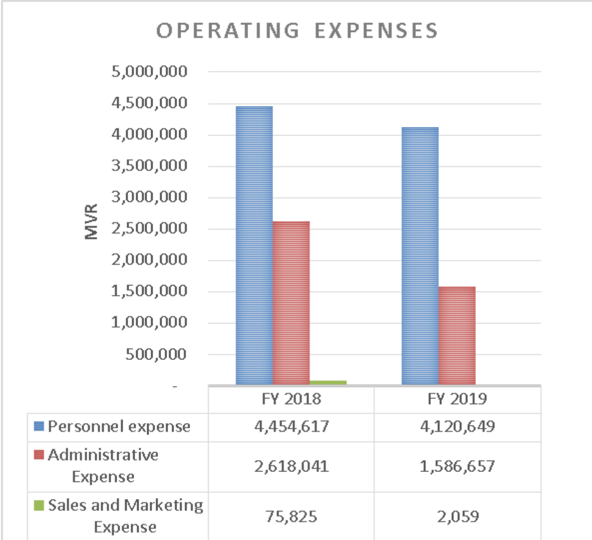
Although company was able to increase its revenue by 28% over the comparable period, the increase does not satisfy the total overhead cost which company has to incur for its operation.

Company seems to have earned some of its revenue from sale of goods in 2019, indicating that company has initiated to create sales from new areas. Revenue from events and seminar income has seen an increase by 18%.

The revenue generated in 2019 tends to be lower than overall operating cost of the business, similar as the past year. The struggle to operate in a self-sufficient manner for the company needs to be addressed at a strategic level as the instance remains same since the incorporation of company.

It is understandable that main reason for such a poor financial performance is the fact that company is unable to generate revenue as the company was not handed over the land for infrastructure development.

2.2 Operating Expenses



Overall, total operating expenses has seen a reduction by 20% from 2018 and 2019. It is important to note that company is unable to generate enough revenue to cover its operating expenses.

Personnel Expenses

Personnel expenses have decreased by 7% (from MVR 4.4 to MVR 4.1 million) from 2018 to 2019. The company employs around 18 - 20 staffs in average throughout this period.

Administrative Expenses

Admin expenses has decreased by 39% over the comparable period, indicating that company was able to reduce its costs as company is not generating sufficient revenue. Maintaining its operating costs at an optimum level is important at a time where company is unable to create revenue generating units.

Sales and Marketing Expenses

Sales and marketing expenses has also seen a decrease from Mvr 75,825 to Mvr 2,059 (by 97%), as the existing sales does not require such a high level of a marketing expenses to be incurred.

2.3 Profitability

2018
Net Loss
5.9 million
Net loss Margin
-2033%

2019
Net Loss
4.6 million
Net loss Margin
-1251%

The company has continued to make operating loss since its inception. However, net loss of MVR 4.6 million in 2019 is a 21% decrease when compared to 2018 (Mvr 5.9 million). This is seen achieved through reducing its operating costs in 2019. As at 31st December 2019 the company has incurred an accumulated loss of MVR 19 million (2018: MVR 14.4 million)

Net loss margin shows a significant negative impact due the denominating factor of revenue being immaterial compared to the level of operating expenses that company is incurring now.

Recurring operating losses together with no stable revenue generating units are a threat to going concern of the company. Profitability of the company is essential for its survival in the long term.

2.4 Shareholder Returns

The company is unable to distribute any returns to shareholder since it is making huge losses. Currently, as the shareholder Government is providing for the working capital requirements of the company.

3.5 Working Capital Management

LIQUIDITY	FY 2018	FY 2019
Current Ratio	6.80	1.90
Quick Ratio	6.54	1.88
Working Capital	1,335,128	1,310,667
Current Assets	1,565,336	2,764,471
Current Liabilities	230,208	1,453,804

Working capital management refers to a company's strategy designed to monitor and utilize the two components of working capital, current assets and current liabilities. The main purpose is to make sure the company always maintains sufficient cash flow to meet its short-term operating costs and short-term debt obligations.

Over 96% of the company's current assets consists of cash and cash equivalents which is the capital injected by the shareholder.

The current ratio of the company has reduced from 6.8 to 1.9 times due to advance and deposit received in 2019 which led to a significant increase in current liabilities. However, this ratio is still maintained above the ideal level of 2. It is important to note that as current assets consist mainly the capital injected by the shareholder, this does not fairly reflect on the objective of this ratio. The existing asset base is not produced through their own business operations.

3. External Audit

Upon auditing the financial statements of MSCL for the year ended 31 December 2019, the Auditor General has expressed an unqualified opinion.

Auditors have however highlighted the company's significant accumulated loss in emphasis of matter paragraph of the audit report, the opinion was not modified with this regard.

4. Conclusion

The company has made a significant loss of MVR 4.6 million for the financial year 2019 and has an accumulated loss of MVR 19 million as at 31 December 2019. The financials were prepared on the basis of going concern on the assumption that the shareholder of the company, intends to continue providing working capital requirements.

The company was able to generate a revenue of MVR 0.37 million for the year, whereas the expenditure of the company was is MVR 5.9 million. Although company has reduced its operating expenses, the revenue generated did not cover its operating expenses.

The current asset of the company is higher than its short-term obligations by over MVR 1.3 million. Over 96% of current assets include the cash and cash equivalent received as capital from Government.

Considering the position of the company, it is very unlikely that the company will be able to generate any return to the shareholder without a proper capital investment rather than utilizing all the funds for re-current expenses.

Auditor General has expressed an unqualified opinion for the financial statement of 2019 with an emphasis of matter on the significant accumulated loss.

With significant accumulated losses, company is facing serious going concern issues. In order to survive, the company must find stable revenue sources and ensure costs are maintained to an optimum level.

MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC

ANNUAL FINANCIAL REVIEW

FY2019

1. Introduction

Maldives Transport and Contracting Company Plc (MTCC) was incorporated on 18 December 1980 as the first public company in the Maldives. Throughout its existence MTCC has positioned itself as the leading marine and land transport provider and civil and marine constructor.

MTCC is the most dynamic company engaged in infrastructure development, construction and project management, dredging and reclamation, transport services and trading in products related to marine transport and construction. MTCC is also the largest logistics provider and largest and most comprehensive docking service provider in Maldives.

Geographically the core business units of the Group are based in Male', Thilafushi' and construction sites across the Maldives, the business units are operationally divided into six strategic business units (SBUs), as shown in the below chart.

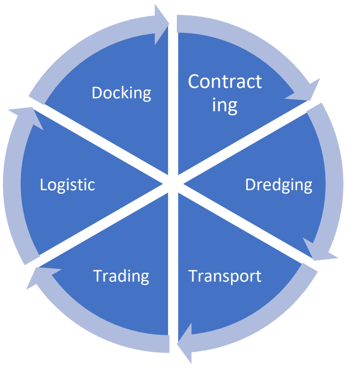


Figure 4 Business Units

2. Ownership Structure

A right issue was exercised from 19 October 2017 to 31 December 2017. And with the allotment of new shares the shareholding of the company changed on 14 February 2018 as below has not changed further;

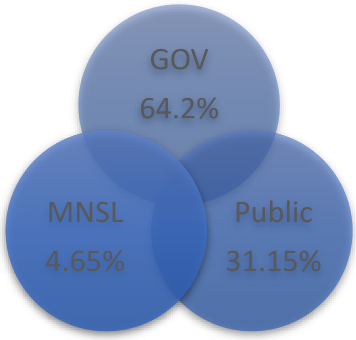


Figure 5 Ownership Structure

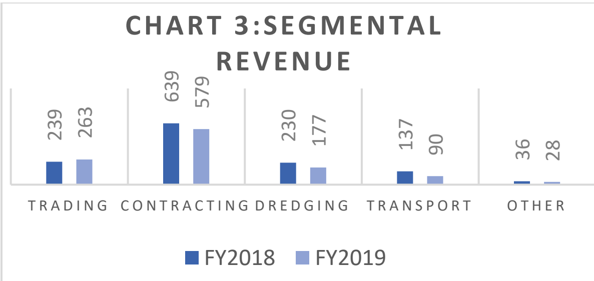
As of 31 December 2019, Government of Maldives held 64.2% of the shares, while 31.15% is owned by public and the remaining 4.6% shares are owned by Maldives National Shipping Limited, a company wholly owned by the Government of Maldives.

3. Financial Review

3.1 Revenue

The total revenue of the company for FY2019 was MVR 1,137 million, which was 11% decrease from MVR 1,281 million in FY2018.

The following chart illustrates the revenue generated by each business units.



Trading segment of the company deals with products and services required for marine's transport, industrial power generation, tourism and fisheries industries of the country. During the year 2019, trading segment contributed MVR 286 million towards the total group revenue, 10% increase compared to previous year.

Being the leader in infrastructure development and construction in the Maldives, contracting segment is the largest business segment representing 50% of total revenue. However, this is 17% less compared to segmental revenue of FY2018. The company's revenue recognition comes from the work in progress of the projects and given that the company has many projects already awarded, the speed of completion will enable the company to recognize more profit.

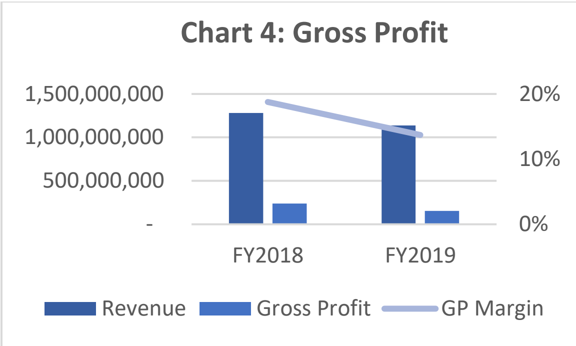
With rapid inflow of new investments into the country, Dredging and reclamation segment has been experiencing tremendous growth. With the addition of the largest fleet in the country, Mahajarraf, MTCC has been undertaking huge reclamation projects and has completed seven projects during 2019 of which some projects are still going on. As a result, the dredging and reclamation segment has contributed MVR 177 million in 2019, which represents 15 % of total revenue.

MTCC provides a comprehensive range of travel options and a nationwide transport network that covers almost 85% of the Maldivian population. Due to opening of Sinamale' bridge in 2018, the demand for sea transport has reduced in the Male region, resulting a fall in revenue from transport. During 2019, transport segment contributed MVR 90 million, which is a reduction of 34% compared to FY2018. The decline in revenue is important to be matched with the scale down of the transport segment in order to reduce the costs of operation. The government has given a subsidy for the loss from transport segment during 2019.

MTCC's other business segments include logistics, boat yard as well. And the boat yard is one of the largest in the country and recently installed 200-ton boat hoist. With this change, MTCC began to undertake fleet management on contracts basis from various private and corporate customers on retainer basis. The Other revenue segment which includes above mentioned components contributed MVR 27.8 million, which is a reduction of 22% compared to MVR 35.8 million contributed in FY2018.

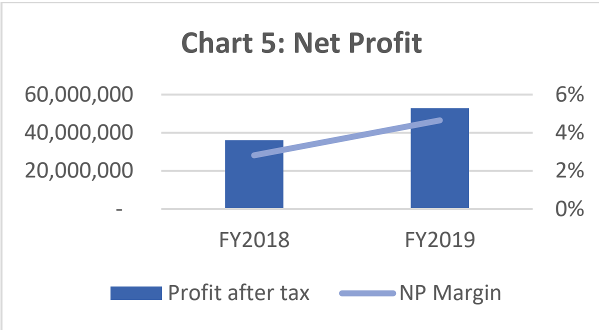
3.2 Profitability

Gross Profit



Although the revenue has reduced by 11%, gross profit margin has reduced by more than 5%. The company was not able to manage the costs during 2019 even though the company's revenue declined.

Net Profit



Net Profit of MTCC has recorded a significant increase of MVR 52 million, thus NP margin has increased from 3% to 5%. The net profit of the company improved as result of approving government subsidies of MVR 94 million to compensate loss incurred from transport segment.

