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ANNUAL FINANCIAL REVIEW FY 2020

SECRETARIAT FOR
PRIVATIZATION AND CORPORATIZATION BOARD

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SUMMARY of Financial Statements Review 2020

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 2020 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 companies 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 received prior to 31 October 2021. 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 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	#	Company
1	Maldives Fund Management Corporation Limited	7	Kahdhoo Airports Company Limited
2	Fenaka Corporation Limited	8	Maldives Integrated Tourism Development Corporation
3	Tradenet Maldives Private Limited	9	Road Development Corporation
4	Business Centre Corporation Limited	10	Waste Management Corporation
5	Maldives Marketing and Public Relations Corporation	11	Public Service Media
6	Island Aviation Services 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)	557,178,310	27,469,322	584,647,632	459,632,367	729,016,826
2	Fahi Dhiriulhun Corporation Limited (FDC)	3,353,397	1,932,665	5,286,062	Nil	2,504,984
3	Maldives Centre for Islamic Finance Limited (MCIF)	1,369,090	698,560	2,067,650	Nil	1,869,353
4	Maldives Sports Corporation Limited (MSCL)	1,182,536	1,736,183	2,918,719	Nil	499,299
5	Aasandha Company Limited	9,723,648	23,828,467	33,552,115	Nil	26,614,699
TOTAL		**572,806,981**	**55,665,197**	**628,472,178**	**459,632,367**	**760,505,161**
*The above SOEs are for whom government provides capital contributions.						
6	Bank of Maldives Plc (BML)	-	-	31,425,413,000	906,706,000	24,405,898,000
7	Dhivehi Raaajjeyge Gulhun Plc (Dhiraagu)	2,370,853,000	1,734,443,000	4,105,296,000	Nil	1,622,687,000
8	Greater Male' Industrial Zone Limited (GMIZL)	-	4,848,592,530	4,848,592,530	Nil	28,419,029
9	Housing Development Corporation (HDC)	23,946,245,792	12,609,942,569	36,556,188,361	10,686,484,651	13,799,130,699
10	Housing Development Finance Corporation PLC (HDFC)	-	-	2,084,827,298	624,550,502	1,426,458,923
11	Maldives Airports Company Limited (MACL)	20,872,558,057	2,067,178,473	22,939,736,530	7,736,873,099	17,249,599,305
12	Maldives Islamic Bank Plc (MIB)	-	-	4,416,765,534	Nil	3,801,701,979
13	Maldives Ports Limited (PORTS)	1,068,865,097	709,844,773	1,778,709,870	203,967,792	815,605,989
14	Maldives Transport and Contracting Company Plc (MTCC)	1,031,115,239	1,449,485,121	2,480,600,360	318,741,376	1,311,736,292
15	Male' Water and Sewerage Company Private Limited (MWSC)	1,518,468,509	1,129,900,104	2,648,368,613	142,416,492	1,020,449,612
16	Maldives Tourism Development Corporation Plc (MTDC)	1,060,402,483	140,479,161	1,200,881,644	Nil	581,292,304
17	State Electric Company Limited (STELCO)	4,393,994,615	937,892,119	5,331,886,734	2,970,165,249	3,914,876,981
18	State Trading Organization Plc (STO)	2,204,203,001	4,410,344,003	6,614,547,004	1,689,652,932	4,097,027,544
TOTAL		**58,466,705,793**	**30,038,101,853**	**126,431,813,478**	**25,279,558,093**	**74,074,883,657**
GRAND TOTAL		**59,039,512,774**	**30,093,767,050**	**127,060,285,656**	**25,739,190,460**	**74,835,388,818**

Table 1: Financial Highlights

The above table illustrates the balance sheet figures of SOEs as at the end of 31 December 2020. Among the above SOEs, HDC is the highest asset-based company with total assets of MVR 31 billion. This is because HDC has a significant amount of investment properties. Second largest asset base is seen from BML, with total assets of MVR 31 billion. In addition, MACL is also high capital-intensive as the company have capital works-in-progress including new runway, fuel farm and cargo terminal.

In addition to HDC and BML, companies such as STO, STELCO, GMIZL, MTCC, MTDC, MWSC, PORTS, HDFC, MIB, AIA 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 total liabilities, BML has the highest liabilities because of significant dues to customers (customer deposits).

3. Financial Analysis

Revenue

#	Revenue	2019	2020	% growth
1	Maldives Sports Corporation Limited (MSCL)	371,329	8,657,601	2232%
2	Addu International Airport Private Limited (AIA)	65,030,122	36,161,448	-44%
3	Maldives Centre for Islamic Finance Limited (MCIF)	31,315	24,440	-22%
4	Fahi Dhiriulhun Corporation Limited (FDC)	-	-	
5	Aasandha Company Limited	2,590,759	17,177,371	563%
	TOTAL	**68,023,525**	**62,020,860**	**-9%**
*The above SOEs are for whom government provides capital contributions.				
6	Greater Male' Industrial Zone Limited (GMIZL)	134,146,166	106,096,527	-21%
7	Maldives Islamic Bank Plc (MIB)	206,488,164	255,792,379	24%
8	Maldives Airports Company Limited (MACL)	5,364,202,999	2,190,511,660	-59%
9	Housing Development Finance Corporation PLC (HDFC)	214,654,610	224,955,447	5%
10	Bank of Maldives Plc (BML)	2,769,857,000	2,684,270,000	-3%
11	State Electric Company Limited (STELCO)	1,922,912,331	1,909,620,830	-1%
12	Dhivehi Raaajjeyge Gulhun Plc (Dhiraagu)	2,859,006,000	2,483,159,000	-13%
13	Maldives Ports Limited (PORTS)	758,185,644	537,128,249	-29%
14	State Trading Organization Plc (STO)	9,319,256,401	7,208,991,811	-23%
15	Maldives Transport and Contracting Company Plc (MTCC)	1,137,135,255	1,360,554,874	20%
16	Male' Water and Sewerage Company Private Limited (MWSC)	1,009,756,365	986,632,627	-2%
17	Maldives Tourism Development Corporation Plc (MTDC)	56,788,545	56,664,583	-0.2%
18	Housing Development Corporation (HDC)	335,467,455	822,333,671	145%
	TOTAL	**26,087,856,935**	**20,826,711,658**	**-20%**
	GRAND TOTAL	**26,155,880,460**	**20,888,732,518**	**-20%**

Table 2: Revenue

Table 2 shows the gross revenue/income generated by the SOEs for the year 2020. It is noted that the gross total revenue has decreased by 20% (MVR 5.2 billion) over the comparable period, mainly due to the negative impact of global pandemic.

STO has recorded the highest revenue (MVR 7.2 billion) for the year ended 2020. However, comparison to 2019, STO's revenue is 23% lower due to fall in demand and selling price of Fuel (major business segment) due to covid-19 pandemic. Second highest revenue is recorded by BML amounting to MVR 2,684 million for 2020.

In addition, HDC, MTCC, MIB, HDFC, Aasandha and MSCL has achieved a revenue growth in 2020 compared to 2019. Revenue of HDC increased because of increase in sale of properties and rental income. The revenue growth of MTCC was solely due to the significant increase in contracting segment while the performance of other segments declined.

Nevertheless, many companies were severely affected by the global pandemic especially companies in airline industry such as MACL and AIA. Total revenue of MACL dropped by over 59% (MVR 3,173 million) due to closing down of the domestic and international flight operations in 2020. Likewise, revenue generated by AIA also reduced by 44% due to decrease in air traffic and flight movements. In addition, the operations of PORTS were also restricted during the lockdown leading to loss of revenue of MVR 221 million compared to 2019.

Financial year 2020 was the second year of operation for FDC, however the company has not generated any revenue so far. During the year, FDC's operations were mainly focused on formulating and negotiating housing projects. The construction work of the projects is expected to start in the year 2021 and revenue generation is expected on the year 2023 with the completion of housing projects.

Gross Profit

#	Company	2019	2020	% growth
1	Addu International Airport Private Limited (AIA)	(32,652,815)	(50,527,339)	-55%
2	Maldives Sports Corporation Limited (MSCL)	102,989	387,196	276%
3	Maldives Centre for Islamic Finance Limited (MCIF)	9,620	8,847	-8%
4	Fahi Dhiriulhun Corporation Limited (FDC)	-	-	
5	Aasandha Company Limited	2,590,759	17,177,371	563%
	TOTAL	**(29,949,447)**	**(32,953,925)**	**10%**
*The above SOEs are for whom government provides capital contributions.				
6	Maldives Airports Company Limited (MACL)	2,901,861,184	1,054,414,453	-64%
7	Bank of Maldives Plc (BML)	1,926,705,000	1,013,096,000	-47%
8	State Trading Organization Plc (STO)	1,345,109,703	1,372,559,892	2%
9	Dhivehi Raaajjeyge Gulhun Plc (Dhiraagu)	1,145,922,000	893,731,000	-22%
10	Male' Water and Sewerage Company Private Limited (MWSC)	552,899,231	580,252,090	5%
11	State Electric Company Limited (STELCO)	462,824,071	555,657,705	20%
12	Housing Development Corporation (HDC)	277,891,698	709,102,276	155%
13	Maldives Islamic Bank Plc (MIB)	245,685,104	248,711,539	1%
14	Maldives Ports Limited (PORTS)	160,544,684	11,964,529	-93%
15	Maldives Transport and Contracting Company Plc (MTCC)	155,864,524	308,295,136	98%
16	Housing Development Finance Corporation PLC (HDFC)	141,406,589	145,455,122	3%
17	Greater Male' Industrial Zone Limited (GMIZL)	53,582,707	487,894,217	811%
18	Maldives Tourism Development Corporation Plc (MTDC)	37,254,920	29,270,753	-21%
	TOTAL	**9,407,551,415**	**7,410,404,712**	**-21%**
	GRAND TOTAL	**9,377,601,968**	**7,377,450,787**	**-21%**

Table 3: Gross Profit

* *Operating profit is taken for service-based companies*

In terms of gross profit, the highest growth was achieved by Greater Male Industrial Zone Ltd (GMIZL) as result of recognition of increase in fair value of investment properties. The Government of Maldives has merged 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.

In terms of growth, Aasandha have achieved a notable gross profit growth in 2020. Compared with 2019, Aasandha company's revenue is significantly higher in 2020 due to the implementation of a 2% pharmacy commission from late 2019 which was fully available in 2020.

Companies such as MTCC, HDC, STELCO, MWSC, STO, HDFC and MIB has achieved growth in their gross profit of 2020. Regardless of the loss of revenue due to negative impacts of the pandemic, these companies have managed their direct costs to maintain a gross profit growth.

On the other hand, the gross profit made by MACL, BML, Dhiraagu, MPL, MTDC and MCIF has declined in 2020. The gross profit declined owing to the significant loss of revenue in 2020. In addition, the gross loss made by AIA has also increased in 2020 by 55%.