Segmental margin

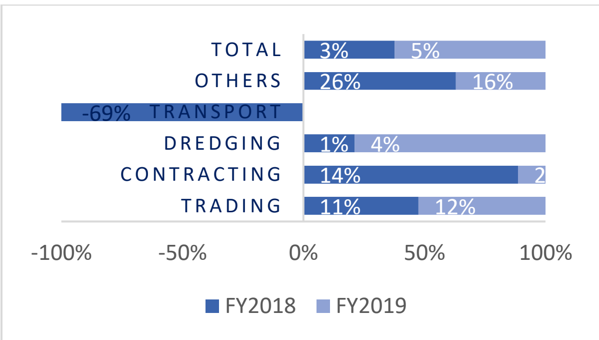


Figure 6 Segmental Net Profit Margin

Company's major business segment which contributes 50% of the revenue of the company has seen a net profit margin decline from 14 % to 2%. With a 17% decline in revenue of the segment and a sharp fall in the net profit margin, company needs to tackle this problem as soon as possible. Net profit margin from other segments also declined significantly from 26% to 15%. Company's total net profit margin improved from 3% to 5% with the recognition of the subsidy for the transport segment thereby reducing the segments negative margin of 69% to 0. Therefore, overall the company's main business segments saw a significant decline in 2019.

In addition, as the topline declined during 2019, the company's costs also declined significantly. Major declines from costs came from subcontracting (77%), training expenses (20%), and other expenses (49%). Other major reduction in expense is also highlighted in the table below. However, some costs such as depreciation and impairment costs has increased. Although these are non-cash items, it is important to manage these items to reflect higher net profit in the coming years.

Detail	FY2018	FY2019	% Change
Depreciation Investment Property	646,629.00	1,075,633.00	66%
Depreciation Right of Use Assets	-	13,708,322.00	
Amortization	299,272.00	406,503.00	36%
Material and Consumables	495,658,979	505,266,004	2%
Sub Contract expenses	30,236,464	6,836,748	-77%
Advertising, sales promotion	8,364,940	9,874,841	18%
Training expenses	8,278,594	6,588,346	-20%
other expenses	40,047,978	20,351,162	-49%
Lease rent and hiring expenses	93,253,425	58,210,531	-38%
Repairs and maintenance	38,628,211	48,091,124	24%
Transportation, travel	33,488,369	20,808,977	-38%
Provision for impairment of receivables	5,607,257	18,799,032	235%

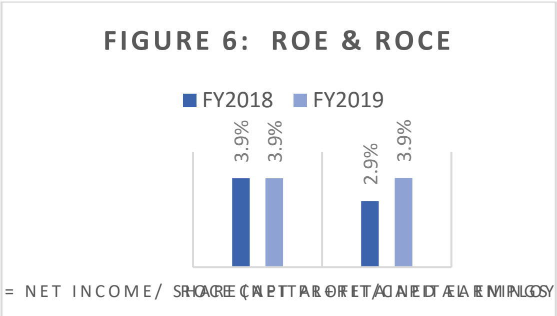
Figure 7 Significant Expenditure Changes

In terms of employee related expenses, the company has managed to reduce the expenses compared to 2018 figures due to reduced operations in 2019. However, staff retirement costs and medical allowances has increased.

Detail	FY2018	FY2019	Change
wages and salaries	187,685,374	168,232,102	-10%
other allowances	46,884,776	45,626,125	-3%
Bonus	7,741,373	-	-100%
Staff welfare	2,988,414	1,072,024	-64%
Pension contribution	4,728,932	4,446,010	-6%
staff food allowances	13,484,164	13,984,953	4%
staff medical allowances	854,161	958,859	12%
Retirement benefit	6,776,300	9,185,327	36%
Visa fees	2,707,899	2,766,722	2%
	273,851,393	246,272,122	-10%

Figure 8 Change in salary expenditure

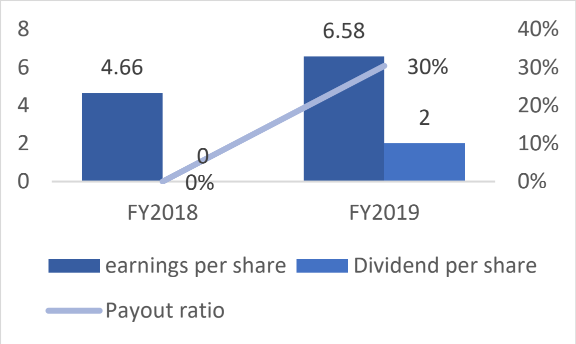
3.3 Return on Equity (ROE) and Return on Capital Employed (ROCE)



ROE has stayed at the same level of 3.9% in the two years analyzed. However, ROCE has improved from 2.9% to 3.9% in 2019 due to increase in net profit during the year. This ratio illustrates that effectiveness of management using company's assets and capital in generation of profits have deteriorated.

During 2018, MTCC has issued new right issue of one ordinary share for par value of MVR 5 per share with a share premium of MVR 57 per share. The increment in the net profit is mainly due to government subsidy related to the loss-making transport segment.

3.4 Shareholder Returns



The dividend policy of MTCC is to increase the flow of dividend to shareholders through time. The company did not pay dividends in 2018 and the EPS of 2018 is also lower than 2019. The company was able to pay a dividend of MVR 2 per share as dividends in 2019 which is a payout ratio of 30%.

4.1 Market Price and Net Assets per Share

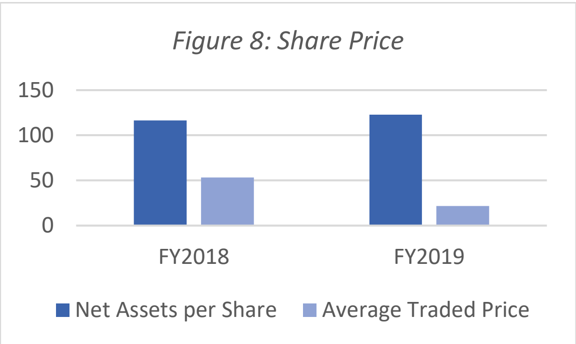


Figure 8: Share Price

As shown in the above graph, MTCC's weighted average traded price is lower than its net assets per share. Further, the net asset value per shares has increased compared to the previous year due to increased profits in 2019.

During 2019, MTCC's 18318 shares traded at Maldives Stock Exchange, compared to 956 shares traded in 2018. The highest traded price in 2019 was MVR 45 where the lowest traded price was MVR 16.

4.2 Long Term Investments

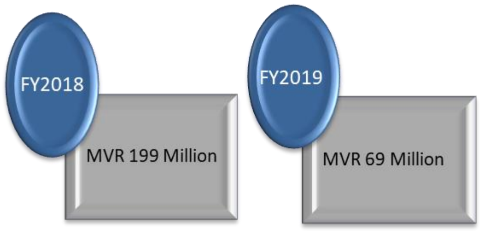
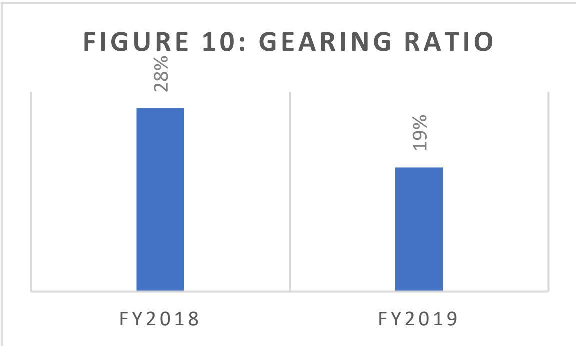


Figure 9: Capital Investments

The company has made investments in capital assets during the year amounting to MVR 69 million (2018: MVR 199 million) through borrowing and operating cash flows.

4.3 Financing



Gearing ratio of MTCC has slightly reduced due to repayments of MVR 106 million. The company has borrowed MVR 22 million during 2019.

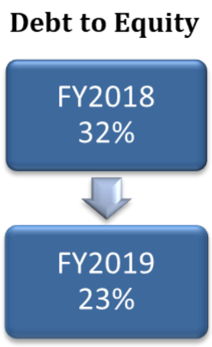


Figure 11: Financial Leverage

Financial leverage of the company has also had a downward movement due to reduction in total borrowings. Too much debt can be dangerous for a company and its investors. However, if a company's operations can generate a higher rate of return than the interest rate on its loans, then the debt is helping to fuel growth in profits.

Figure 12: Interest Cover

The total interest expenses show an increase of 27% compared to the previous year with the increased borrowing during the year. However, with higher operating profits compared to 2018, company's 2019 interest cover has improved from 1.6 to 2.7 times.

Given the company's asset base, and the projects awarded to the company, the company has potential to generate higher profits and by investing through borrowing as well.

4.4 Working Capital management

Figure 16: Sales to Working Capital Ratio

This ratio measures a company's ability to finance current operations. The sales to working capital ratio of MTCC has reduced. A high turnover ratio shows that management is being very efficient in using a company's short-term assets and liabilities for supporting sales. The company has reduced sales in 2019 and increased the working capital during the year. However due to government injection of subsidy for the transport segment enabled the company to reduce losses in the transport segment.

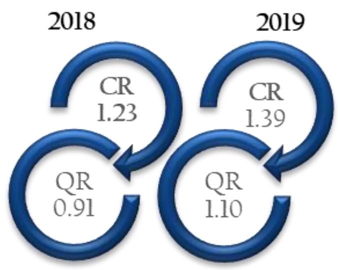


Figure 14: Current and Quick ratio

Both current and quick ratio has improved as the company increased its current assets and reduced its current liabilities during 2019. Company's receivable and inventory has reduced while company's accounts payable has increased. The above ratios illustrate that the company's ability to service its short-term obligations has improved from 2018 to 2019.

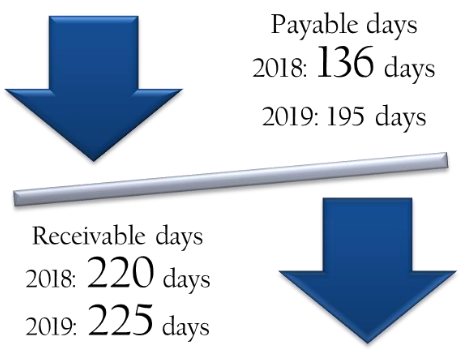


Figure 15: Receivable and Payable days

Accounts receivable days of MTCC has being maintained at the same level as 2018.

It is important to note that receivable from related parties are the major component of receivables representing more than 60% of total receivables. If related party receivables are removed, this ratio will be reduced to 94 and 196 for FY2018 and FY2019 respectively. Provision for impairment of related party receivables has increased from MVR 44 million to MVR 55 million in 2018 compared to 2019.

Payable days of the company are maintained below receivable days and it has increased from 136 days to 195 days. After exclusion of payables to related parties the payables days will be 79 days in FY2018 and 86 days in FY2019.

Related Party Dues and Receivables

Details	FY2018	FY2019
Amount due to related parties	161,249,235	292,078,856
Amounts receivable from related parties	485,157,747	458,936,690
Net Receivable	323,908,512	166,857,834

When net payables are set off against the receivables from related parties the balance is a net receivable for the company.

Working Capital Cycle

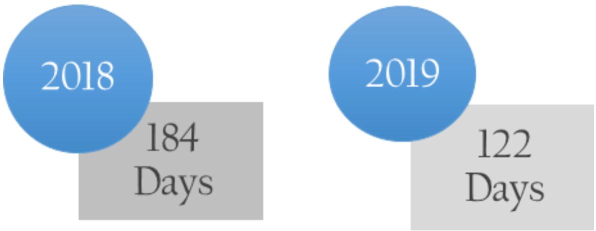
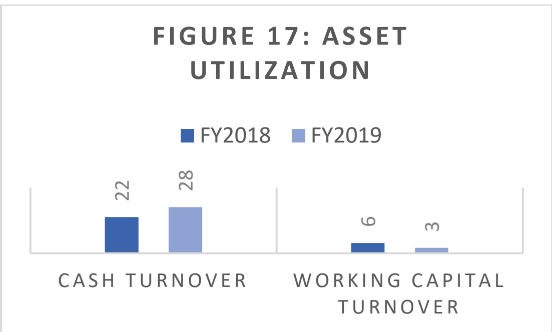


Figure 16: working capital cycle

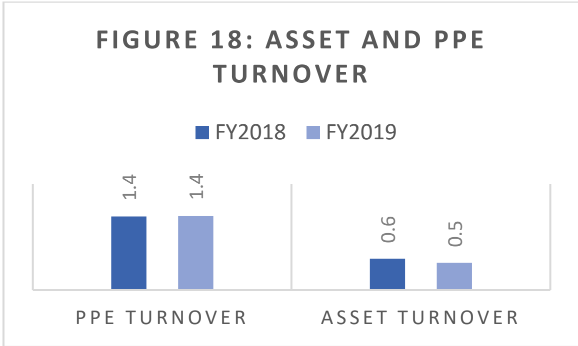
The Working Capital Cycle is the length of time it takes to convert net working capital (current assets minus current liabilities) all into cash and it has decreased in 2019 compared to 2018. The lower the cycle the better, therefore MTCC has improved the performance of the working capital management in 2019.