Net profit

#	Company	2019	2020	Growth
1	Addu International Airport Private Limited (AIA)	(60,338,985)	(76,756,006)	-27%
2	Maldives Sports Corporation Limited (MSCL)	(4,646,376)	(5,060,085)	-9%
3	Maldives Centre for Islamic Finance Limited (MCIF)	(6,681,206)	(5,296,872)	-21%
4	Fahi Dhiriulhun Corporation Limited (FDC)	(3,118,339)	(6,763,839)	-117%
5	Aasandha Company Limited	(6,103,132)	2,623,670	143%
	TOTAL	**(80,888,038)**	**(91,253,132)**	**-13%**
*The above SOEs are for whom government provides capital contributions.				
6	Maldives Airports Company Limited (MACL)	1,160,305,352	96,396,761	-92%
7	Bank of Maldives Plc (BML)	1,039,127,000	325,067,000	-69%
8	Dhivehi Raaajjeyge Gulhun Plc (Dhiraagu)	941,759,000	732,452,000	-22%
9	Male' Water and Sewerage Company Private Limited (MWSC)	308,790,288	323,837,624	5%
10	State Trading Organization Plc (STO)	303,028,444	359,298,319	19%
11	Maldives Ports Limited (PORTS)	116,587,929	11,417,241	-90%
12	State Electric Company Limited (STELCO)	107,632,664	130,183,316	21%
13	Housing Development Finance Corporation PLC (HDFC)	91,095,151	95,325,975	5%
14	Maldives Islamic Bank Plc (MIB)	84,014,091	75,261,411	-10%
15	Housing Development Corporation (HDC)	61,964,694	332,924,075	437%
16	Maldives Transport and Contracting Company Plc (MTCC)	52,875,917	187,051,643	254%
17	Greater Male' Industrial Zone Limited (GMIZL)	42,126,883	478,868,910	1037%
18	Maldives Tourism Development Corporation Plc (MTDC)	19,104,224	14,870,416	-22%
	TOTAL	**4,328,411,637**	**3,162,954,691**	**-27%**
	GRAND TOTAL	**4,247,523,599**	**3,071,701,559**	**-28%**

Table 4: Net Profit

Companies such as GMIZL, HDC, MTCC, STO, MWSC, STELCO, HDFC has achieved net profit growth in 2020. As previously mentioned, the net profit growth of GMIZL is due to the recognition of increase in fair value of investment properties. With a significant revenue growth and reduction in operating expenses HDC was able to grow its profitability in 2020. MWSC also managed to cut down its direct costs which led to an increased profitability for 2020. Likewise, STELCO has also achieved a net profit growth of 21% by reducing its direct costs mainly as a result of reduction of global oil/diesel prices, as demand dropped sharply due to the Covid-19 pandemic in 2020.

On the other hand, net profit of MACL, BML, MPL, Dhiraagu, MTDC, and MIB has declined in 2020. This was mostly because the companies were unable to operate normally during 2020 due to the severe impact of the global pandemic.

The net loss of MSCL, FDC, MCIF and AIA has further increased in 2020. These companies are loss making SOE's whose operations are funded solely by the capital injections from the shareholder (GoM). *(Except*

AIA and MSCL- AIA earns significant revenue and MSCL has also earned some level of revenue during 2020)

Short Term Liquidity Ratios

#	Company	2019	2020
1	Maldives Sports Corporation Limited (MSCL)	1.90	6.70
2	Maldives Centre for Islamic Finance Limited (MCIF)	0.33	0.42
3	Addu International Airport Private Limited (AIA)	0.10	0.06
4	Fahi Dhiriulhun Corporation Limited (FDC)	68.35	1.98
5	Aasandha Company Limited	1.16	3.01
*The above SOEs are for whom government provides capital contributions.			
6	Greater Male' Industrial Zone Limited (GMIZL)	155.84	170.61
7	Housing Development Corporation (HDC)	2.90	3.37
8	State Trading Organization Plc (STO)	1.15	1.20
9	Maldives Ports Limited (PORTS)	1.89	1.41
10	Male' Water and Sewerage Company Private Limited (MWSC)	1.36	1.42
11	Maldives Airports Company Limited (MACL)	1.53	1.20
12	Bank of Maldives Plc (BML)	1.35	1.29
13	Maldives Islamic Bank Plc (MIB)	1.18	1.16
14	Housing Development Finance Corporation PLC (HDFC)	1.35	1.46
15	Dhivehi Raaajjeyge Gulhun Plc (Dhiraagu)	1.65	1.38
16	State Electric Company Limited (STELCO)	1.39	1.93
17	Maldives Tourism Development Corporation Plc (MTDC)	2.20	1.96
18	Maldives Transport and Contracting Company Plc (MTCC)	1.39	1.59

Table 5: Current ratio

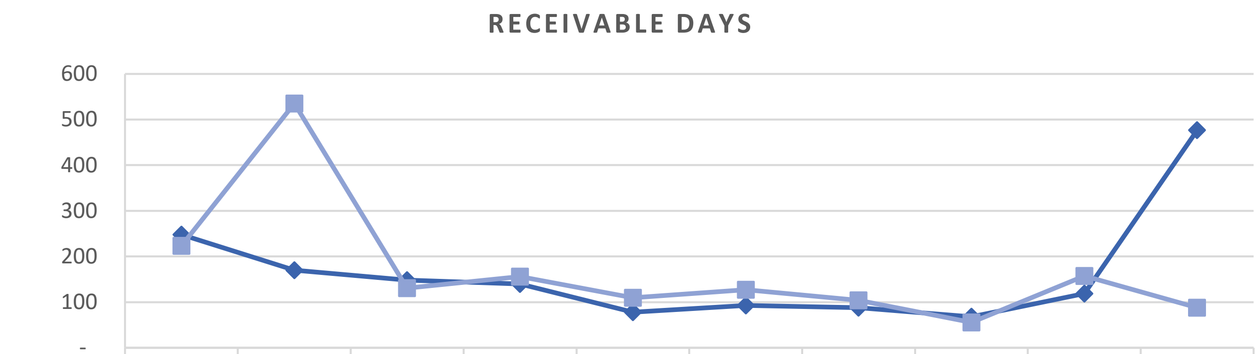
The ideal level of current ratio is 2:1, indicating that for every MVR 1 worth of short-term liability (current liability) there should be MVR 2 worth of current assets, although it could defer based on the nature of business. The higher the current ratio, the more capable the company is of paying its obligations. However, a high ratio (presumably 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, is not securing financing well, or is not managing its working capital well.

As per the above chart, GMIZL has the highest current ratio. This is because company's accounts were made on liquidation basis for 2020, hence all assets and liabilities were recorded as current assets and liabilities. Further, company's assets are relatively higher than current liabilities.

Although companies such as MSCL and FDC have satisfactory level of current ratio, it is important to note that their current asset (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, 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

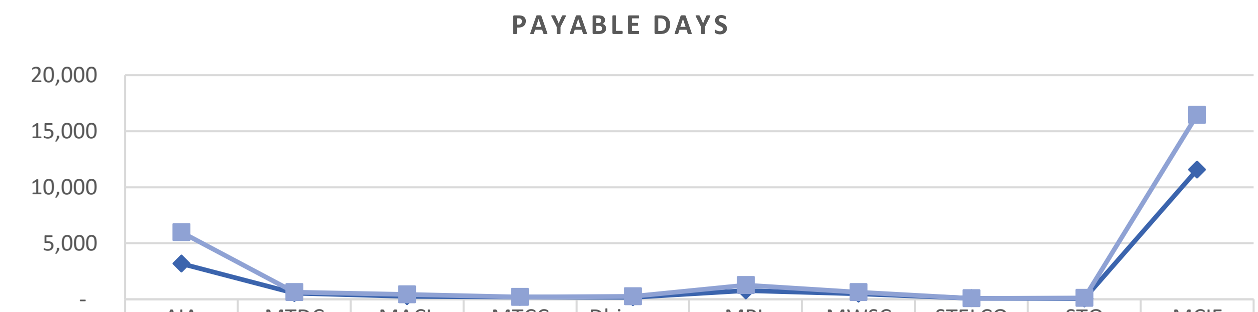


	MTCC	MTDC	AIA	MWSC	STELCO	MACL	Dhiraagu	MPL	STO	MCIF
2019	248	170	148	140	78	93	88	68	119	477
2020	223	535	130	156	109	127	104	56	157	88

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 MPL, Dhiraagu and STELCO collects its payments at in a shorter time than the other companies. It is important to note that majority of trade and other receivable are amounts receivable from related parties which overall takes a longer period to collect.



	AIA	MTDC	MACL	MTCC	Dhiraagu	MPL	MWSC	STELCO	STO	MCIF
2019	3,191	558	249	195	177	782	477	76	64	11,568
2020	5,977	618	444	193	268	1,256	630	78	109	16,467

Table 7: Payable Days

Payable days 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.

Companies who pay its creditors and suppliers within an average of one year includes STO, STELCO and MTCC.

AIA, MPL and MCIF takes the longest time to settle its creditors. This ratio illustrates that these companies do not pay its suppliers/creditors within reasonable time. 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.

Shareholders Returns

Earnings and Dividend

Company	Earnings per Share		Dividend per Share		Payout Ratio	
	2019	2020	2019	2020	2019	2020
Addu International Airport Private Limited (AIA)	(189)	(264)	-	-	-	-
Maldives Sports Corporation Limited (MSCL)	(0.22)	(0.19)	-	-	-	-
Maldives Centre for Islamic Finance Limited (MCIF)	(2.74)	(1.78)	-	-	-	-
Fahi Dhiriulhun Corporation Limited (FDC)	(5.16)	(5.38)	-	-	-	-
Aasandha Company Limited	(61)	26	-	-	-	-
*The above SOEs are for whom government provides capital contributions.						
Dhivehi Raaajjeyge Gulhun Plc (Dhiraagu)	12.39	9.64	12.00	7.23	97%	75%
Maldives Ports Limited (PORTS)	27	3	16.4	1.6	60%	60%
Male' Water and Sewerage Company Private Limited (MWSC)	1,157	1,213	694	728	60%	60%
Maldives Airports Company Limited (MACL)	774	64	464	39	60%	60%
Housing Development Finance Corporation PLC (HDFC)	57.16	59.81	28	13	48%	21%
Maldives Islamic Bank Plc (MIB)	4.51	3.34	1.58	1.23	35%	37%
Maldives Transport and Contracting Company Plc (MTCC)	6.6	23.3	2.00	3.00	30%	13%
State Trading Organization Plc (STO)	268.9	318.8	58	60	22%	19%
State Electric Company Limited (STELCO)	717,551	867,889	133,333	140,000	19%	16%
Bank of Maldives Plc (BML)	193	60	26	15	13%	25%
Greater Male' Industrial Zone Limited (GMIZL)	2.4	0.2	-	-	-	-
Housing Development Corporation (HDC)	1.40	7.53	-	-	-	-
Maldives Tourism Development Corporation Plc (MTDC)	0.56	0.43	0.5	0.5	89%	116%

Table 8: Earnings and Dividend

As per the above table 11 companies have declared dividend based on 2020's profit. Dhiraagu and MTDC has the highest payout ratio of 2020. MPL, MWSC and MACL have maintained its 60% payout ratio in 2020 as well.

On the other hand, HDFC, Dhiraagu, STO, MTCC and STELCO has reduced its payout ratio in 2020 compared to 2019 mainly due to reduction of profitability.

Financing

Gearing

#	Company	2019	2020
1	Addu International Airport Private Limited (AIA)	201%	391%
2	Maldives Centre for Islamic Financing Limited (MCIF)	No borrowings	
3	Maldives Sports Corporation Limited (MSCL)	No borrowings	
4	Fahi Dhiriulhun Corporation Limited (FDC)	No borrowings	
5	Aasandha Company Limited (Aasandha)	No borrowings	
*The above SOEs are for whom government provides capital contributions.			
6	State Trading Organization Plc (STO)	78%	57%
7	Maldives Ports Limited (MPL)	14%	16%
8	Male' Water and Sewerage Company Private Limited (MWSC)	10%	8%
9	Maldives Airports Company limited (MACL)	52%	36%
10	Housing Development Corporation (HDC)	37%	33%
11	State Electric Company Limited (STELCO)	70%	61%
12	Maldives Transport and contracting Company Plc (MTCC)	42%	35%
13	Greater Male'Industrial Zone Limited	No borrowings	
14	Dhivehi Raajjeyge gulhun plc (Dhiraagu)	No borrowings	
15	Maldives Tourism Development Corporation Plc (MTDC)	No borrowings	
16	Bank of Maldives (BML)	NA	
17	Housing Development Financing Corporation Plc (HDFC)	NA	
18	Maldives Islamic Bank Plc (MIB)	NA	

Table 9: Gearing

AIA is the highest geared company among SOE's and government-controlled companies. As at the end of 2020, total loans and borrowing of the company stands at MVR 459.6 million. The major loan of AIA is secured by the guarantees of GoM and Kasa Holdings Pvt Ltd as such this loan is repaid by the GoM and Kasa holding. In addition, the shareholders loan has increased from MVR 121 million to 140 million.

STELCO and STO are also a highly geared with 61% and 57% of gearing respectively. However, the level of gearing has reduced compared to previous year. At the end of 2020, STELCO and STO had loans and borrowings of MVR 2970 million and MVR 1689 million respectively.

Conclusion

Financial year 2020 was a challenging year for the world where Maldives was no exception. The economic and financial shocks of Covid-19 pandemic was experienced by all the SOEs. The companies hit hardest by the pandemic are Maldives Airports Company (MACL), State Trading Organization (STO) and Maldives Ports Limited (MPL). Total revenue of MACL dropped by over MVR 3173 million compared to 2019. STO's revenue also reduced by MVR 2110 million. In addition, AIA, STELCO, MWSC, Dhiraagu and BML has also experienced reduction in their revenue/income.

Nevertheless, few SOEs have ended the year with good financial results because of the low impact of the pandemic on their financial statements together with early measures taken to combat the situation. Companies who have achieved a revenue growth includes HDC, MTCC, HDFC, MIB, Aasandha, and MSCL. HDC has achieved a revenue growth of 145% against previous year with the increase in sale of land from

Hulhumalé Phase II and recognition of development and sale rights during the period for residential purposes. MTCC was also severely affected in 2020, however the construction segment performed very well and contributed 69% of company's revenue.

In terms of profitability, Dhiraagu has achieved the highest net profit (MVR 732 million) for 2020, although this is 20% lower than previous year. On the other hand, MACL and MPL's net profit dropped by 92% and 90% respectively due to significant fall in revenue.

Conversely, AIA, MCIFL, MSCL and FDC has made a loss in FY2020. These companies are consecutively loss making since its inception. AIA has an accumulated loss of MVR 442 million at the end of 2020. The performance of the company was severely affected in 2020 due to restriction in air traffic and flight movements. The business is mainly influenced by external factors such as demand and supply of tourism related activities. However, 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 in revenue generating activities.

As per the financial statement analysis, it was understood that most of the SOEs performed poorly in 2020 mainly because of the factors outside the control of the company.

AASANDHA COMPANY LIMITED

ANNUAL FINANCIAL REVIEW

FY2020

1. Introduction

Aasandha Private Limited was incorporated on 21 December 2011 as a private limited liability company under the Companies' Act No. 10 of 1996. The Company commenced its operations with effect from 1 January 2012.

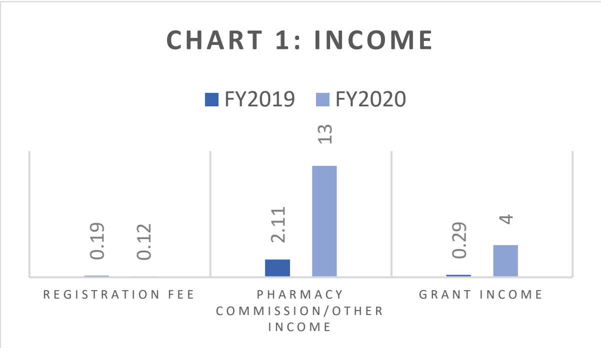
The main activity of the Company is to manage Universal Healthcare Insurance Scheme offered by the Government of Maldives. Aasandha company is run as a non-profit entity where the recurrent and capital costs of running the scheme is provided by the government as agency commission, budget contribution and grant income.

The Company is fully owned by the Government of Maldives.

2. Financial Analysis

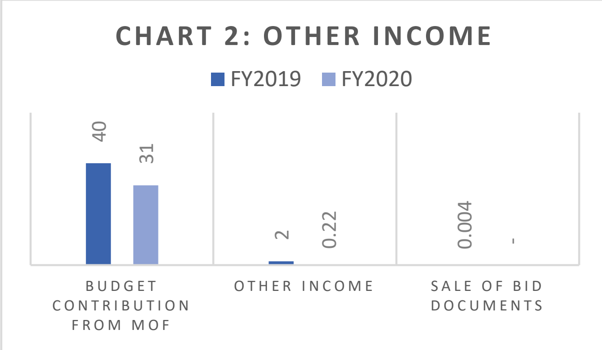
2.1 Income & Profitability

Revenue



Operating income comprise the total amount receivable for reimbursement of operating expenses and administration expenses for the whole period under the contract with the government and it is recognized on accrual basis. Compared with 2019, revenue is significantly higher in 2020 due to the implementation of a 2% pharmacy commission from late 2019 which was fully available in 2020. This change was made as part of the initiative to convert the company's income sources to a revenue-based model. Pharmacy commission income and grant income increased by 527% and 1220% respectively.

Other Income



Other income mainly consists of budget contribution provided by the ministry of finance to match the shortfall in revenue compared to the operating and capital expenditure needs of the company. During 2020, MOFT has contributed MVR 31 million as capital, which is 22% lower than previous year.

Expenses

Aasandha has incurred administrative expenses of MVR 45 million, a reduction of 9% compared to previous year. Administrative expenses comprise of personnel costs and admin expenses.

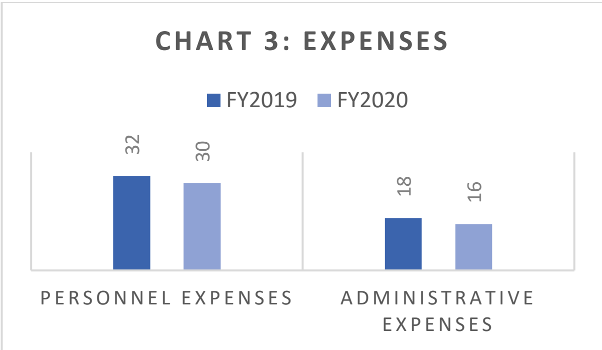


Table 2: Expenses

Aasandha has reduced their personnel costs by MVR 2.3 million in 2020 compared to 2019. This is a result of the changes in payroll implemented due to the ongoing pandemic situation. Similarly, administrative expenses have also reduced in 2020 by over MVR 2 million. The major cost savings were seen from business travel, depreciation, amortization and training.

Comprehensive Income

The net income of the company after deducting administrative expenses stands at MVR 2.6 million. (2019: MVR -6.1 million)

2.2 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

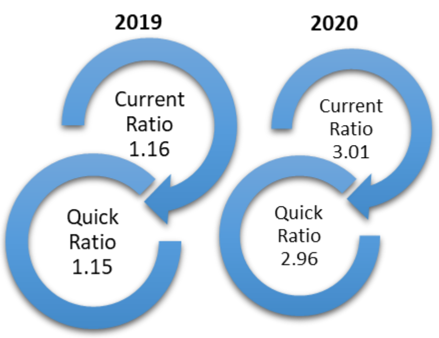


Figure 1: Current and Quick ratio

Current ratio measures company's ability to meet short-term liabilities (those falling due within 12 months) through the current assets. Quick ratio measures company's ability to meet short-term liabilities with the most liquid assets i.e. excluding inventories. Both ratios have significantly improved in 2020. This is because current liabilities of the company have declined much greater than current assets.

Current Assets of the company consists of the following;

Current Assets	FY2019	FY2020
Inventory	465,664	442,531
Amount due from related parties	3,435,750	4,806,170
Other receivables	821,132	723,078
Cash and cash equivalent	27,862,452	17,856,688

Table 3: Current Assets

Total current assets have reduced by MVR 8.7 million, mostly from cash and cash equivalents. During the year 2020, company had acquired MVR 2.7 million worth of PPE and paid off MVR 20 million trade payables. Further, company received MVR 31 million as budget contributions for 2020 from Ministry of Finance.

Company's current liabilities consists of trade and other payables and short-term lease liability. While lease liability remained unchanged, trade and other payables have reduced by MVR 20 million.

It has to be noted that Aasandha plays an agency role in operating its business processes by receiving income from National Social Protection Agency (NSPA) and making payments to relevant healthcare service providers such as hospitals and pharmacies. Therefore, maintaining company's liquidity position is not entirely within their control as funds received from NSPA (through government budget) are used for payments of healthcare providers under healthcare scheme and company's receivable and payables represent those funds related to scheme. The company does not have any loans or borrowings.

External Audit

Upon auditing the financial statement of Aasandha Company for the year ended 31 December 2020, Auditor General has expressed that financial statement gives a true and fair view of the financial position of the company.

3. Conclusion and Recommendation

Total operational income is higher in 2020 compared with 2019 due to higher Pharmacy commission income and grant income. On the other hand, operational expenses of the company have also reduced. To maximize returns, it is important for the company to keep the expenses at an optimum level.

Company maintains current assets above its current liabilities and the liquidity position has further improved with significant reduction of trade payables. As noted above, maintaining company's liquidity position is not entirely within Company's control as funds received from NSPA (through government budget) are used to do payments for healthcare providers under healthcare scheme and Company's major portion of receivable and payables consist of those funds related to scheme.