4.5 Asset Utilization



MTCC's cash turnover has increased in 2019, indicating the frequency of company's cash account replenishment through the sales revenue. However, too high ratios may be a symptom of financial problems of a company, indicating that it is low on cash. In the case of MTCC, the quick ratio is has improved in 2019 to above 1 indicating sufficient liquid assets in the balance sheet.

Working capital turnover ratio measures how efficiently a company is using its working capital to support a given level of sales. MTCC's working capital turnover has decreased, and it shows that management of working capital has declined in 2019 compared to 2018.



The total asset turnover ratio is a general efficiency ratio that measures how efficiently a company uses all of its assets. This gives investors and creditors an idea of how a company is managed and uses its assets to produce products and sales.

The asset turnover ratio shows how efficiently MTCC can use its assets to generate sales. As per the above table, each MVR of assets generates 0.5 MVR of sales which is relatively low.

PPE turnover measures a company's return on their investment in property, plant, and equipment by comparing net sales with fixed assets. In other words, it calculates how efficiently a company is a producing sale with its property plant and equipment. MTCC has high level of machineries and equipment, thus PPE turnover of the company is above 1. It indicates that assets are being utilized efficiently to generate sales. Since the company is capital intensive and procuring new assets every year, there is still room for improvement of PPE turnover.

5 External Audit

The external auditor of the company has expressed that the statements give a true and fair view of the financial position of the company.

6 Conclusion

Financial year 2019 was a successful year for MTCC considering that the company was able to increase profit during the year. The increase in profit is mainly due to the recognition of the subsidy from the government for the transport segment.

MTCC has improved its short-term liquidity management in 2018 compared with 2019. The company was able to increase the quick ratio above 1 and also increase the current ratio. The company still has large amount to be collected from related parties given that the company's main business activities are infrastructure projects carried out by the government. However, the company was able to reduce the net related party receivables from MVR 323 million to MVR 166 million in 2019. The company still has the capacity to manage receivables better.

MTCC should reduce accounts receivable collection period to improve working capital, thus in order to improve receivable collection MTCC has to take more assertive stance. In addition, prepare thorough cash forecasts and evaluate the company's ability to meet goals on a regular basis.

With the increase in net profit, the company increased the payout in 2019. This is in line with their dividend policy of increasing the flow of dividend to shareholders through time. However, it is important to note that MTCC has also increased retain earning reserves in 2019. Market value and traded price of MTCC share prices is lower than its Net asset per share.

The financial leverage and gearing of the company are also quite high which exposes company to financial risk. However, the loans were used to purchase machineries, vehicles and equipment which will result in future returns. The company improved its interest cover during 2019 compared to 2018.

In order to improve financial performance, MTCC should find alternatives to compensate changing business environment. Identify value adding activities and invest more on value adding activities and eliminate and improve the loss-making segments.

MALE’ WATER AND SEWERAGE COMPANY PRIVATE LIMITED

Annual Financial Review

FY2019

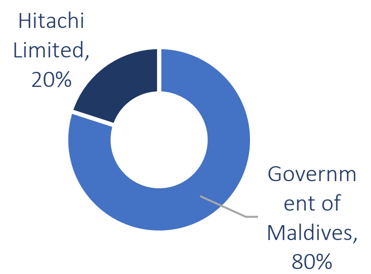
1. Introduction

Male' Water and Sewerage Company Pvt Ltd (MWSC) is a limited liability company incorporated and domiciled in Republic of Maldives since 1st April 1995. The principal activities of the company are to develop, manage and maintain an efficient and cost-effective strategies in providing public water and sewerage services. Over the years, the company has diversified into engineering, contracting and manufacturing.

The Group consists of the company's interest in a subsidiary under Island Beverage Maldives Pvt Ltd which produces supplies and sells bottled mineral water in the Republic of Maldives. The company owns 51% of authorized and issued share capital of subsidiary.

2. Ownership Structure

Figure 1: Shareholding



The total authorized number of ordinary shares is 267,000 shares and government of Maldives owns 213,600 shares which is 80%.

3. Financial Review

3.1 Revenue

There are four revenue generating segments of which water, Electricity and Sewerage is the major revenue generating segment of the company.

The below table shows a comparison of revenue generated for the major revenue generating segments for the previous two years.

Revenue	FY2018	FY2019	+/-
Water, Electricity and Sewerage	701,718,763	780,976,806	11%
Construction Project	426,032,355	90,899,051	-79%
Bottled Water and Ice	118,742,367	127,924,287	8%
Pipe & Other Water related items	7,948,610	9,956,221	25%
Total Revenue	1,254,442,095	1,009,756,365	-20%

Total revenue has recorded a decline of 20% in comparison to previous year. The reduction is due to a significant reduction in Construction projects carried out by the company. The company's core business activities have increased by 11%.

Expenses

Administrative and selling & marketing expenses has increased by MVR 5 million and 13 million respectively. Selling and marketing expenses increased by 103% and administrative expenses increased by 2% compared with 2018 financials.

The expenditures which showed a significant increase in 2019 compared with 2018 is shown in the table below.

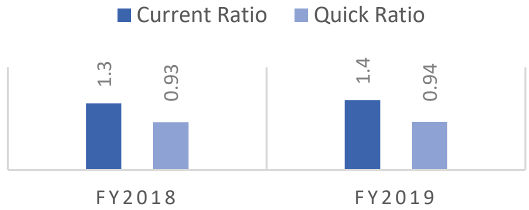
Detail	FY2018	FY2019	Variation
Salaries and wages	44,310,283	47,724,738	8%
Staff bonus	13,238,340	22,011,277	66%
Allowance	36,993,582	37,872,432	2%
verseas training expenses	3,038,409	7,751,517	155%
Local **training** expenses	62,227	1,109,858	1684%
Water	2,801,966	5,915,551	111%
impairment of bad and doubtful debts	2,944,549	17,707,088	501%

The major increase in expenses in administrative expenses segment is due to the increase in staff bonus which increased by 66% and also due to a significant increase in both overseas and local training expenses of 155% and 1684%. The company should manage both overseas training and local training. The company also faced significant impairment costs of more than MVR 17 million compared to 2018. Careful management of trade receivables can help the company to reduce these costs.

3.2 Working Capital Management

Liquidity and efficiency are equally important for smooth running of the business.

FIGURE 2: CURRENT AND QUICK RATIO

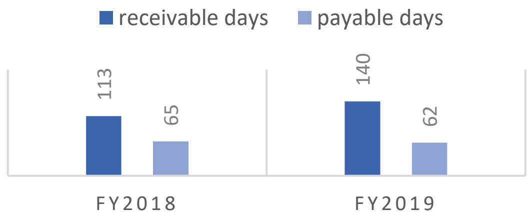


The current ratio has recorded a marginal increase. This is because the reduction of current liabilities is greater than the reduction of current assets. As per this ratio MWSC has the ability to meet its short-term liabilities with available current assets. The company has dividend payable of MVR 518 million as at the end of FY2019 while receivable from related parties stands at MVR 229 million. Therefore, if these balances were set off against each other, the company will still be owing to the related parties since payables are more.

Details	FY2018	FY2019
Amount due to related parties	11,847,539	2,623,621
Dividend payable	421,024,441	518,517,541
Amounts receivable from related parties	255,471,269	229,684,007
Net Payable	(177,400,711)	(291,457,155)

Quick ratio of the company is below 1 which illustrates that after exclusion of inventories MWSC does not have sufficient current assets to cover their short-term obligations. Thus, in order to support smooth running of the business MWSC has to improve their liquidity position.

FIGURE 3: RECEIVABLE DAYS AND PAYABLE DAYS



Receivable days of the company has increased from 113 to 140 days. Although receivable remained same during the two-period compared, the sales of the company was lower in 2019 which caused the receivables day to increase. This may have been due to receivables which have higher aging and difficulty in collection compared to the more recent receivables. It is important to note that receivable from related parties are the major component of receivables representing 59% of total receivables. This is a reduction compared to 66% in 2018. If related party receivables are removed, this ratio will be reduced to 38 and 57 for FY2018 and FY2019 respectively. Further, accumulated impairment of receivables is 21% of receivables (FY2018: 16%) which is equal to 8% of total revenue. The increase in impairment of receivables must be managed carefully in order to increase the quality of revenue. A significant number of receivables are more than 180 days. This illustrates that although the receivables collection days shows that company is collecting receivables within 57 days (excluding receivables from related parties), MWSC is also unable to collect almost 21% of total receivables.

Payable days of the company is quite high and major portion of trade payables is dividend payable to shareholders. After exclusion of dividend payables from total trade payable the payables days will be 65 days in FY2018 and 62 days in FY2019.

Inventory Level

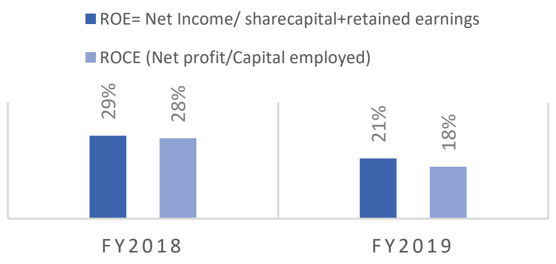
Details	FY2018	FY2019
Raw Materials	36,630,076	36,418,990
Consumable Stock	211,785,818	240,241,537
Finished Goods	9,002,584	8,730,665
	257,418,478	285,391,192
Less: Impairment	(6,429,124)	(8,825,002)
Employee Housing Unit	2,154,487	17,707,827
Closing Inventory	**253,143,841**	**294,274,017**

MWSC maintains relatively high inventory and the closing inventory is equivalent to 64% of cost of goods sold.

Consumables stock and raw material represents 81% and 12% of total closing inventory respectively. Thus, MWSC has to perform a cost benefit analysis of maintaining high inventory and make necessary changes for the betterment of the company. Impairment of inventory has seen a growth of 37%, thus recognized MVR 8 million as such.

3.3 Return on Equity (ROE) and Return on Capital Employed (ROCE)

FIGURE 4: ROE AND ROCE

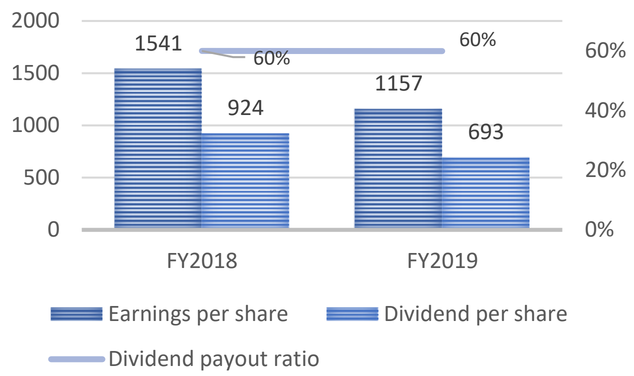


ROE shows how much profit MWSC generates with the money shareholders have invested. In general reserves of the company has improved. Retained earnings has reduced from MVR 431 to MVR 328 million in 2019 compared with 2018. As the profit of the company declined in 2019 compared to 2018, the return on equity also is lower than the previous year.

Return on capital employed shows how much profits each MVR of capital employed generates. This ratio also declined as the company's profit declined by almost MVR 100 million in 2019 compared to 2018. Both measures illustrate the impact of reduction of profit compared to the capital of the company and shows the efficiency in utilizing company resources to generate profit. In order to create value, the returns of the company should always be high than the rate at which they are borrowing to invest.

3.4 Shareholder Returns

FIGURE 5: DIVIDENDS



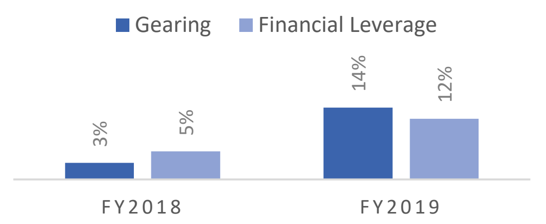
Compared to previous year, the earnings of the company have declined, similarly, the dividend per share has decreased. As a result, the dividend payout ratio has remained at 60%.

The company may have distributed higher dividends in from 2019 profits in 2020 due to the lack of new projects in 2020. However, as the dividends and transfer to reserve cause a a negative impact on retained earnings.

However, the decision of cutting down dividends might not be attractive for the investors as the returns are getting lower.