ADDU INTERNATIONAL AIRPORT PRIVATE LIMITED

ANNUAL FINANCIAL REVIEW

FY2020

1. Ownership Structure

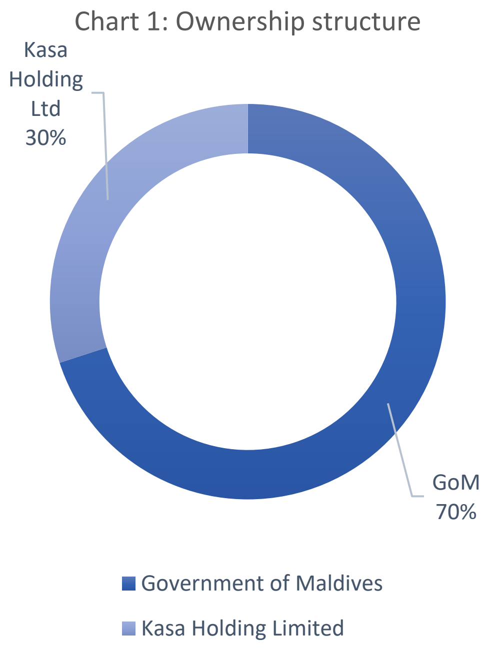


Fig 2: Shareholding Structure

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, in 2020, shareholding was changed when all the shares held by STO and MACL were transferred to Government of Maldives (GoM) in February and October 2020 respectively.

As at 31st December 2020, the total issued share capital is 298,000 ordinary shares at MVR 1000 each and the government of Maldives owned 70% and Kasa Holding holds 30% of company's shareholding.

2. Financial Review

2.1 Revenue

Total revenue has declined by 44% from 2019 to 2020 (MVR 65 million to MVR 36 million) due to decrease in revenue from all the revenue segments except for fee income from flight training.

Significant decline in revenue over the period is due to decrease in air traffic and flight movements.

Jet fuel revenue comprises 69% of total revenue and has decreased by 38% (by MVR 15 million). Likewise, Ground handling income has decreased by 58% (by MVR 7 million).

Revenue	FY 2019	FY 2020	Variance	%
Jet fuel revenue	40,479,054	24,950,797	(15,528,257)	-38%
Ground handling charge	13,064,623	5,423,660	(7,640,963)	-58%
Landing fees	4,572,075	2,136,023	(2,436,052)	-53%
Parking fee	3,637,331	2,424,726	(1,212,605)	-33%
Ground power unit charges	2,034,669	779,643	(1,255,026)	-62%
Pessenger service charge	420,331	62,200	(358,131)	-85%
Airport pass	58,250	44,950	(13,300)	-23%
Cargo handling/terminal income	589,157	44,950	(544,207)	-92%
Monthly fee on flight training	174,632	270,059	95,427	55%
Total	**65,030,122**	**36,137,008**	**(28,893,114)**	**-44%**

Table 4 Revenue breakdown

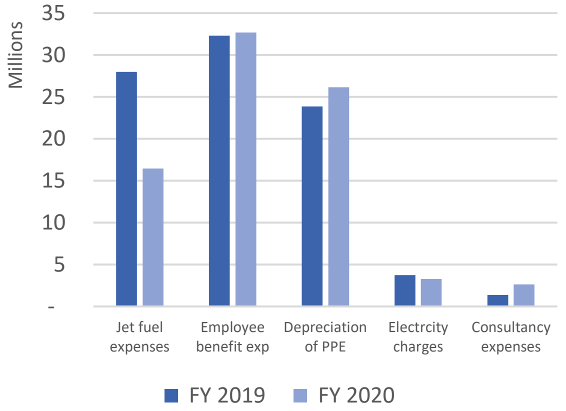
3.1 Other Income

Total other income has also slightly decreased by 6% over the comparable period (from MVR 7.5 million to MVR 7.1 million). Over 92% of other income includes rent income which has decreased by 4% 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 demand for the need to travel Addu region. The government's initiation to invest and develop facilities of and operations of AIA will support to achieve overall objective of the company.

3.2 Operating Expenses

Chart 2: Operating expenses



Total operating expenses has decreased by 10% in 2020 (MVR 101 million to 92 million). Among the company's major expenses, jet fuel expenses show a significant decrease by 41% while employee benefit expenses slightly increased by 1%. Fall in jet fuel expenses is mainly due to decrease in demand for fuel, as flight movements were low compared to previous year.

Employee benefit expense	FY 2019	FY 2020	Variance
Wages and salaries	16,449,850	17,310,340	860,490.00
Allowances	14,350,614	13,697,952	(652,662)
Training expenses	258,221	89,747	(168,474)
Pension Contribution	1,237,174	1,215,205	(21,969)
Staff insurance	-	368,173	368,173
Total	**32,295,859**	**32,681,417**	**385,558**

Table 5 Employee benefit expense

Company has increased its number of staffs compared to previous year, however has managed to maintain total employee benefit expenses same as previous year. It is important to note that company has introduced staff insurance in 2020 which increments over MVR 368,000 per annum to the total staff cost.

3.3 Profitability

The company has not made any profits since its inception. The negative operating margin of the company suggests that the company is not covering costs and expenses of running the airport from the revenue they generate.
Currently, 69% of AIA's revenue is generated through the sale of jet fuel. The margin on jet fuel sales has increased from 31% to 34% from 2019 to 2020.

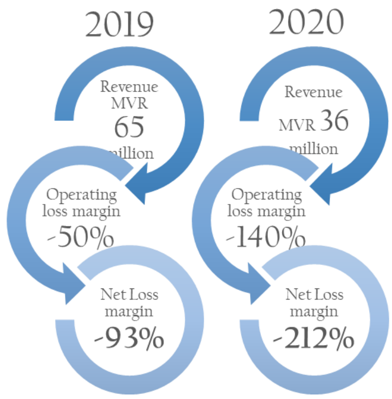


Fig 1: Profitability

When revenue was dropped significantly by 44% (by MVR 28 million), company was able to minimize its operating expenses by only 10% (by MVR 9.8 million), resulting a significant increase in net loss margin from -93% to -212% (by MVR 16 million).

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 in revenue generating activities.

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

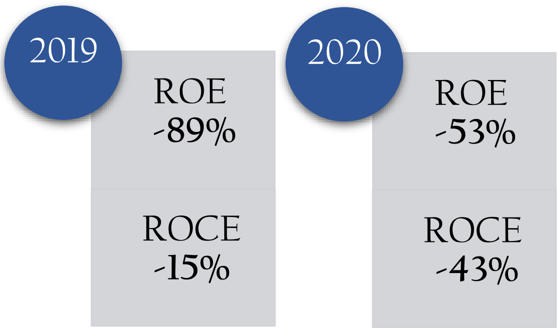


Fig 2: ROE and ROCE

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. Although negative ROE has decreased from -89% to -53%, this is due to increase in negative equity. ROCE also got worse from -15% to -43%.

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

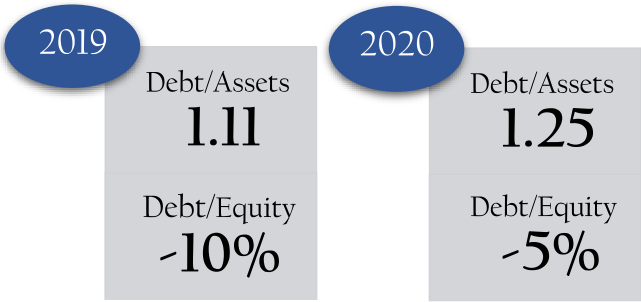


Fig 3: Debt/Assets and Debt/Equity

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 0.71 to 0.79. This ratio measures the financial leverage of a company by indicating what proportion of debt company hold over the total equity. While total loans and borrowings were increased from MVR 428 million to MVR 459 million (by 7.3%), equity has fallen significantly from -67 million to -144 million (by 113%) due to increase in accumulated loss of MVR 77 million in 2020. 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

Gearing	FY 2019	FY 2020	% change
Total loans and borrowings	428,567,317	459,632,367	7%
Capital employed	213,638,670	117,474,507	-45%
Gearing ratio (LL/CE)	201%	391%	191%
Interest cover(EBIT/Interest)	-1.18	-1.93	-0.75

The financial risk of the company is higher as the gearing ratio has increased from 201% to 391% in 2020. As at 2020, company has borrowed a total of MVR 459 million (2019: MVR 428 million) for financing its activities.

Although total loans and borrowings have increased slightly by 7% over the period, the reduction in capital employment by 45% has led to increase overall gearing ratio from 201% to 391%.

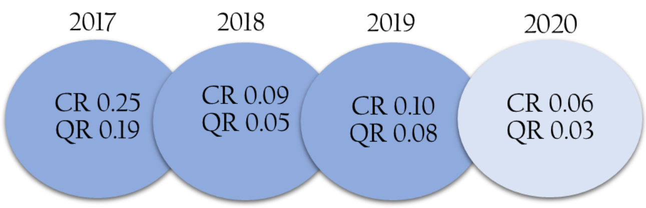
Finance cost over the period has decreased from MVR 27 million to MVR 26 million due to repayments of interest-based loans over the period. Consequently, the interest cover has decreased from -1.18 to -1.93. This ratio illustrates that the company is not in a position to pay its finance cost through the operating profit.

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 aim of proper working capital management is to maintain sufficient cash flow to meet short term obligation.

Current ratio and Quick ratio

Fig 4: Current and Quick ratio



Current ratio measures whether the company has enough resources to meet its short-term obligations. In 2020 the company has MVR 0.06 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 managing payables may require external sources of financing.

Current Asset	FY 2019	FY 2020	% change
Inventories	8,580,533	11,364,092	32%
Trade and other receivables	26,373,967	12,911,977	-51%
Cash and cash equivalents	4,004,369	3,193,253	-20%
Total current asset	**38,958,869**	**27,469,322**	**-29%**

Current Liabilities	FY 2019	FY 2020	% change
Loans and borrowings	147,315,459	197,788,666	34%
Lease liability	766,374	-	-
Trade and other paybales	244,787,984	269,384,459	10%
Total current liabilities	**392,869,817**	**467,173,125**	**19%**

Table 6 Current assets and current liabilities

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 reduced from 0.08 to 0.03 over the comparable period. It is important to highlight that the closing inventory of the company has increased from MVR 8 million to MVR 11 million in 2020.

Receivable and Payable Days

Receivable and Payable Days	FY 2019	FY 2020	% change
Receivables	26,373,967	12,911,977	-51%
Payables	244,787,984	269,384,459	10%
Total sales	65,030,122	36,161,448	-44%
Other operating cost (jet fuel expens	28,003,262	16,450,706	-41%
Receivable days	**148**	**130**	**(18)**
Payable days	**3,191**	**5,977**	**2,786**

Accounts receivables are considered valuable as 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. It is notable that receivables were reduced by 51% over the comparable period reducing receivable days from 148 days to 130 days. This indicates the company took less days to collect its receivables during 2020, compared to previous year.

It is important to note that receivables from related parties such as government and other state-owned enterprises have decreased from MVR 14 million to MVR 9 million over the period. However, to improve cash position further, AIA shall make financially viable arrangements with related parties.

We draw attention to Note 29 to the financial statements. The Company has incurred a loss of MVR 76,756,006/- during the year ended 31 December 2020 and accumulated losses of MVR 442,369,194/- as at 31 December 2020. Further, the Company's Current Liabilities excess its Current assets by MVR 439,703,803/- and total liabilities exceeded its total assets by MVR 144,369,194/- as at 31 December 2020. 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 2020

It is important to highlight that the total number of receivables has decreased from MVR 26 million to MVR 12 million from 2019 to 2020. And the company has incurred an impairment loss of receivables by MVR 3.2 million and MVR 1.6 million during 2019 and 2020 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 2019, AIA took 3191 days on average to pay creditors and it has significantly increased to 5977 days in 2020. It is important to note that, jet fuel cost has been considered as cost of goods sold while computing payable days. This ratio shows company's inefficiency to pay its creditors. Even though it supports the company's cash position AIA has to consider risk associated in this management technique. 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 2020, Auditor General has expressed a qualified opinion on financial statements on the basis quoted below.

As per Note 13 to the financial statements the net carrying value of property, plant and equipment relating to the airport operation is MVR 557,177,070/- as at 31 December 2020. 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 442,369,194/- as at 31 December 2020. These factors should have been considered as impairment indicators. 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 2020.

Therefore, we were unable to determine the possible effects on these financial statements as at 31 December 2020.

As per Note 17 to the financial statements, amounts due from Island Aviation Service limited amounting to MVR 8,521,750/- was included in Trade and other receivables balance as at 31 December 2020. However, the Company has not assessed the recoverability of this balance as at 31 December 2020. Therefore, we are unable to satisfy ourselves regarding the recoverability of amounts due from Island aviation service limited amounting to MVR 8,521,750/- as at 31 December 2020.

As per Memorandum of Agreement between Ministry of Finance and Treasury and Gan Airport Company Limited dated 21 July 2012, the leasehold right of the Airport land located in Gan Island has been given to Addu International Airport Private Limited ("AIAL") for a period of 50 years commencing from 21 July 2011. During our field visit, it was observed that management of the Company does not have access to an area which have been used to construct a resort by a third party. Accordingly, said area cannot be used for business purposes. Therefore, we were unable to identify the potential effects on these financial statements as of 31 December 2020

5 Conclusions and Recommendation

It is apparent from the review of financial statements that the company requires substantial transformation in terms of increasing revenue and expanding the business which is influenced by external factors such as number of beds within the region. The company has been making losses since its inception, with an accumulated loss of over MVR 442 million at the end of 2020.

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.

The gearing position of the company is weak 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 must give emphasis on maintaining its current assets and current liabilities at an appropriate level.

BANK OF MALDIVES

ANNUAL FINANCIAL REVIEW

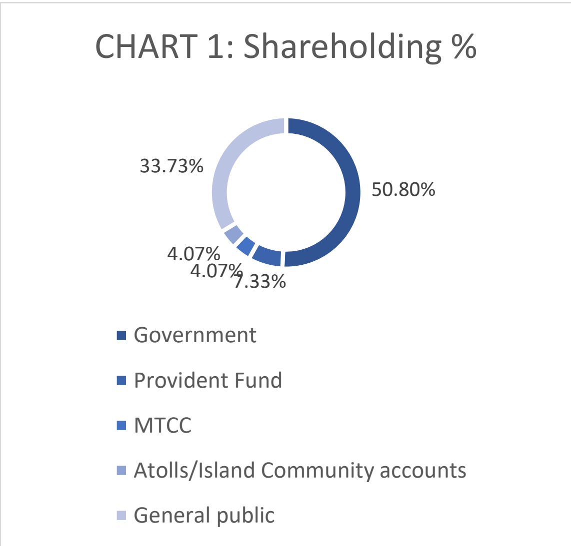
FY2020

1. Introduction

BML is a public quoted company incorporated on 11 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 293,000 customers and largest network of branches, Agents, ATMS, and POS terminals in Maldives.

2. Shareholding Structure

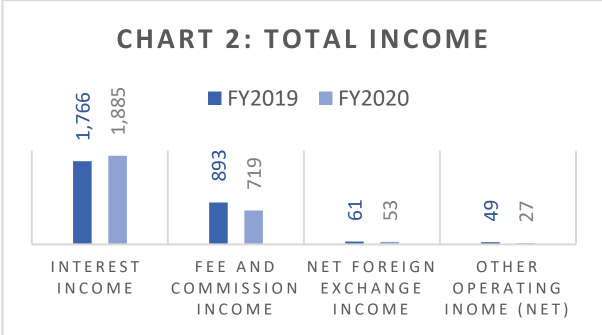


The majority shareholder of BML is Government of Maldives (GoM) holding 50.8% of share capital.

3. Financial Analysis

3.1 Income

Even with the economic and financial shocks of covid-19 pandemic, BML has made a gross income of MVR 2.6 billion in FY 2020, a reduction of 3% compared to previous year as Cards and Trade fee income were hit by the impact from the pandemic showing a drop of 23%.

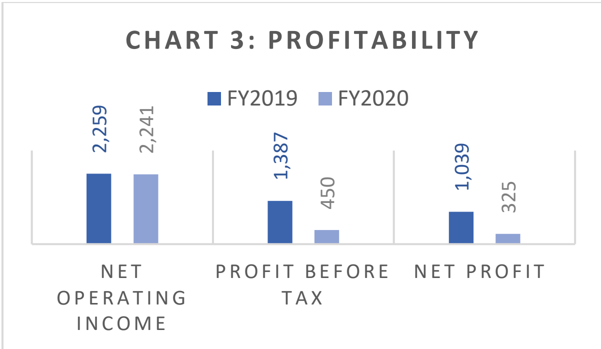


The above table consists of gross revenue figures.

Net Interest Income recorded a growth of 7% despite significant increase in funding costs as the Bank continued to lend over MVR 3 billion regardless of tight liquidity due to Covid-19.

Fees and Commission Income fell by 7% due to poor performance in Cards. Net foreign exchange income and other operating income has also declined in 2020 compared to previous year.

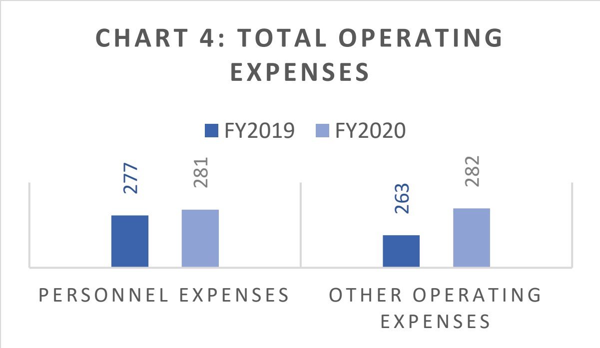
3.2 Profitability



The profitability of the bank has reduced from MVR 1,039 million to MVR 325 million, down by 69% compared to last year mainly from high provision charge of MVR 1,209 million and loss of Cards and Trade fee income due to business disruptions from Covid-19 pandemic.

Expenses

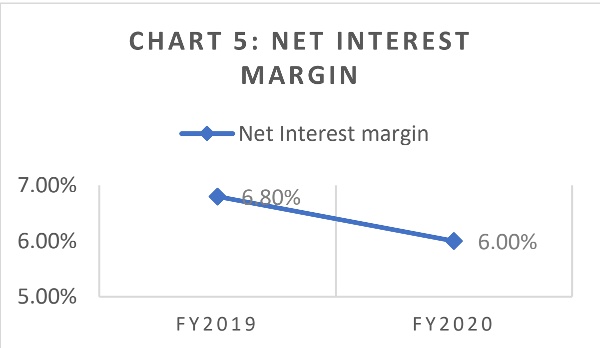
Total operating expenses grew at 4%, mainly from IT related expenses and loan modification loss. Nevertheless, the Bank's cost/income ratio was maintained at 25%.



Personnel expenses of the bank has only increased by one percent against previous year. Other operating expenses grew at 7% (MVR 19 million) compared to 2019. The major increments were seen from Software, license fees and hardware maintenance expense and loan modification loss. On the other hand, travel and transport expenses has significantly decreased in 2020.

3.3 Net Interest Margin

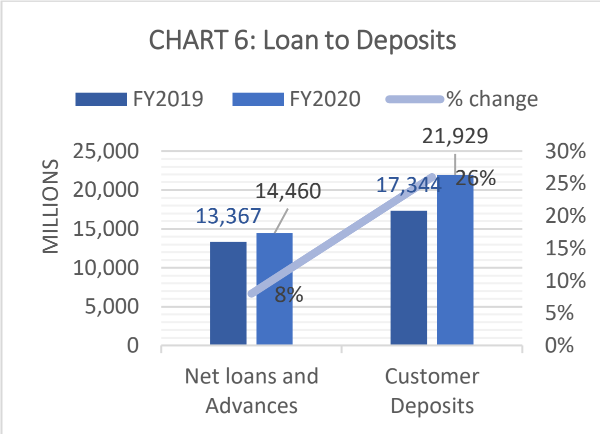
Net interest margin reveals the bank's net profit on interest-earning assets, such as loans or investment securities.



The earning assets grew much higher than net interest income, thus the net interest margin has slightly declined in 2020.

Loans and receivables to customers has grown over MVR 1.1 billion over the past year as the Bank continued it's lending to businesses and individuals to support the economy. Net interest income also achieved a growth of 7%.

3.4 Loans and Deposits



Deposits increased by more than MVR 4 billion, (growth of 26%) which accounts to almost 2/3 of the industry growth. The loan book also grew by MVR 1.1 billion or 8% as the Bank continued it's lending to businesses and individuals. An impairment for loans and receivable of MVR 2,024 million (2019: MVR 967 million) was recognized in FY2020. Additional provision charge for the year is MVR 1,209 million. In addition, short term lease expense has increased from MVR 284 thousand to MVR 8 million in 2020.

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

3.5 Shareholders Return

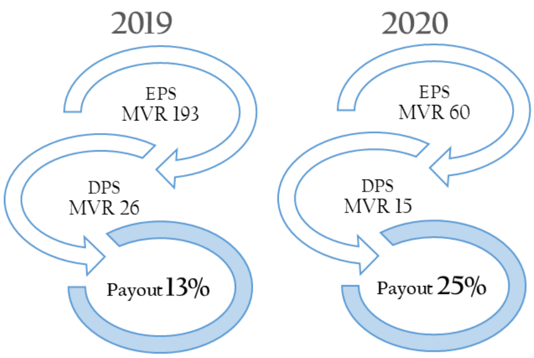
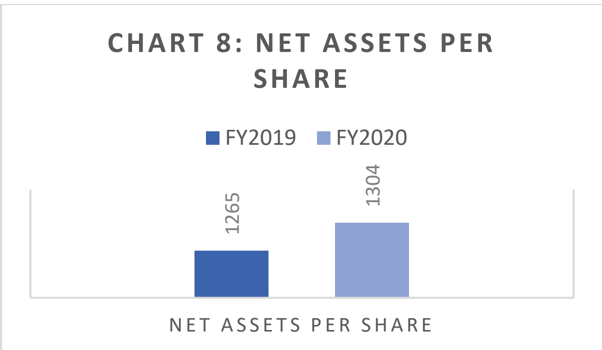


Figure: Dividend

BML has recommended a dividend of MVR 15 per share for 2020, considering the significant drop in profits. (2019: MVR 26 per share). The payout ratio has dropped to 13% from 25% in 2019 since earnings per share has decreased more than dividend.