3.5 Financing

FIGURE 6: GEARING AND LEVERAGE



MWSC's gearing ratio has increased significantly in 2019 compared with 2018 due to more borrowings to carry out projects. However still the company's gearing remains low with ample space for more borrowings. Non-current liabilities of the company have increased with the borrowing of MVR 134 million in 2019 compared with MVR 37 million in

2018. Financial Leverage of the company has also increased from 5% to 12% as the total debt has increased significantly. Based on current financial position MWSC has a high prospect to raise finance through borrowing from financial institutions.

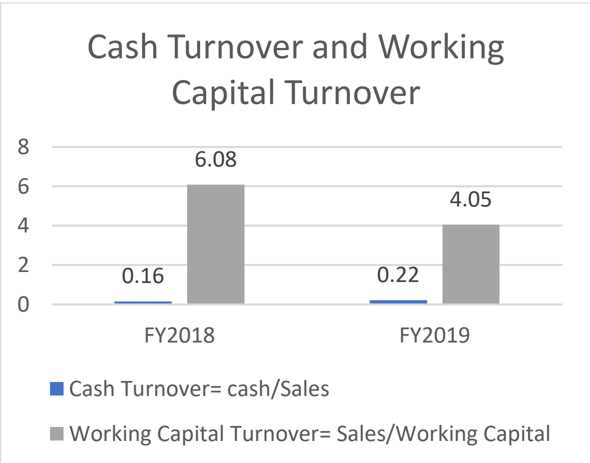
However, it is important to note that MWSC has high level of short-term loans and borrowings which indicates that the company is severely depending on short term finance. While the long-term loans stand at MVR 134 million, short term loans stand at MVR 41 million at the end of FY2019.

As a result of higher finance costs and lower profit, interest cover of the company has declined from 46 to 22 times. Interest expense on borrowings was increased by MVR 7 million in 2019. This is in line with increased borrowing in 2019.

MWSC has spent MVR 17 million for purchase and construction of property, plant and invested MVR 171 million in projects.

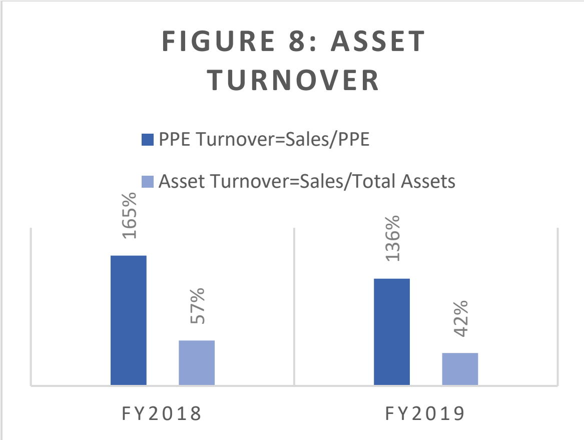
Even though company 2019 show increase in borrowing and reductions in interest cover, with low gearing and high interest cover compared to other company's current financial status of MWSC is very pleasing to finance providers since it demonstrates a quite low financial risk. Therefore, the company has a high chance of obtaining additional finance for development projects.

3.6 Asset Utilization



MWSC has a very low cash turnover, indicating that the company is maintaining low level of cash.

Working capital turnover ratio measures how efficiently a company is using its working capital to support a given level of sales. MWSC's working capital turnover has reduced, meaning the efficiency of using company's short-term assets and liabilities for supporting sales has weakened.



The asset turnover ratio shows how efficiently MWSC can use its assets to generate sales. As per the above table, Each Rufiyaa of assets generates 0.42 Rufiyaa of sales.

The total asset turnover ratio is a general efficiency ratio that measures how efficiently a company uses all of its assets. This gives investors and creditors an idea of how a company is managed and uses its assets to produce products and sales.

PPE turnover measures a company's return on their investment in property, plant, and equipment by comparing net sales with fixed assets. In other words, it calculates how efficiently a company is a producing sale with its machinery and equipment. PPE turnover of MWSC is very impressive as the ratio is above 1. It indicates that assets are being utilized efficiently to generate sales. However, company's PPE Turnover and Asset Turnover has declined in 2019 compared with 2018, as company's revenue declined during 2019.

4. External Audit

The external auditor of the company has expressed an unqualified opinion in the financial statements for the year 2019. Therefore, we assumed that financial statement of MWSC is free from material misstatement.

5. Conclusion and Recommendation

Revenue of the company has declined in 2019 by 20% compared with 2018 due to significant reductions in project revenue of 79%. The company earned highest revenue from its core business of utilities and also from sale of bottled water. Income from Construction segment represented 34% of company's revenue in 2018 while this segment represented on 9% of the company's revenue in 2019. The company should focus on improving revenue from this segment as this segment is commercially viable. Company's main business is supply of utilities, although revenue from utilities has seen a positive growth.

In terms of short-term liquidity, MWSC does not have sufficient current assets to cover their short-term obligations after exclusion of their inventory. Therefore, MWSC has to improve their liquidity position for a smooth running of the business. At the end of FY2019, company has dividend payable of MVR 518 million. Further, MWSC has significant trade receivables, which show a minor increase in 2019 compared with 2018. Receivable from related parties are the major component of receivables representing 60% of total receivables. The impairment of receivables is almost 21% of receivables (FY2018: 16%) which is equal to 8% of total revenue.

Earnings per share and dividend per share of the company decline, from MVR 924 to MVR 693.

The gearing and financial leverage of the company is maintained at a fairly low level. Non-current liabilities of the company have increased from MVR 48 million to MVR 242 million, as a result the gearing level has increased. However, the company is still in a relatively strong position in terms of financial risk.

Financial year 2019 was a successful year for MWSC although the company saw a reduction in profits compared to 2018. The company should concentrate on expanding the projects segment in 2020 to increase revenue and income.

MALDIVES TOURISM DEVELOPMENT CORPORATION PLC

ANNUAL FINANCIAL REVIEW

FY2019

1. Introduction

Maldives Tourism Development Corporation Plc is a public limited company incorporated in the Republic of Maldives on 9 April 2006 and listed on the stock exchange of Maldives. The principal activity of the company during the year is to sublease islands allotted to the company by the Government of the Maldives.

2. Ownership Structure

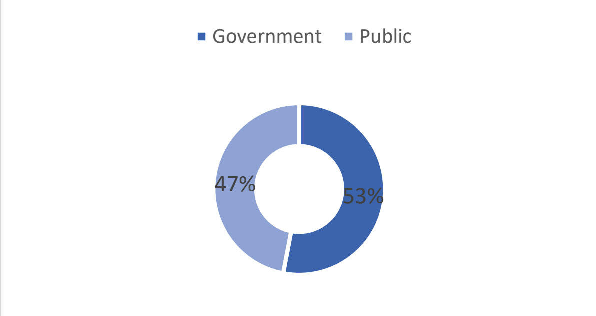


Chart 1: Shareholding %

3. Financial Review

3.1 Revenue

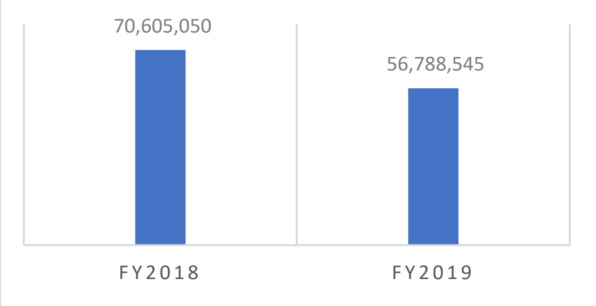


CHART 2: TOTAL REVENUE

Total revenue of the company has decreased by MVR 14 million, a decline of 19% compared to previous year. The only source of revenue for the company is sub leasing the islands leased by government of Maldives.

Actual fund flow during the 2 years remained the same but the application of new IFRS resulted in changes to the figure presented.

3.2 Profitability

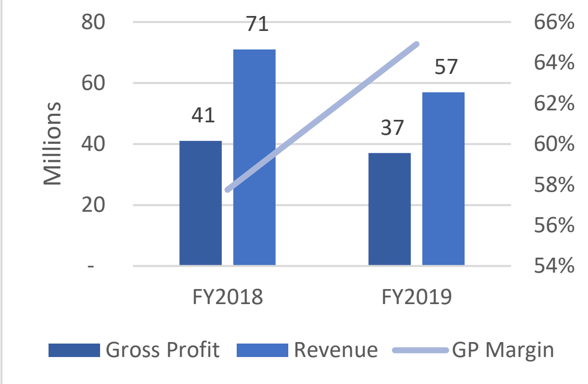


Chart 4: Gross Profit Margin

The cost of operation remained constant however due to changes in application of IFRS 16, there is a fluctuation in cost of operation. The lease liability is recognized on kihavah and Magudhuwa Island which is unexpired lease period of 13 years as at 1st January 2019. Previously this lease was classified as operating lease under IAS 17 and lease expense (rentals) amounted to MVR 30 million recognized in the income statement of last year.

Thus, gross profit of the company has decreased by MVR 4 million and GP margin decreased by 7%.

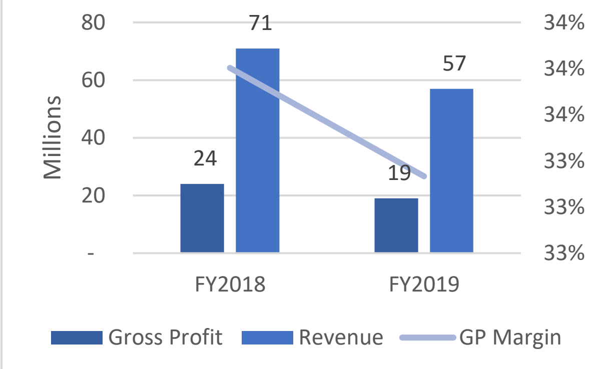


Chart 5: Net Profit Margin

Operating Profit of the company decreased from MVR 27 million to MVR 23 million in FY2019. In 2019 a provision is made for impairment of lease rent receivables MVR 7 million recognized and 6 million is recognized for long term outstanding payables and insurance refund. The total administrative expenses decrease by 2%. However total overhead expenses of the company increase as a result of provision on impairment of receivables.

<u>Expenses</u>

Figure 4: Operating Expenses

The total operating expenses has drastically increased from MVR 13 million to MVR 20 million. The breakdown of the expenses follows;

Operating expenses	FY2018	FY2019	% change
Personnel costs	3,732,365	3,997,388	7%
Depreciation	121,864	107,354	-12%
Directors Remuneration and other allowance	1,262,543	1,215,296	-4%
Professional fees	410,465	457,388	11%
Provisional for Impairment of lease rental	-	6,866,804	-
Written off other receivables	-	567,055	-

Personnel costs and professional fees increased 7% and 11% respectively. During the year MVR 0.6 million written off from other receivables.

3.3 Return on Equity (ROE) and Return on Total Assets (ROA)

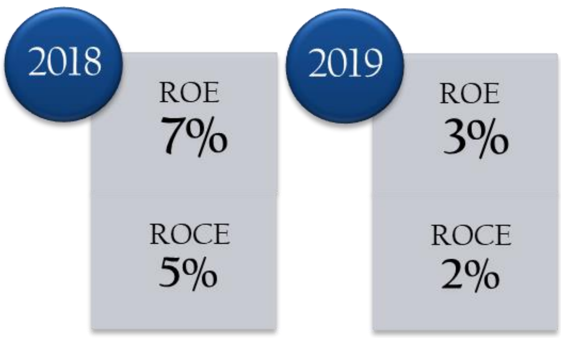


Figure 5: ROE and ROA

ROE measures a company's profitability by revealing how much profit a company generates with the money shareholders have invested. ROA measures how efficiently a company can manage its assets to produce profits during a period.

Both return on equity and return on capital employed deteriorated as result of declined in profitability and increase in total asset and capital employed. The major impact on total assets and capital employed is the result of application of new IFRS rather than new investment.

3.4 Shareholders Returns

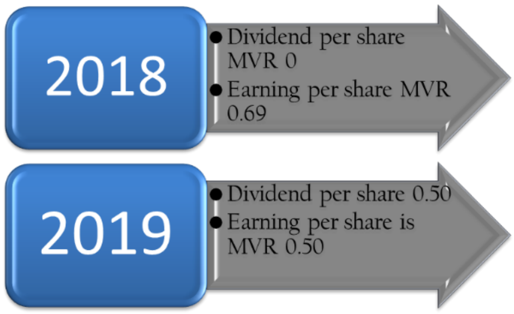


Figure 6: Earnings per share

Earnings per share has decreased from MVR 0.69 to MVR 0.55. Board of directors decided to declare a dividend for the first time in 11 years as directors are confident that the company can maintain a payout in the future. A dividend of MVR 0.50 per share is proposed by the board of directors despite the reduction in earnings per share from MVR 0.69 to MVR 0.55. The payout ratio for the year is 90%.