3.6 Net Assets Per Share

Total Assets of the BML at the end of 2020 stands at MVR 31.4 billion, a growth of 20% compared to previous year. Other reserves have recorded a growth of MVR 926 million, retained earnings on the hand fell over MVR 714 million. Since the share capital remained unchanged, increasing assets 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%.

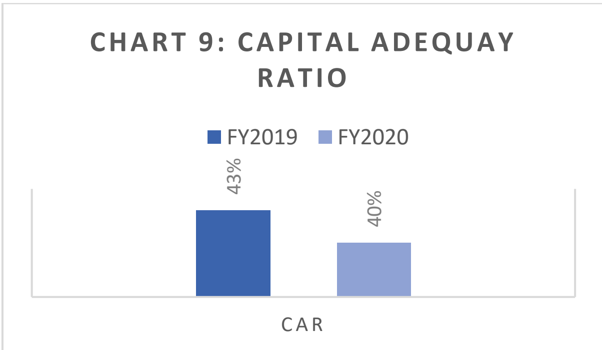
The Bank's regulatory capital is divided into two tiers:

• 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.

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 37.49% and 40.94% for Tier 1 and Tier 2 Capital respectively for the year ended 2020 (2019: Tier 1 - 38%, Tier 2 - 46%).



The Capital Adequacy Ratio was maintained well above the minimum regulatory requirement of 12% and finished the year at 40% (2019: 43%). The slight reduction in CAR was due to growth of assets more than profits during the year.

3.8 Loan Book Quality

Total non-performing loans less interest in suspense at the end of 2020 stood at MVR 645 million, a decrease of MVR 138 million. The ratio of non-performing loans to total loans declined from 5.5% to 4% however, the Bank's loan book quality remains better than the industry average and provision cover ratio was maintained at 100%. Despite a significant portion of resort financing which has been restructuring to support liquidity pressure due to the pandemic.

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;

Net Loans	**2019**	**2020**
Stage 1 - Performing	12,520,556,000	12,087,059,000
Stage 2 - Significant increase in credit risk (SICR)	373,267,000	222,287,000
Stage 3 - Credit impaired (Default)	1,440,940,000	4,175,431,000
Gross loans and receivables to customers	14,334,763,000	16,484,777,000
Less: allowance for impairment	(967,847,000)	(2,024,878,000)
Net loans and receivables to customers	**13,366,916,000**	**14,459,899,000**

As shown in the above table 25% 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 Bank maintains a statutory deposit with MMA equal to 5% of customer deposits for USD deposits and 7.5% of customer deposits for MVR deposits. This was reduced from 10% in 2019 by MMA as a proactive measure to support liquidity during COVID-19.

Furthermore, the bank maintains a ratio of net liquid assets to liabilities to reflect market conditions.

As at 31 December 2020	Total undiscounted financial assets	Total undiscounted financial liabilities	Financial assets to liabilities
Less than 3 months	12,402,038,000	20,874,432,000	0.6
3 to 12 months	7,223,252,000	1,157,770,000	6.2
1 to 5 years	10,657,432,000	1,038,450,000	10.3
Over 5 years	9,085,138,000	190,019,000	47.8
Total	**39,367,860,000**	**23,260,671,000**	**1.7**

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 2020. 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, 46% of total assets of the bank consisted of loans and advances amounting to MVR 14.46 billion shown net of loss allowance of MVR 2.02 billion.

5. Conclusion

In the financial year 2020, the bank was heavily affected by the financial shocks of covid-19. Profit After Tax fell by 69% owing to high provision charge and loss of Cards and Trade fee income. The Bank however continued to support impacted sectors with new loans of over MVR 3 billion.

Nevertheless, the bank has a solid financial platform with a deposit base of MVR 21.9 billion and assets worth of MVR 31 billion. In addition, BML has the leading market share in retail, corporate and SME segments.

The ratio of non-performing loans to total loans declined from 5.5% to 4% in 2020. Loan book quality remains better than the industry average, although a significant portion of resort financing has been restructured to support liquidity pressures due to the pandemic.

The bank is strongly capitalized with a capital adequacy ratio of 40%, (2019: 43%) well above regulatory requirements. The bank also has solid policies to mitigate the credit and liquidity risk.

The BML board has recommended a dividend of MVR 15 per share for 2020 considering the significant drop in profits this year. Further, the bank hopes to bounce back on its profitability in 2021.

BML has extended its financial support to business across the country amid the covid-19 shocks. BML provided short term financing solutions for the tourism sector, introduced a 6-month loan and financing moratorium for customers and supported the Government with the implementation of its COVID-19 Recovery Scheme.

DHIVEHI RAAAJJEYGE GULHUN PLC

ANNUAL FINANCIAL REVIEW

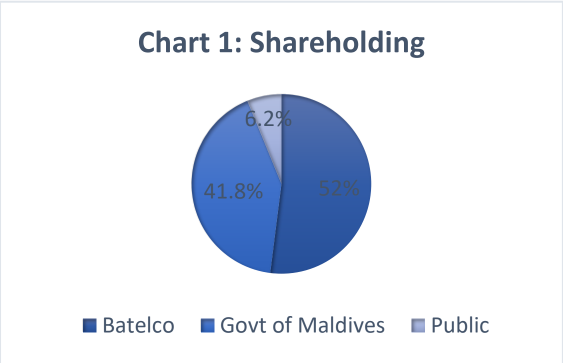
FY2020

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.

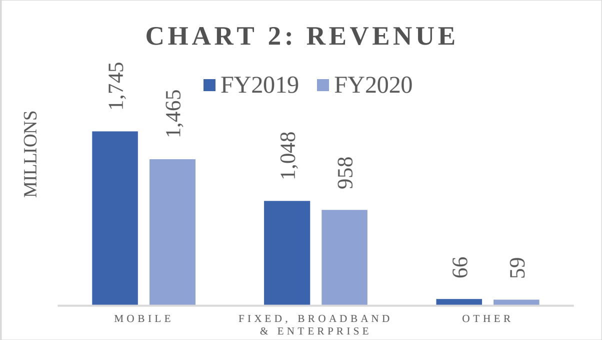
2. Ownership Structure



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.

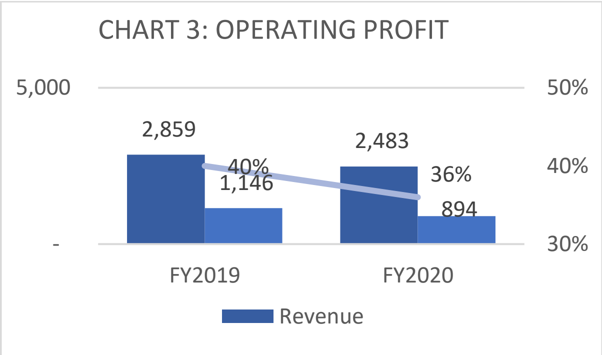
3. Financial Analysis

3.1 Revenue



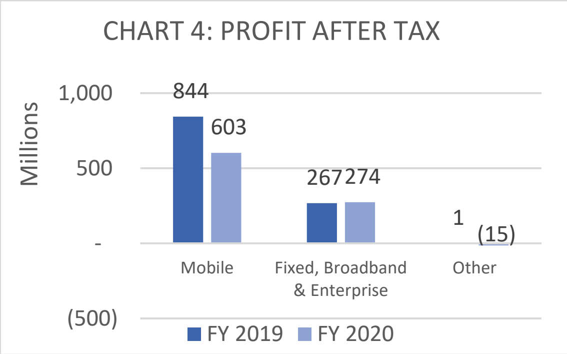
The performance of 2020 was heavily affected by the covid-19 pandemic. Hence, revenue from all customer segments were declined, with a total fall of MVR 375 million (13.1%) compared to previous year. International roaming revenue and revenues from enterprise were the highest impacted segments due to the effect on the tourism industry.

3.2 Operating Profit Margin



As a result of reduction in revenue, operating profit of the company reduced by MVR 252 million. While revenue reduced by 13%, operating profit has recorded a fall of 22% owing to the increase in depreciation & amortization and impairment loss on trade receivables and contract assets.

3.3 Segment Profit



Profit margin of mobile segment has declined from 48% to 41% as revenue also declined by 16%. On the hand, profit margin of fixed, broadband and enterprises have seen an improvement of 12% compared to previous year. Other segment has made a loss of MVR 14 million due to the negative impacts of covid. Other income includes the customer equipment maintenance, bulk SMS services, domain and web hosting and other adjacent services.

Segmental Margins

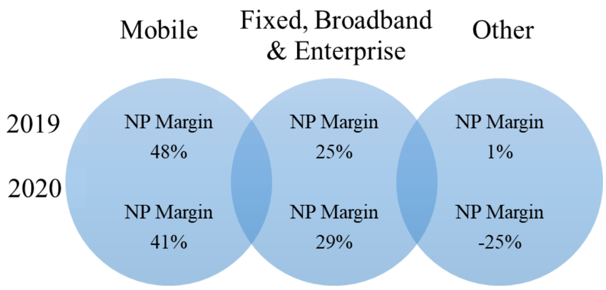


Figure 3 Segmental Profit Margins

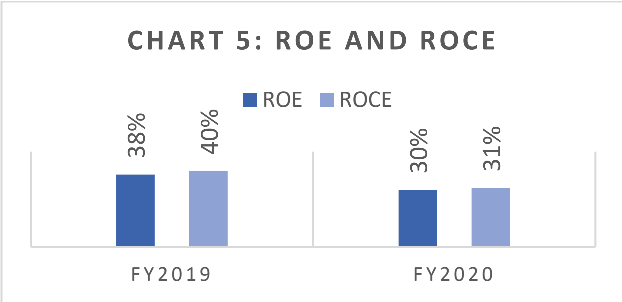
3.4 Operating Costs

Mitigation measures are taken to minimize the business impact including measures to optimize cost and preserve cash. Dhiraagu has implemented several cost saving measures. In this regard, operating expenses of the company has cut down by over MVR 176 million. The major savings were seen from direct costs by 13%, personnel costs by 10% and external publicity by 49%.

The below table shows the movements in the operating expenses.

Operating Costs	FY 2019	FY 2020	%
Direct cost of services	539,674	470,300	-13%
Personnel costs (Note 8.1)	231,016	207,198	-10%
License fees	120,010	106,644	-11%
Operating lease rentals	563	-	-
Support services	48,050	48,050	0%
External publicity	40,675	20,877	-49%
Network costs	132,295	113,715	-14%
Property and utility costs	118,565	105,033	-11%
Professional fees	15,570	10,930	-30%
Other administrative expenses	90,005	77,098	-14%
Total	1,336,423	1,159,845	-13%

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 have declined since company's profitability has declined along with capital employed and equity and reserves. In general, investors tend to favor companies with stable and rising ROCE.

3.6 Shareholders Returns

Share Performance

Share Performance	FY 2019	FY 2020	% change
Earning per share	12.39	9.64	-22%
P/E Ratio	8.47	9.96	18%
Dividendper share	12.00	7.23	-40%
Net assets per share	32.96	32.66	-0.9%
Dividend pay-out ratio	97%	75%	-23%

Table 7: Share Performance

With the decline in profit, earnings per share of the company has reduced by 22%. Likewise, the dividend per share has also declined to MVR 7.23.

A high payout ratio is always attractive to the investors. Nevertheless, payout ratio has declined in 2020.

The weighted average traded share price has recorded a marginal increase from MVR 98.10 to MVR 99.13 in FY2020. The increased share price of the company suggests potential investors are attracted to invest in the company and so does existing shareholder expects to earn a higher return.

Net Assets per Share

Net assets per share slightly declined in 2020. This is because net assets of the company have declined while weighted average number of shares remained same. The company's shares are traded well above its net assets per share. High net assets per share is attractive to investors as it is a sign that company is performing well.

During 2020 a total of 4,156 shares were traded at Maldives Stock Exchange, which is lower than the shares traded in 2019 (6,102 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 serving bank loans or debt finance, allowing to use the capital for business activities.

3.8 Working Capital Management

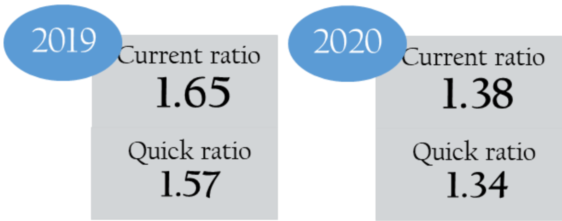
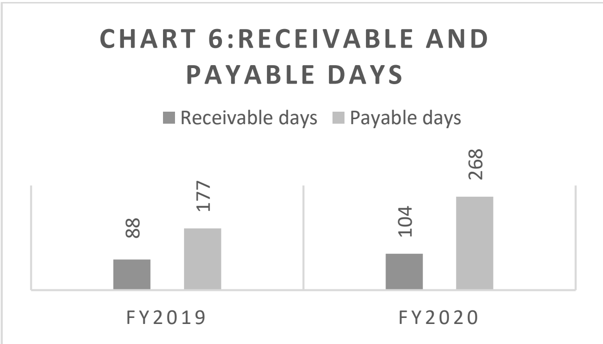


Figure 2 Current and Quick ratio

Both current and quick ratios have deteriorated in 2020, owing to the increment in company's current liabilities. Nevertheless, current assets of the company also improved in 2020, mostly from cash and cash equivalents. Quick ratio assesses the liquidity position without considering the inventory. Both the liquidity ratios are maintained at a healthy level.



For a better working capital position and to maintain a favorable cash position, collecting outstanding debt within a reasonable time is vital. The receivables days of Dhiraagu has increased from 88 to 104 days. Looking into previous years it can be seen that collection period is extending. This means the customers are taking more than three months to settle their bills. The company's trade receivable has increased by 2.7% (MVR 18.9 million). Total receivables at the end of the year is equivalent to 29% of its revenue of FY2020.

Trade and other receivables	FY2017	FY2018	% change
Trade receivables	186,885,000	232,470,000	24%
Contract Assets	209,356,000	256,453,000	22%
	396,241,000	**488,923,000**	23%
Less: Provision for impairement loss	(41,498,000)	(56,588,000)	36%
	354,743,000	**432,335,000**	22%
Prepayments	61,438,000	78,252,000	27%
Other receivables	24,684,000	74,632,000	202%
	86,122,000	**152,884,000**	78%
Les: Allowance for impairment	(555,000)	(555,000)	0%
	85,567,000	**152,329,000**	78%
TOTAL	**440,310,000**	**584,664,000**	33%

The company has recognized provision for impairment of trade receivables amounting to MVR 43 million in 2020 which is 62% higher than previous year. (2019: MVR 27 million)

Payable days has increased from 177 days to 268 days from 2019 to 2020 as the trade payables has seen a 31% (MVR 201.6 million) increase over that period mainly from trade payables and dividend payable.

Although receivable days and payables days shows some adverse results, company is able to manage liquid assets through its effective and efficient business operations.

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 917 million for 2020, reduction of 5% against 2019. (MVR 965 million) Operating cash flow has reduced due to reduction in revenue and an increase in receivables due to the pandemic.

External Audit

The external audit of the company for FY2020 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 as key audit matters. Auditors further note that the audit opinion was not modified based on those matters.

4. 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 framework 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.

In addition to the governance report, yearly assessments are made for environmental and social performance and publish separate Corporate Social Responsibility Reports in their annual report.

5. Conclusion

Financial year 2020 was a challenging year due to the severe impact of covid-19 pandemic.

Most business segments of the company were affected, thus total revenue fell by MVR 375 million (13%). In order to mitigate the impact of revenue fall company has implemented successful cost saving measures thereby operational costs have reduced by MVR 176.5 million (13.2%). The company ended the year 2020 with a net profit MVR 732 million, reduction of 22% against 2019.

With decline profit, earnings per share reduced MVR 2.75 and dividend per share by MVR 4.77. Thus, payout ratio has decline from 97% to 75% in 2020.

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 serving bank loans or debt finance, allowing to use the capital for business activities.

Free cash flow was maintained at MVR 917 million for 2020, declined of 5% as revenue was hit due to pandemic.

Although short term liquidity ratios have deteriorated, the ratios are still maintained at a healthy level.

Despite the challenges in 2020, the company managed to successfully increase the rollout of FTTH network to reach 80% of households and increased customer numbers by 18%. The company has also completed the new Maldives-Sri Lanka Submarine Cable (MSC) system towards the end of the year, which will help strengthen the international connectivity and improve the internet experience to customers.

FAHI DHIRIULHUN CORPORATION LIMITED

ANNUAL FINANCIAL REVIEW

FY2020

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.

2. Financial Analysis

2.1 Revenue & Profitability

The year 2020 is the second year of its operations. During the year, FDC's operations were mainly focused on formulating and negotiating housing projects, thus company did not generate any revenue. The construction work of the projects is expected to start in the year 2021 and revenue generation is expected on the year 2023 with the completion of housing projects. Therefore, company is currently reliant on Government Funding. During 2020, government has injected a total of MVR 6.7 million as capital.

Expenses

FDC has incurred expenses of MVR 7.1 million, an increase of 115% compared to previous year.

Administrative expenses	FY2019	FY2020	change %
Personnel cost	1,828,402	4,591,049	151%
Office rent	581,264	700,000	20%
Consultancy	246,027	743,327	202%
Trade fees	257,730	5,600	-98%
Travelling	95,539	51,503	-46%
Utilities	71,614	309,457	332%
Miscellaneous Expenses	64,967	-	-100%
Printing & Office supplies	55,122	39,328	-29%
Depreciation & amortization	40,490	593,536	1366%
Small Tools & equipments	33,944	37,192	10%
General Advertisement	11,164	-	-100%
Training	8,000	23,418	193%
Bank Charges	1,388	1,640	18%
Other General Administrative Expenses	13,656	20,475	50%
Total	**3,309,307**	**7,116,525**	**115%**

Table 8: Expenses

Personnel costs of the company stands at MVR 4.5 million with a staff force of 16. The staff cost is the major expenses of FDC as it represents 65% of total expenses. Other significant expenses are office rent, consultancy and depreciation expenses. The administrative expenses are financed through the capital contributed by Government.

The company has ended the year 2020 with a net loss of MVR 6.87 million and has accumulated loss of MVR 9.98 as at the end of 2020.

2.2 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

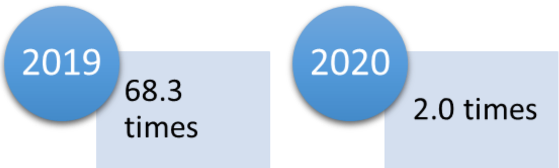


Figure 4: Current ratio

Since the company began its operations in 2019, the company had significant cash balance which is capital injected by the government. Hence, current ratio of 2019 is significantly higher. In 2020, current assets of the company declined mainly from trade and other receivables. Further, the current liabilities increased resulting a steep reduction in current ratio. Nevertheless, a current ratio of above 2 is considered good, since FDC still have MVR 2 for every current liability of MVR 1.

The current assets of the company consist of receivables and cash which is capital contribution by the government. As at the end of previous year, company had cash balance of MVR 1.95 million. During the year 2020, company had invested MVR 721,597 in PPE, and MVR 432,946 as payment of lease liabilities. Further, company received MVR 6.7 million as capital contributions and subsequently ended 2020 with a cash balance of MVR 1.92 million.

FDC's trade and other receivables stands at MVR 6,750 and trade and other payables stands at MVR 128,373.

The company does not have any loans or borrowings.

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

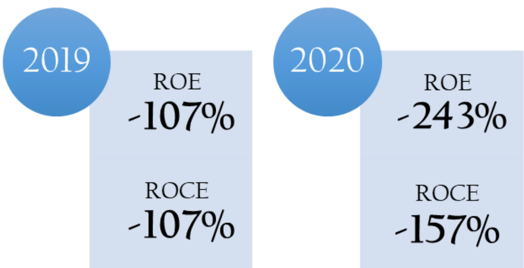


Figure 5: ROE and ROCE

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.

The results are negative since the company is making losses so far. These ratios do not provide meaningful result yet for FDC, since the company has not started its revenue generating activities yet.

2.4 Net Asset Per Share

Figure 6: Net Assets per Share

Net assets of the company improved from MVR 2.9 million to MVR 4.3 million in 2020. However, net assets per share reduced since number of shares has increased from 6 million to 12 million in 2020.

Net asset per share of the company of MVR 0.34 is lower than nominal value per share of MVR 10.

External Audit

Upon auditing the financial statement of FDC for the year ended 31 December 2020, Auditor General has expressed that financial statement gives a true and fair view of the financial position of the company.

3 Conclusion

Financial year 2020 is the second year of operation for FDC. During the year, FDC's operations were mainly focused on formulating and negotiating housing projects, thus company did not generate any revenue. As such FDC has ended the year with a net loss of MVR 6.7 million.

The construction work of the projects is expected to start in the year 2021 and revenue generation is expected on the year 2023 with the completion of housing projects. Therefore, the administrative expenses are financed through the capital contribution. During 2020, government has injected a total of MVR 6.7 million as capital.

As of now, short-term liquidity risks are low as the company has not started its operations yet. The company's future performance will depend on the upcoming housing projects. Hence, FDC needs to make sure that construction of these housing units is completed as per the plan. So that the company will be earning income as per their plan.

GREATER MALE INDUSTRIAL ZONE LIMITED

ANNUAL FINANCIAL REVIEW

FY2020

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 ("GMIZL").

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.

Government of Maldives has decided and merged 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 23rd September 2020 and accordingly the company has transferred all its assets, contract and liabilities to HDC at their carrying values as of 23rd September 2020.

Thus, the financial statement of 2020 has been prepared on the liquidation basis, for the period from 1st January 2020 to 23rd September 2021.

2. Financial Analysis

2.1 Revenue

GMIZL has recorded revenue of MVR 106 million in 2020 (267 days), (2019; MVR 134 million) which is a 21% decline.