3.5 Net Assets per share

Figure 7: Net Assets per Share

Net assets per share increase from MVR 9.87 to MVR 28.37. The total assets of the company have increased by MVR 352 million and total liabilities has increase by MVR 67 million.

In 2018 lease rent Equalization of MVR 377 million is recognized for sub lease assets. However due to application of IFRS 16, MVR 642 million is recognized for net investment in sub lease.

3.6 Working Capital Management

Working capital management refers to a company's strategy designed to monitor and utilize the two components of working capital, current assets and current liabilities, to ensure financially efficient operation. The main purpose is to make sure the company always maintains sufficient cash flow to meet its short-term operating costs and short-term debt obligations.

Figure 8: Current Ratio

As illustrated in the above figure, the current ratio of the company is 2.20. The company has invested USD 4 million in fixed deposit in Habib bank limited during the year at the rate of 4.7% per annum which will be mature on 19th November 2020. The movements in current Assets of the company are shown in the below table.

Current Assets	FY 2018	FY 2019	Change
Net Investment in sub lease	-	26,349,804	-
Trade and other receivables	-	-	-
Other receivables	660,516	93,461	-86%
Investment in fixed deposit	-	61,973,874	-
Tax receivables	2,156,302	-	-100%
Cash and cash equivalent	36,355,133	5,712,509	-84%

Cash and cash equivalent decreased by 84% as result of investing part of sub lease rent received in fixed deposit.

As per the settlement signed with Government of the Maldives, the company is liable to pay MVR 36 million in connection with "Uligamu lease agreement" and MVR 168 million in connection with "Ekulhivaru lease agreement". Further the discussion and communication had with the Government of Maldives, this amount is not payable within one year. Accordingly, this liability has been classified as non-current liability in financial statement. As a result, it shows a favorable improvement in MTDS's short term liquidity position. The movements in current liabilities of the company are shown in the below table.

Current Assets	FY 2018	FY 2019	Change
Paybles to government	175,720,121	-	-100%
Trade and other payables	36,058,128	29,844,654	-17%
Lease liability	-	11,925,797	-
Tax payables	-	956,734	-

Receivable and Payable days

Figure 9: Receivable Days

In order to manage cash position and retain a favorable cash position it is important to collect outstanding debt as quickly as possible. As shown in the above table, receivable days of MTDC has increased significantly as a result of classifying huge amount as net investment in sublease as current assets which is the major item in the. However other receivables have decrease by 86%. While revenue decrease by 20%.

Deposits and prepayments are the significant component of trade receivables representing more than 60% of total receivables.

Based on total trade and other payables, the payables days of the company is very significant as it stands at 558 days. The payable days are too long because payables include significant amount of dividend arrears. Payables days for the FY2019 stands at 13 days after excluding dividend payables.

The longer it takes to pay creditor is good for working capital and cash position. However, if the company takes long time to pay their creditor business relation may get affected.

Trade and Other payables	FY2018	2019	Change
Other trade payables	1,478,855	419,316	-72%
Sublease Advance	4,590,565	-	-100%
Dividend Payables	29,585,275	29,160,870	-1%
Other payables	403,433	264,468	-34%

3.7 Financing

The company does not have any long term borrowing as such the gearing is zero. However, there are other non-current liabilities amounting to MVR 413 million at the end of 2019. Out of which MVR 204 million is classified as payables to Government of Maldives and MVR 209 million classified as lease liability.

4. External Audit

The external audit of the company was performed by KPMG and as per their opinion the financial statements of the company give a true and fair view except of the matters described in the Basis of Qualified opinion.

The Company has recognized USD 20,000,000/- as investment property in relating to the lease hold improvements of Hdh.Naagoashi Island as at 31st

December 2019. However, an impairment assessment as required by IAS 36 was not performed as at 31st December 2019. In addition to that, the existing lease arrangement with respect to Hdh.Naagoashi was not considered when adopting the IFRS 16 due to ongoing discussion with the Government of Maldives.

In addition, auditor has added Emphasis of matter paragraph to highlight contingent liability and impact of Covid 19 to MTDC operation.

5. Recommendation and Conclusion

Revenue and profit of the company decreased compare to previous year. Further recognition of MVR 7 million on provision for impairment of receivables affected profit of the company.

MTDC declared a dividend for the first time in 11 years and directors are confident to maintain same level of dividend. The payout ratio for the year is 90%. Further as result of recent changes in application of IFRS, the Net asset per share increase significantly.

The short-term liquidity position of the company is at satisfactory level and company made a short-term investment during the year which generate additional income. However, MTDC can further improve their receivable collection and repay their owing.

MTDC has kept its gearing at zero since they do not have any borrowing or loans.

MTDC working towards adding a new product to portfolio of resorts and currently working towards extending the lease right of existing operational resorts, based on which MTDC is looking forward substantially increase shareholder value in the near future.

SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED

Annual Financial Review

FY2019

1. Introduction

SME Development Finance Corporation limited is a government owned limited liability Company incorporated on 17th January 2019 under the presidential Decree and domiciled in the republic of Maldives. SDFC was formed to cater to the small and medium business enterprises segment in enabling them to raise financing and expand business activities.

The company has identified following sectors to provide financing.

- Local Tourism
- Agriculture
- Manufacturing
- Information and Communication Technology
- Fisheries

Since company started business in 2019, the company has established the administrative set-up to start operations and has disbursed more than MVR 100 million to various business sectors. Government has allocated a budget of MVR 400 million for SDFC in 2020 budget. The main purpose of the allocation is to provide financing for SMEs at reasonable rates.

The company operated with 35 staffs in 2019.

3. Ownership Structure

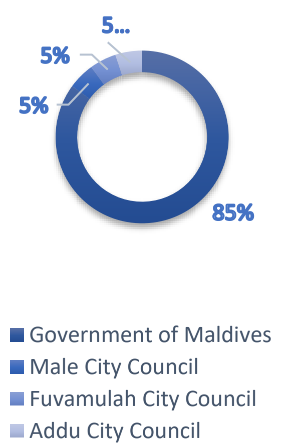


Figure 1: Shareholding Structure

SDFC's shareholding structure is shown in the above graph. As seen in the graph government holds 85% of the shares while Male City Council, Addu City Council and Fuvamulah City Council holds 5% each.

4. Financial Analysis

4.2 Revenue

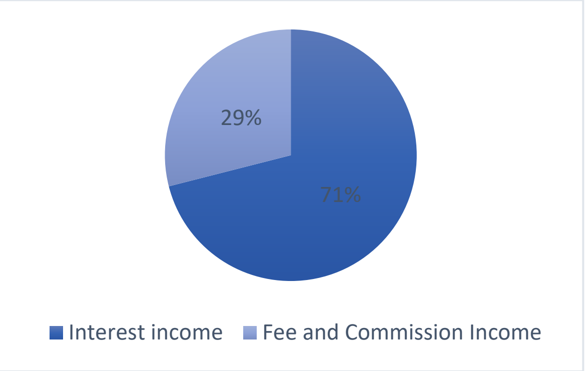


Figure 2: Income Break Down

As the company started its operations in 2019, the historical performance comparison is not conducted in this report. However, in future reports historical evaluation can be conducted.

Based on the performance of 2019, company has earned a revenue of MVR 5.9 million comprised on 71% from core business of lending and 29% as fee income. Given that the company has a loan portfolio of more than MVR 100 million and income of MVR 1.7 million during 2019 as interest income the interest rate on the loans may have to reconsidered in the future given the nature of risk borne by the company on SME loans.

Company has earned MVR 2.4 million by investing the funds injected by the government in T-Bills.

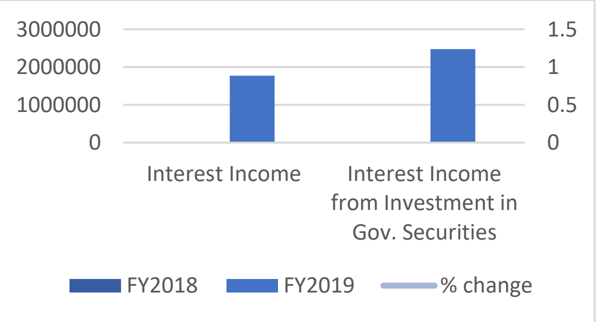


Figure 3: Interest Income

Fee income is comprised of loan processing fees of MVR 1.7 million.

Based on this assessment the income generated from core business of the company is MVR 3.4 million on a loan portfolio of MVR 100 million.

Gross loan and Facility Portfolio

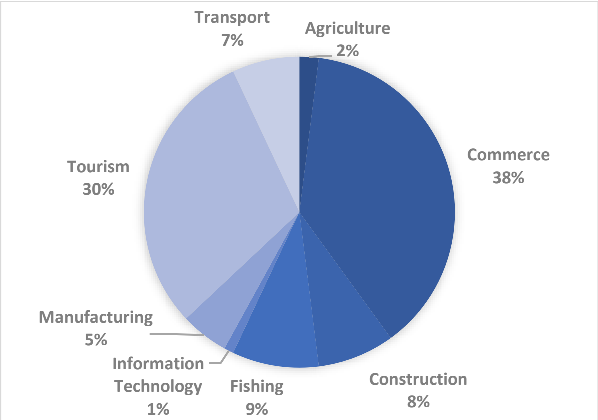


Figure 4: Sector Allocation

As shown in the above chart, SDFC has provided financing to 8 sectors. However, the concentration of portfolio in the tourism sector and commerce sector is significantly larger compared to other sectors. More than 60% is concentrated in these two sectors exposing the company to sector related risks.

When the sector allocation is concentrated declines in the sector can have a significant impact on the NPL of the sector and wipe out the company's profit.

4.3 Profitability

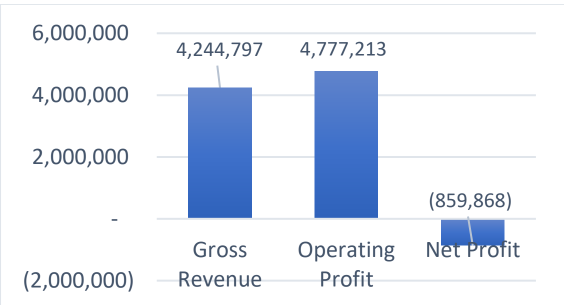
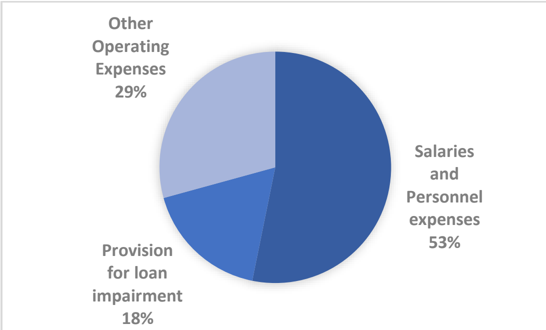


Figure 5: Profitability

As the company was created in 2019, profitability is not compared historically. Based on the above graph, the company has incurred a net loss for the year 2019. As the company increases its financing portfolio the company is expected to increase the interest income as well. This will enable the company to ultimately convert the net loss to a profit. However, the company should be careful in managing the non-performing loan portfolio as the financing increases given that the company' s facilities has a concentration in both sector allocation and as the portfolio is high risk.

In 2019, salaries and staff expenses including board expenditure contributed to 53% of the total costs of the company while provisions stood at 18% of the total expenditure.



Major expenditures in other operating expenses include marketing costs and repair and maintenance and rent.

Non-Performing Loan Portfolio

As the company started its operations in 2019, the company took time for administrative set up and started providing financing facilities towards the end of the year. Given that the company did not have a full year, and with a MVR 100 million loan portfolio, the company's non-performing loans stood at 1% of the loan portfolio. This may not be significant amount at this stage, although company should establish risk management parameters early in the business to avoid non-performing loans in the future.

Given that the company has large concentration risk in tourism and commerce sectors and given that the company is providing financing to SMEs risk mitigation and better pricing should be at the forefront of the decision-making process.

4.4 Shareholders Return

As the company made a loss of MVR 859,868, return on equity of the company is negative in 2019.

However, the company has started its operations and earned a revenue of MVR 5 million during 2019. Given that the company started its operations in 2019, the company will be able to make profit in the coming years if the company is able to manage the non-performing loan portfolio and price the risk correctly.

4.5 Asset Quality

SDFC being and SME finance bank, provides financing to small and medium sized enterprises which are risky compared to larger companies. The company has a portfolio of MVR 100 million and committed loans of MVR 90.7 million at the end of 2019. With a Non-performing portfolio of 1%, the company has managed risks sufficiently during 2019. However, as the portfolio grows, and the grace period of the facilities come due, a true picture of the NPL would be visible.

4.6 Capital Management

SDFC's capital as managed by its management comprises of share capital, retained earnings and reserves created by appropriations of retained earnings and current year earnings. Being the first year of operation the company does not have any reserves at the end of 2019.

SDFC has stated company's capital management objectives as

- To comply with MMA's prudential regulation on capital adequacy
- To ensure corporation's ability to continue as a going concern
- To maintain strong capital base

MMA requires each bank or banking group to hold a minimum level of regulatory capital of MVR 150 million and to maintain a ratio of total regulatory capital to risk-weighted assets (the 'Basel ratio') at or above 12%.

The Bank's regulatory capital is divided into two tiers:

- Tier 1 Capital: Share capital, retained earnings and reserves created by appropriations of retained earnings; and
- Tier 2 Capital: Current year earnings, general provision and qualifying subordinated loan capital.

The following table shows the regulatory capital and capital adequacy ratios of the company for the year ended 31 December 2019.

Capital Management	31-Dec-19
Share capital	265,000,000
Retained earnings	(859,868)
General Provision	1,014,488
Total qualifying capital	265,154,620
Risk-weighted assets	
On balance sheet	196,315,021
Basel ratio	**135.07%**

The company's Capital Adequacy Ratio is significantly higher than the MMA requirement given that the company is in the first year of operation during 2019 and the company did not mobilize capital for the financing facilities.

4.7 Loan Book Quality

The company has disbursed more than MVR 100 as loans to customers and have committed MVR 90.7 million as loans to be disbursed.

Company's Provision for the portfolio currently stands at 1% which is low. However, given that this is the first year of operation of the company, and given that most facilities are likely to be in the grace period, when the full payment comes due provision and non-performing portfolio may increase significantly.

In the coming years when we are able to evaluate the comparable years, a better idea of provisioning levels for a SME portfolio would be better understood.

4.8 Liquidity

Liquidity risk is defined as the risk that SDFC might be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. However, given that SDFC is a bank which is currently run through the capital injection of government funds, and that these funds are not liabilities, SDFCs liabilities are very low.

As at 31st December 2019

As at 31 December (in MVR '000)	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities					-
Accounts Payables	19.00				19.00
Miscellaneous laibility items	63.00		152.00	353.00	568.00
Provision for losses					1,209.00
Accumulated Depreciation					138.00
					-
Total liabilities	**82.00**	**-**	**152.00**	**353.00**	**1,934.00**
Assets					-
Cash	1.00				1.00
Balance at depository Institutions	7,655.00				7,655.00
Debt Securities in issue	153,335.00				153,335.00
Accrued Interest Receivable	203.00				203.00
Loans and Receivables to customers		1,993.00	35,490.00	64,444.00	101,927.00
Other assets	555.00				555.00
Non-Financial Assets			181.00		181.00
					-
Total assets	**555.00**	**1,993.00**	**35,671.00**	**64,444.00**	**102,663.00**

Given the current portfolio maturities and because the company is managed through capital injections by government which does not have a maturity, long term securities are an option to the company. However, the company should do a cash flow analysis to drive the amount of funding that can be lend to customers, to create a revolving nature of lending by SDFC without further government injections.

5. External Audit

The external audit of SDFC was conducted by Auditor General's Office. As per their opinion, the financial statements of the company give a true and fair view of its financial position as at 31st December 2019.

6. Conclusion

Financial year 2019 was the first year of operation of year SDFC and the company started its lending operations through the funding from the government. The government has injected MVR 265 million to SDFC to provide financing facilities to SMEs. The company has disbursed MVR 100 million in 2019 and approved MVR 90 financing facilities during the year which is disbursed during 2019. Given that the company started its operations in 2019 and because the financing facilities are likely to have grace period, true picture of the company's operation can be analyzed in 2020. However, in 2019, company's Non-performing portfolio stood at 1% of the loan portfolio.

The company is operating at a loss in 2019 as the company started its operations in 2019. However, the company has started generating revenue from its operations. The company's NPA stands at 18% of the total expenditure of the bank and stands at 28% of the revenue of the company. Therefore, careful management of the non-performing loan portfolio is very important for a sustainable business model of the bank.

The company faces low liquidity risks as the company is not providing financing facilities through funds from depositors. However, the company should manage the loan commitments based on the collection schedule and forecasts to avoid a liquidity problem.

STATE ELECTRIC COMPANY LIMITED

ANNUAL FINANCIAL REVIEW

FY2019

1. Introduction

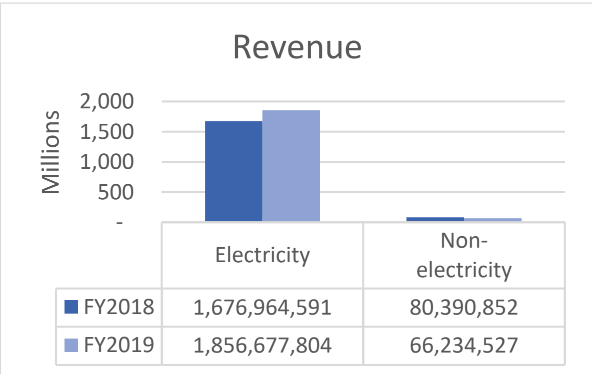
STELCO is a limited liability company incorporated in the Republic of Maldives under the section 95 of the Companies Act of 1996 under Presidential Decree no 1997/83 of 19th June 1997.

The main objectives 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 Maldives.

2. Financial Analysis

2.1 Revenue

STELCO has recorded revenue of MVR 1,922 million in 2019 (2018: MVR 1,757 million) a 9% growth compared to previous year.



While electricity revenue has seen a decent growth over the year, non-electricity revenue has dropped against previous year. The growth in electricity revenue mainly attributes to the growth of consumption of electricity. As per STELCO's annual report on average the consumption rate of the peak period of April 2019 shows over 16.88% increases compared to that of 2018.

Apart from being the electricity provider, STELCO is also in the business of distributing drinking water and providing sewerage facilities. At this moment, STELCO provides this service in 4 islands.

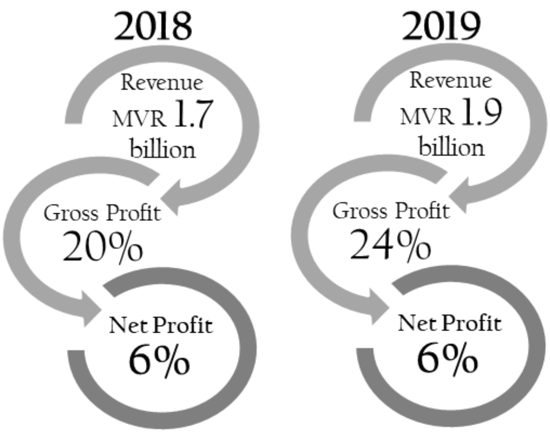
In addition, other income of the company has significantly increased from MVR 9.9 million to MVR 18.9 million, a growth of 91%.

Other Income	FY2018	FY2019
Operational income	5,473,885	6,346,303
Amortization of deferred income	1,691,827	3,062,332
Rental income	598,634	1,075,584
Gain on Disposal of PPE		2,019,030
Miscellneous income	2,153,628	6,450,642
Total Income	**9,917,974**	**18,953,891**

2.2 Expenses

The cost of sales of the company has increased by only 4%, while revenue grew at 9%.

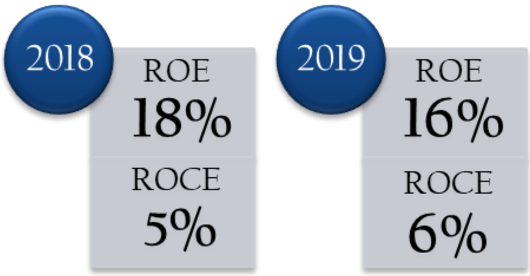
2.3 Profitability



The company has achieved notable results in 2019, making a gross profit of MVR 462 million (2018: MVR 349 million). This is a growth of 32% when compared to previous year. The gross profit margin also improved as the revenue grew at a much higher rate than cost of sales.

However, the net profit margin remained at 6% for 2019 as well, because of increased in administrative expenses and finance cost. In addition, impairment loss on amounts due from related parties and trade receivables has increased by MVR 33.7 million.

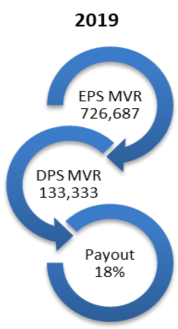
2.4 Return on Equity (ROE) and Return on Capital Employed (ROCE)



ROE measures a company's profitability by revealing how much profit a company generates with the money shareholders have invested. ROCE measures a company's profitability and the efficiency with which its capital is employed.

ROE has shown a drop while ROCE has improved over the period from 2018 to 2019. The reduction in ROE regardless of high profits against previous year is due to increased equity in terms of retained earnings. With improved profits and assets value, ROCE has shown improvements in 2019.

2.5 Shareholder's Return



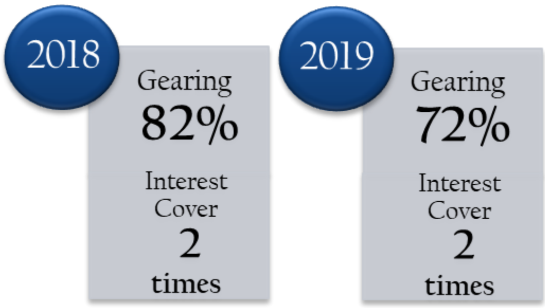
Dividend Policies

Dividend policy is the strategy a company uses to decide how much of its earnings will be paid out to its shareholder. The company has declared dividend MVR 20 million in 2019.

Earnings Per share (EPS)

The company's issued share capital is 150 for both the years in review, and Profit After Tax (PAT) has increased from MVR 105,040,398 to MVR 109,003,008 from 2018 to 2019. With the increase in PAT, earning per share of the company has seen an increment in 2019.

2.6 Financing



The gearing ratio of the company has significantly reduced, since the loans and borrowings has shown a reduction of over MVR 171 million. Majority of the loans and borrowings were invested to the company's 4^{th} and 5th power project.

With high gearing, company's financial is burdened with high financial risk. High gearing could indicate that STELCO could not entertain further funds as means of loans.

The interest cover ratio is used to determine how easily a company can pay their interest expenses on outstanding debt. The interest covers of STELCO remained at the same level over the period from 2018 to 2019 (2 times). Although finance cost has increased from MVR 89,133,135 to MVR 107,422,5670 and profit from operations has also increased from MVR 105,040,398 to MVR 109,003,008 from 2018 to 2019 and aided interest cover to be maintained in same level.

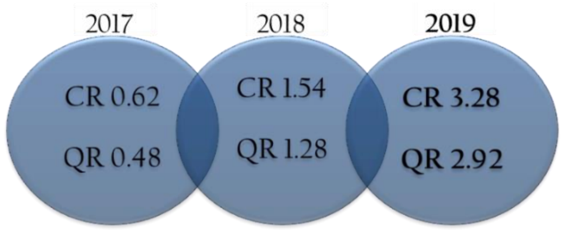
During 2019, company has increased its Property, Plant and Equipment by 9% (MVR 3.0 billion to MVR 3.3 billion), mainly due to the increase in Work-in-Progress of Greater Male' grid Connection. During the year, the company has capitalized borrowing costs amounting to MVR 47,874,566/- (2018: 37,054,111) of assets.

A company's ability to meet its interest obligations is an aspect of a company's solvency and is thus a very important factor in assessing return for the shareholder.

2.6 Working Capital Management

Current and Quick Ratio

Working capital management refers to a company's strategy designed to monitor and utilize the two components of working capital, current assets and current liabilities, to ensure the most financially efficient operation of the company. The main purpose is to make sure the company always maintains sufficient cash flow to meet its short-term operating costs and short-term debt obligations.



Both current and quick ratio has shown an increment over the past year. Hence, the short-term financial status of the company is favorable as per the ratios. The current assets of the company have significantly increased from 2018 to 2019, mainly from cash and cash equivalents and trade and other receivables. Trade and other receivables have recorded a growth of 22% (MVR 107 m) which is not healthy for working capital of the company. On the other hand, current liabilities have reduced favoring the liquidity position.

Receivable and Payable days

Accounts receivable represents the money that is contractually owed to STELCO by its customers. As shown in above it takes in average of 118 days in 2018 to collect the payments and this has increased to 139 days in 2019.

The higher the company's collection ratio, the more inefficient its cash flow management is; thus, the company is inefficient in collecting its receivables.

The increase in receivable days mainly attributes to the increase in trade and other receivables from MVR 394 million to MVR 602 million in 2019.

Below shown are the breakdown of receivable and payable days adjusted for advance payments to suppliers.

Receivable and Payable Days	Days (2018)	Days (2019)	Days (change)
Receivable days - Trade and other receivables	103	114	11
Receivable days - Due from related parties	15	25	10
Payable days - Trade and other payables	36	21	(16)
Payable days - Due to related parties	22	30	8

Receivable days from trade and other receivables has increased by 11 days and payable days reduced from 36 to 21 days.

Receivable days due from related parties has lowered to 21 days indicating efficient debt collection procedures being performed. Payables days due to related parties has increased by 8 days.

Trade and other Receivable	FY2018	FY2019
Trade and other Receivable	251,654,696	206,575,957
Prepayments	511,424	473,637
Advance Payments	123,189,476	322,421,626
Other receivables	119,900,974	72,844,943
Amounts due from related parties	74,053,041	131,455,599
Total	**569,309,611**	**733,771,762**

As per the financials there is no concentration of credit risk with respect to trade receivables as the company has large number of customers and is nationally dispersed. However, drastic increase in trade receivables along with increase in receivables days indicate that company is poorly performing in its collections process.

Receivables from related parties comprises 18% of total receivables and it has increased significantly over the past year.

It is important to note that collection from related parties will be more difficult when compared to other components of receivables. Normally amounts due from related parties are unsecured, interest free and have no fixed repayment terms.

As of 31 December 2019, trade receivables of MVR 32,405,204 were past due and impaired, which represents 5% of total receivables and 2% of company's revenue. Considering the liquidity ratios and its increasing trend, company needs to make strict receivable collection strategies to mitigate any possible cash flow problems.

Current Liability	FY2018	FY2019
Trade and other payables	140,685,690	83,543,497
Amounts due to related parties	84,205,832	118,744,231
Total	**224,891,522**	**202,287,728**

Payable days measure how long it take to pay its creditors or suppliers. STELCO's payable days has reduced from 58 days to 51 days in 2019.

It has been noticed that company has been accounting provision for slow and non-moving inventories by a significant amount. Total provision as a percentage of total inventory has increased from 50% to 55% over the period from 2018 to 2019. It is important that company closely monitors its inventory management system to ensure this provision is kept to a possibly minimum level.

3. Economic Value Added (EVA)

Economic value added (EVA) is an estimate of a firm's economic profit, or the value created in excess of the required return of the company's shareholder. EVA is the most recognized and applied modern performance financial measurement, in shareholder value creation. Shareholder value is created when the net return on assets held by the business exceeds the return required by those who have contributed capital to the business. In other words, value is created only when companies invest capital at returns that exceed the cost of that capital.

If a company's EVA is negative, it means the company is not generating value from the funds invested into the business. Conversely, a positive EVA shows a company is producing value from the funds invested in it.

The company's EVA figure has dropped to MVR 24.7 million in 2019 (reduced by 56% compared to 2018). Regardless of increased in net profit, EVA has reduced because of increased in company's weighted average cost of capital. Nevertheless, positive results illustrate that STELCO is able to generate value from invested funds above the cost of capital.

4. External Audit

After auditing the financial statements of STELCO, the Auditor General has expressed a qualified opinion. The possible effects of the certain matters described in their basis of qualified opinion paragraph is listed below.

- The property, plant and equipment of the Company were revalued by an independent external valuer during the year 2011. Accordingly, the assets having the net book value of MVR 434,455,893 as at 31st December 2011 were revalued for MVR 847,932,997 and a revaluations surplus of MVR 413,477,104 were recognized in the financial statements. However, the revaluation report excluded assets having a net book value of MVR 26,661,392 as at 31st December 2011 and the Company continued to account these assets at their respective netbook values based on historical cost. International Accounting Standard 16 - "Property, Plant and Equipment" require the entire class of property, plant and equipment to be revalued, when a particular item of property, plant and equipment is revalued. This standard also requires a further revaluation to be carried out when the fair value of a revalued asset differs materially from it carrying amount. However, the Company has not carried out a revaluation subsequent to the valuation carried out in 2011.
- The Company has recorded a loan taken by the MOF from Danida on behalf of the Company with respect to 4th generation power project as loans and borrowings. The Company has recorded a total capital outstanding and interest payable balance of MVR. 1,118,589,953/- as at 31st December 2019. An interest expense of MVR. 56,411,645/- has been recognized for the year ended 31st December 2019 and an accumulated interest expense of MVR.380,028,919/- in the previous years. However, due to lack of any legal contract between the parties, auditors were

unable to verify the completeness, existence and accuracy of loans and borrowings, opening retained earnings and the interest expenses as at and for the year ended 31st December 2019.

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

5. Conclusion

The financial year 2019 was a successful year for STELCO, achieving a revenue growth of MVR 165 million (9%) compared to previous year. The profitability has also improved by increasing overall efficiency of power generation and distribution. Although the company does not have control over its price, the result of 2019 proves that the company is not only capable of achieving but can improve profitability with better cost management.

The short-term liquidity position of the company has significantly improved in 2019, with favorable working capital movements. However, trade and other receivables has significantly grown over the past year and its impairment has also been rising. Hence, this might create future cash flow problems which the company should be careful about.

Financial risk of the company is high with a gearing of 72%, which will have a negative impact on borrowing ability as the financial institutions consider this ratio before issuing loans. As at the end of 2019, STELCO's financial commitment stands at MVR 3.1 billion (loan and interest).

STATE TRADING ORGANIZATION PLC

ANNUAL FINANCIAL REVIEW

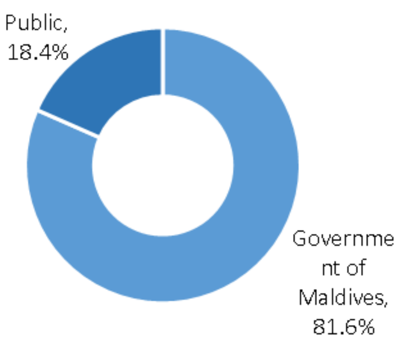
FY2019

1. Introduction

STO is a public limited company incorporated as a government company, Athirimaafannu Trading Account (ATA) on December 1964. The main role at that time was to purchase and import essential food items in bulk to distribute to local traders. With the proven success, ATA matured to become State Trading Organization (STO) on 9th June 1979 and registered as a public company on 14th August 2001. For the purpose of annual review, we intent to analyse the financial performance at Company level.

2. Ownership Structure of STO Plc Ltd

Figure 1: Shareholding



At present, the Government of Maldives is holding 81.6% of shares and remaining 18.4% are held by public.

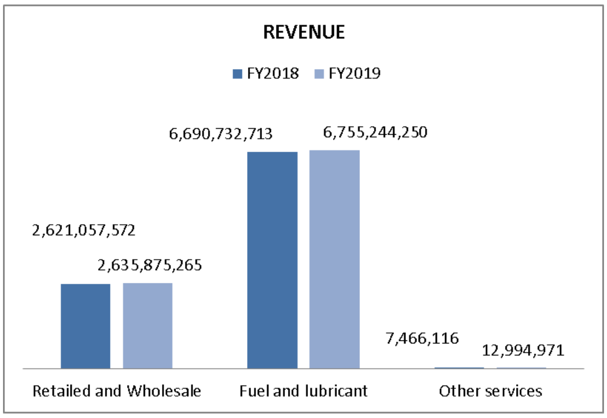
STO group with its subsidiaries, joint venture and associates is a national leader in business. STO is a diversified company and their main purpose is to provide products and services for the economic development and betterment of life. The organization is geographically diversified throughout Maldives and operates in Singapore.

Group of Companies

#	Company Name	Shareholding by STO
1	Allied Insurance Company of the Maldives Pvt Ltd	99.90%
2	STO Maldives (Singapore) Pvt Ltd	100%
3	Maldives Gas Pvt Ltd	90%
4	Fuel Supplies Maldives Pvt Ltd	99.90%
5	Maldives National Oil company Ltd	99.90%
6	STO Hotels & Resorts Pvt Ltd	99.90%
7	Maldives Industrial Fisheries Company Limited	99.90%
8	Maldives Structural Products Pvt Ltd*	50%
9	Lafarge Maldives Cement Pvt Ltd*	25%

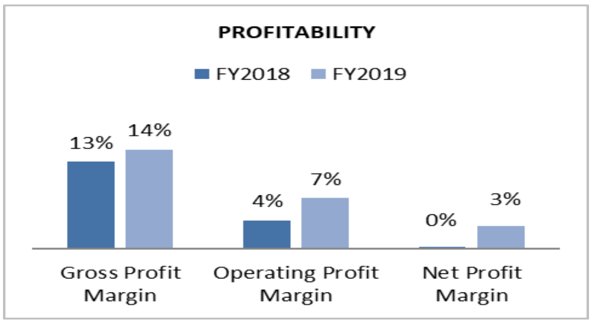
3. Financial Analysis

3.1 Revenue



The company generated revenue of MVR 9.3 billion and achieved a slight decline by 1% when compared to FY2018. The company has 3 operating segments, retail and wholesale (28% of total revenue), fuel and lubricants (72% of total revenue) and other services. Revenue from other services has seen growth by 74% while the other two areas had only 1% growth.

3.2 Profitability



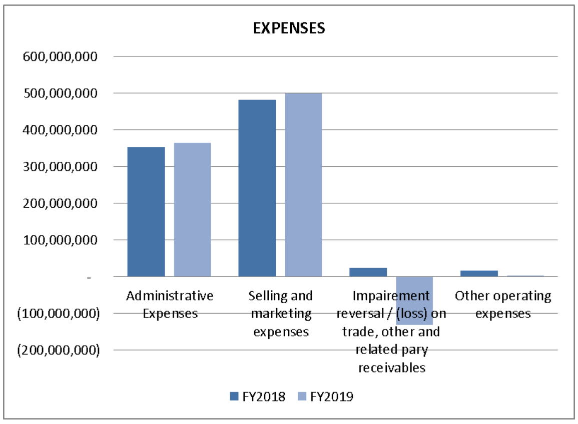
Overall, the main three profitability shows improvement in 2019, compared to previous year.

Company was able to manage and reduce its cost of sales by 3% when revenue was only dropped by 1%, achieving a 15% higher gross profit in 2019.

Operating profit was significantly increased by 80% over the period, mainly due to the gain recognized from impairment reversal on trade, other and related party receivables. It is also worth mentioning that other income was increased by 10% while other operating expenses was reduced from MVR 15 million to MVR 1.9 million from 2018 to 2019, reasoning the significant increase in operating profit.

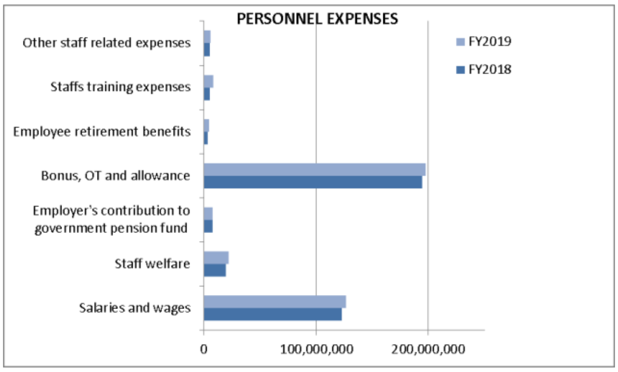
The significant increase in operating profit helped to achieve a 3% growth in Net profit of the company in 2019. Finance income has increased from MVR 48 million to MVR 69 million (42%) while finance cost was increased by MVR 177 million to MVR 189 million (7%).

3.3 Expenses



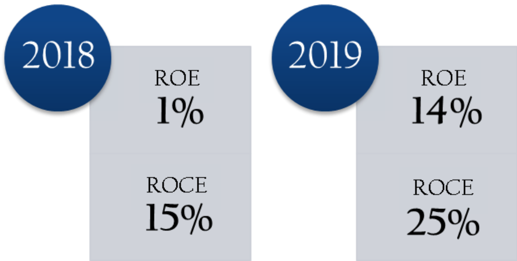
Both administrative expenses and selling and marketing expense have increased by 4% and 3% respectively over the comparable period.

During the year 2019, the Company set off the receivable from Addu International Airport against the dividend payable to the government, resulting in a reversal of the provision created in previous years of MVR 162 million.



Personnel expenses have almost remained same over the period from 2018 to 2019, with only 4% increase in total personnel expenses. Exceptional to that staff training and expenses has seen an increase from MVR 4.8 million to MVR 7.9 million (66%).

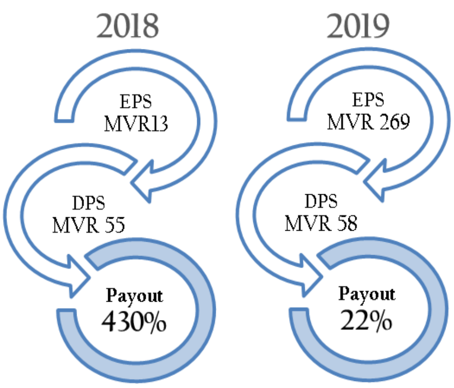
3.4 Return on Equity (ROE) and Return on Capital Employed (ROCE)



ROE measures a company's profitability by revealing how much profit a company generates with the money shareholders have invested. ROCE measures the company's profitability in terms of all of its capital.

Both the ratios have significantly increased, mainly due the increase in operating profit (from MVR 380 million to MVR 683 million) from 2018 to 2019.

3.5 Shareholder Returns

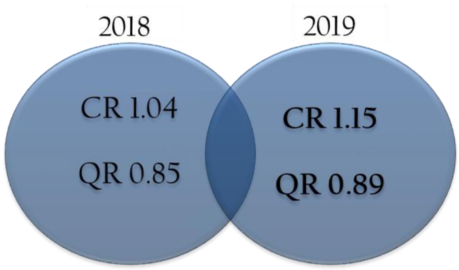


If a company's dividend payout ratio is over 100%, it could mean that company is paying out more than its earning, which is unstable over long term. Although this was the scenario in 2018, it has changed over the time as company was able to increase its EPS and DPS in 2019, to achieve a payout ratio of 22%. Company has increased its earning (Net profit after tax) from MVR 13 million to MVR 303 million from 2018 to 2019.

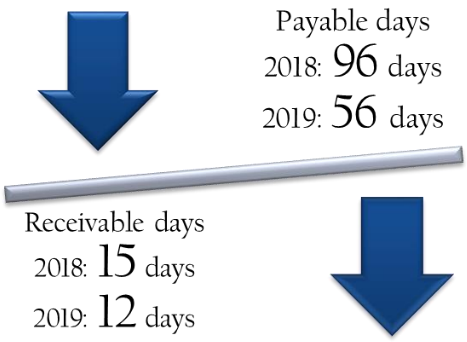
3.6 Net assets per share

When total number of issued shares remained same over the period, company was able to increase its net assets by 12% (from MVR 1.9 billion to MVR 2.2 billion). As a result net asset per share has increased from MVR 1766 per share to MVR 1970 per share, increasing the value of its shares.

3.7 Working Capital Management



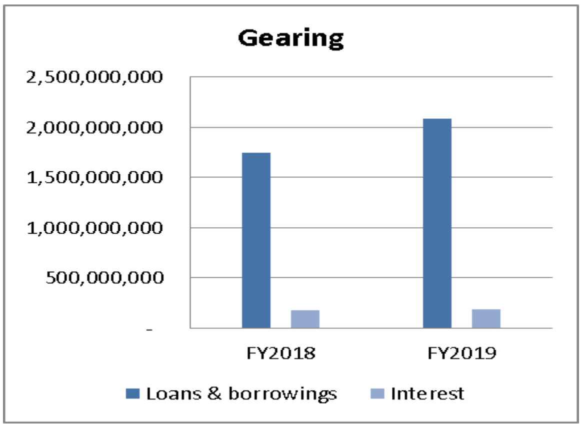
Both the liquidity ratios of current and quick ratio have seen improvement during the period from 2018 to 2019, mainly due to decrease in current liabilities by 9% in 2019 as current assets remained same over the period.



Company is seen to effectively manage its working capital in 2019, compared to previous year as both receivable and payable days have dropped by 3 days and 40 days respectively.

However, it is important to note that company has MVR 2.7 billion recorded as receivables from related parties in 2019 (MVR 2.7 billion in 2018) which is 67% of total current assets. Likewise amounts due to related parties are hit by MVR 227 million in 2019 (MVR 189 million in 2018), which is 6% of total current payables.

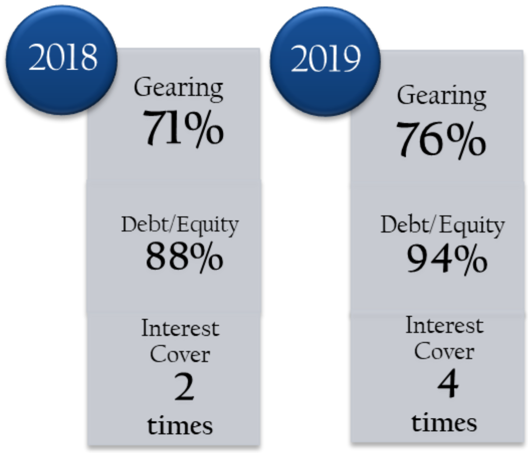
3.8 Financing



loans and borrowings (including both short term and long term loan) of the company has increased from MVR 1.7 billion to MVR 2 billion from 2018 to 2019, increasing its finance cost.

While the long term loans stands at MVR 1.8 billion, short term loans stands at MVR 284 million at the end of 2019. This indicates that company is highly dependant on short term financing than longterm.

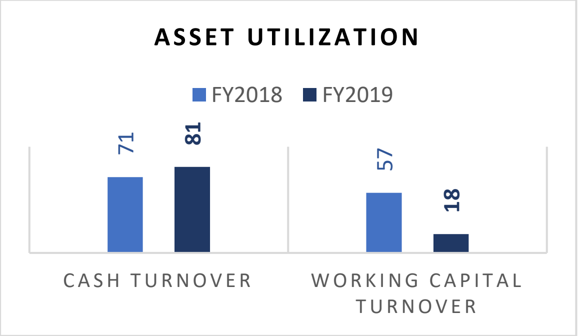
During 2019, company has incurred MVR 134 million for the purchase and construction of property, plant and equipment, and a further MVR 0.9 million for the purchase and construction of investment prorpery.



Gearing is a measure of how much of a company's operations is funded using debt versus the funding received from shareholders as equity. The interest coverage ratio is used to determine how easily a company can pay its interest expenses on outstanding debt.

Gearing ratio has increased by 5% due to overall increase in loans and borrowing in 2019 (by 19%). However, with the increase in profits, company is able improve interest cover by 2 times. The ability to service its debt obligations is a key factor in determining a company's solvency and is an important statistic for shareholders and prospective investors.

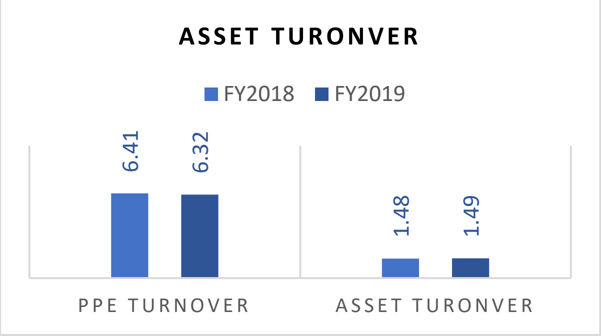
3.9 Asset utilization



Cash turnover has increased from 71 to 81 times, while working capital turnover has fell from 57 to 18 times from 2018 to 2019.

The increase in cash turnover suggests that company is going through its cash cycle quickly, while this could mean that the company is being efficient with its cash.

Working capital turnover ratio measures how efficiently company is using its working capital to support a given level of sales. This ratio has deteriorated over the period.



PPE turnover shows how efficiently company is producing sales with its property plant and equipment. The asset turnover ratio shows how efficiently the company uses its assets to generate sales.

Both PPE and total asset turnover has remained constant over the period. While company was able to generate MVR 6.32 per every 1 MVR of PPE, company was able to generate MVR 1.49 for every MVR 1 of total assets utilised. It is important to note that this ratio has potential room for further improvement.

4. External Audit

The external auditor of the company has expressed an unqualified opinion in the financial statements for the year 2019. Therefore we assumed that financial statement of STO is free from material misstatement.

5. Corporate Governance

STO complies with the good governance practices and the Board develops and reviews the Company's corporate governance principles to help fulfill its corporate responsibility towards the stakeholders. The company has developed a manual for board directors, a code of ethics for directors and renewed the board charter and corporate governance guidelines.

As per company secretary Board continuously monitors and reviews the board evaluation framework. The Board has laid down a set of evaluation criteria for the performance review of board and management.

6. Conclusion

STO has been a well performing company and has generated a revenue of over MVR 9.3 billion in FY2019, with a remarkable recovery of its profitability compared to previous year. Return on equity and return on capital employed has improved over the period, due to increased profitability in 2019.

Company managed its working capital effeciently during 2019, as major working capital ratios such a current ratio, quick ratio and working capital days were improved compared to the previous year. Though there are rooms for more effeciency in this area, more importantly in related party transactions.

Although loans and borrowings have increased in 2019, company was able to maintain and improve its debt servicing by increasing its interest cover.

With an unqualified external audit opinion, and a strong corporate governance culture adhering to CMDA Corporate Governance Code, State Trading Organisation (STO) has completed another successful year representing and leading by examples in its core markets in the Maldives.

TRADENET MALDIVES CORPORATION LIMITED

ANNUAL FINANCIAL REVIEW

FY2019

1. Introduction

TradeNet Maldives Corporation Limited (TMCL) is a limited company incorporated on 15 October 2019 and domiciled in the Republic of Maldives. The company is fully owned by the Government of Maldives.

The Corporation was formed by the virtue of Presidential Decree bearing No: 2019/11 and governed under Companies Act 1996. The company is responsible for establishing "National Single Window", a trade portal providing an efficient one-stop paperless system to lodge standardized declaration and various clearance applications electronically for the benefit of all stakeholders engaged in the international supply chain.

2. Financial Review

2.1 Revenue

The company has generated zero revenue in 2019. During the year, Government has only provided capital for registration and annual fee of the company. TradeNet Maldives is at its inception stage, and currently closely working with the Project management Unit (PMU) of Ministry of Economic Development to Establishing the "National Single Window" and formulate a revenue model, which need to be approved and endorsed by the Economic Council of the President's Office.

As per the company, TMCL at present is not in a position to project any profit for the proceeding first 2 years or until its Trade Portal is fully developed, up and running. The company expects the portal to be rolled out in the year 3 after which it will be able to generate revenues as per limitations set and instructed by the Economic Council and the government.

2.2 Profitability

During two and half months of 2019, company has incurred MVR 314,520 as overheads of the company. Out of which the major expense is the personnel costs as shows below;

Personnel expenses	FY2018	FY2019
Salaries		112,108
Board remuneration		152,380
Pension		4,803
Total		**269,291**

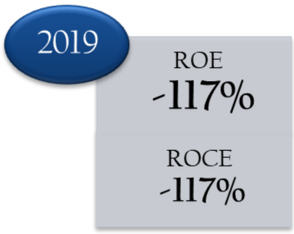
Other operating expenses incurred by the corporation during the reporting period are as follows:

Other Operating expenses	FY2018	FY2019
License and fees		45,230
Total	-	**45,230**

Net Profit/loss

As the company started its operation in late 2019, the company was not able to start their business in 2019.

2.3 Return on Equity (ROE) and Return on Capital Employed (ROCE)



Both ROE and ROCE are negative in 2019. The negative result illustrates that ineffectiveness of management using company's assets and capital in generation of return.

Most startup companies lose money in their early days as it takes quite some time to generate sufficient return from the investment.

2.4 Working Capital management

The company has not recorded any current asset as at the end of 2019. Cash and cash equivalents of the company was also zero since the fund provided by the government was for registration and annual fee. Current liabilities of the company consist of the accrued expenses (personnel costs).

3. External Audit

Upon audit of Financial statement of 2019, Auditor general's office. As per their opinion, the financial statement of the company gives true and faire view of as t 31st December 2019.

4. Conclusion

Financial year 2019 was the first year of the company and company was not able to start any activity during the year. The government injected only MVR 45,230 during the year for registration and annual fee.

Currently the company is closely working with the Project management Unit (PMU) of Ministry of Economic Development to Establishing the "National Single Window" and formulate a revenue model. As per the company, TMCL at present is not in a position to project any profit for the proceeding first 2 years or until its Trade Portal is fully developed.