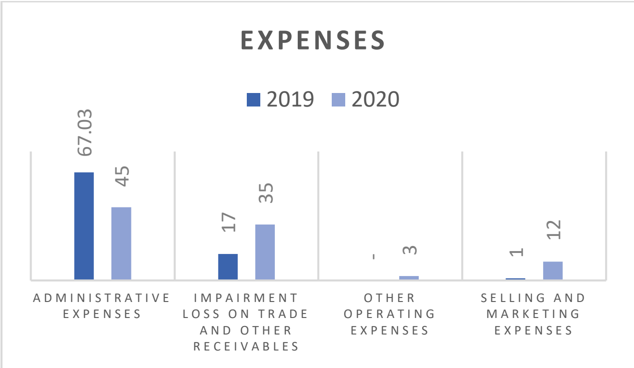
Revenue	2019 (365 Days)	2020 (267 Days)
Land rent income	132,773,862	102,019,620
Apartment rental income	1,190,013	950,335
Warehouse rental income	115,162	2,107,238
Vehicle rental income	500	5,040
Room rental income	-	937,564
Acquisition fee income	66,629	76,730
Total Revenue	**134,146,166**	**106,096,527**

The main source of revenue for the company is land rental income from Gulhifalhu and Thilafushi land. The revenue for 2020 is presented for 267 days, since the decision for merger is made on September 2020.

Other income	2019 (365 Days)	2020 (267 Days)
Fine charges	1,313,705	19,017,741
Jetty Fees	1,137,791	567,684
Dividend income	100,900	-
Gain on disposal of PPE	99	-
Other income	1,674,625	520,388
Increase in fair value of investment properties	-	456,346,839
Total Other Income	**4,227,120**	**476,452,652**

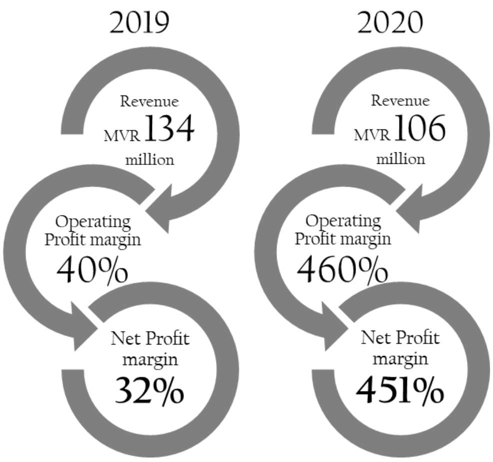
Other income has significantly increased from MVR 4 million to MVR 476 million. This increase is mainly due to recognition of fair value of investment properties by MVR 456 million in 2020.

2.2 Expenses



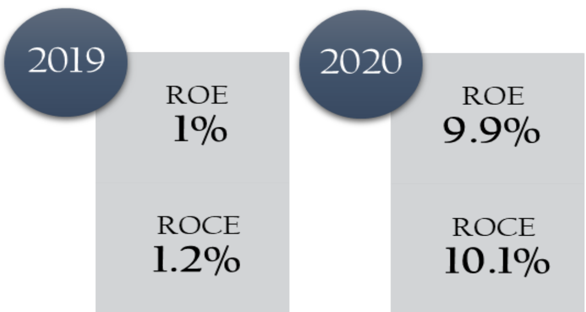
Total expenses of the company have increased by 12% (by MVR 9.8 million) when full year of 2019 is compared with 267 days of 2020. Administrative expenses see a relative decrease over the comparable period. However, impairment loss on trade and other receivable has increased by MVR 18 million and selling and marketing expenses has increased by MVR 10 million. These changes over the period have attributed to the overall increase in total expenses.

2.3 Profitability



GMIZL's other income has increased in 2020 significantly, mainly due to the recognition of increase in fair value of investment properties by MVR 456 million. This resulted to increase total revenue and income by MVR 444 million when total operating expenses sees an increase by MVR 10 million. This led to a significant growth in both operating profit margin and net profit margin.

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 2020 since the company has achieved a growth in 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 479 million mainly from investment properties and cash and cash equivalents. Further, total equity also shows an increment of MVR 479 million due to increased accumulated profit.

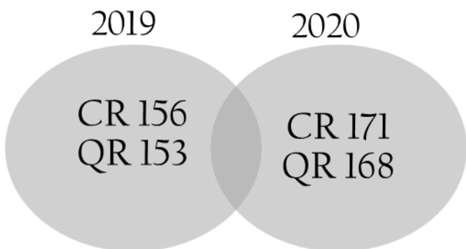
2.5 Financing

The company does not have any loans and borrowings, as 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 are significantly high since all non-current assets were classified as current assets in both 2019 and 2020. The current ratio excluding the non-current assets still stands at 4.3 times which is also higher compared to 2019 (3.06 times).

The current liabilities of the company stand at MVR 28 million throughout the comparable period.

Current Liabilities	2020 (267 Days)
lease liabilities	-
Trade and other payables	22,575,467
Business Profit tax payable	2,903,537
Amount due to a related party	2,937,525
Amount due to a director	2,500
Total	**28,419,029**

The largest current liability of GMIZL is trade and other payables of MVR 22 million.

Trade and other payables	2020 (267 Days)
Trade payables	798,878
Other Payables	213,839
Security Deposit	12,488,213
Accrued expenses	4,843,273
Acquisition fee received in advance	4,231,264
Total	**22,575,467**

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

GMIZL also have significant business profit tax payable as at closing date.

The company has transferred all its assets, contract and liabilities to HDC at their carrying values as of 23th September 2020.

3. External Audit

After auditing the financial statements of GMIZL, the Auditor General has expressed an unqualified opinion with an emphasis of matter given for the restatement of comparative balances regarding the liquidation basis of accounting.

"We draw attention to Note 2 (b), Note 27 and Note 29 of the financial statements, which have been prepared on the liquidation basis assuming going concern assumption is inappropriate, pursuant to the decision taken by the Government of Maldives 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 23rd September 2020 and accordingly the Company has transferred all its assets, contracts and liabilities to HDC on 23rd September 2020. A liquidator was appointed on 4th October 2020 by Board of Directors of the Company and it is assigned to complete liquidation procedures by end of August 2021. Our opinion is not modified of this matter" – External Audit

4. Conclusion

As the Government of Maldives has merged 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 2020 has been prepared on the liquidation basis and therefore financial statement was prepared for the 267 days of 2020.

While revenue shows a decline by 21% (for 267 days), the operating expenses has increased by 12%. The significant increase in profitability is mainly due to the increase in other income (Fair value recognition in investment properties). As such, operating profit margin and net profit margin was increased to 460% and 451% respectively in 2020.

The company's operations are fully funded by company's through their own revenue, 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. 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 23rd September 2021.

Maldives Hajj Corporation Limited

Annual Financial Review

FY2020

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.

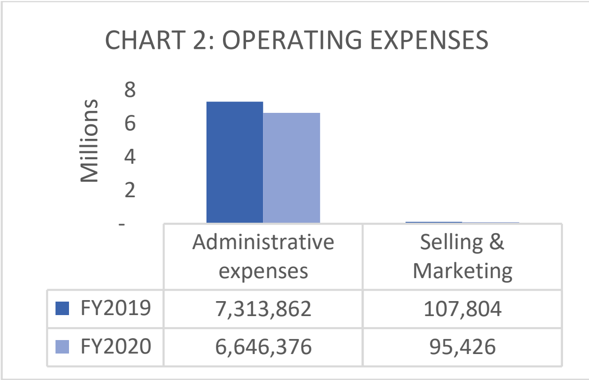
2. Financial Analysis

2.1 Revenue

The year 2020 was a challenging year for the company as Hajj and Umra planned for the year was cancelled by Saudi Arabian authorities due to the COVID 19 pandemic. Thus, company did not generate any opearitng income for the year. Nevertheless, ihram sales of MVR 4,125 was recorded for 2020.

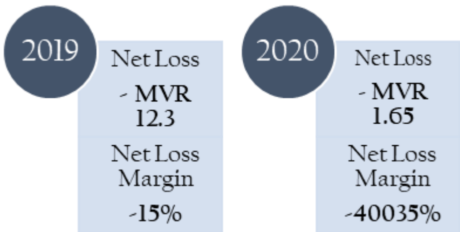
Hajj Corporation has been investing its accumulated fund collected as advance from customers for Hajj and Umra, in few financial assets from which finance income is generated periodically to the business. However, financial assets recognized in Balance Sheet has reduced from MVR 97.50 million to MVR 82.25 million (by 16%) from 2019 to 2020, whereas finance income has seen a growth of 23%. It is noteworthy to mention that fund (advance collected from customers) has a remaining balance of MVR 25 million idle in the bank account assuming that it's managed separately from its operation. At the end of 2020, financial assets of the company stands at MVR 82 million and company has earned finance income of 6.06 million.

2.2 Operating Expenses



Overall operating expenses has declined by 9%, mainly due to increase in administrative expenses. The reduction is mainly because of rental expense recognized in previous year which was not reflected in 2020. In addition, bank charges, professional fees, travel expenses and repair and maintenance costs show reduction compared to previous year. On the other hand, salaries and allowances and director's remuneration has increased in 2020.

3.3 Profitability



The loss margin has substantially increased since company was unable to generate any operating income. Nevertheless, the company has been a loss-making company and 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.

Due to the accumulating loss, company might be facing going concern issues as it is evident that overall expenditure 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, Government (100% shareholder) is providing for the working capital requirements of the company. Government has injected MVR 2.5 million during 2020, and at the end of the year cash and cash equivalents stands at MVR 18.7 million. Further, company has an accumulated loss of MVR 61.2 million at the end of 2020.

3.5 Working Capital Management

LIQUIDITY	FY2019	FY2020
Current ratio	0.99	2.61
Quick ratio	0.96	2.58
Working Capital	(337,404)	47,457,732
Current Assets	29,513,483	76,989,599
Current Liabilities	29,850,887	29,531,867

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 95% of both current liabilities and non-current liabilities includes advance received from customers.

As seen in the above table, the current ratio of the company has improved from 0.99 to 2.61 times mainly due to increase in current assets from trade and other receivables. On the other hand, current liabilities have marginally declined from other payables. 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 2020 is mainly due to increase in trade and other receivables and payment of lease liabilities.

4. External Audit

Upon auditing the financial statements of MHCL for the year ended 31 December 2020, the Auditor General has expressed an unqualified opinion.

5. Conclusion

Financial year 2020 was a challenging year for the company as they were unable to conduct Hajj and Umra planned for the year as Saudi Arabia cancelled them due to covid-19 outbreak. Thus, company was unable to generate any operational revenue for the year except ihram sales of MVR 4,125.

The company has made a net loss of MVR 1.65 million for the financial year 2020 and has an accumulated loss of MVR 61.2 million as at 31 December 2020. The financials were prepared on the basis that the company’s ability to continue as a going concern.

The current ratio of the company has improved in 2020 mainly due to increase in current assets from trade and other receivables. Further, current liabilities show a marginal fall in 2020. It has to be noted that over 95% of current liabilities and non-current liabilities consists of advance received from customers.

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 4.94 million to MVR 6.06 million over the past year. Finance income to financial assets has increased from 5% to 7% from 2019 to 2020.

HOUSING DEVELOPMENT CORPORATION LIMITED

ANNUAL FINANCIAL REVIEW

FY2020

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.

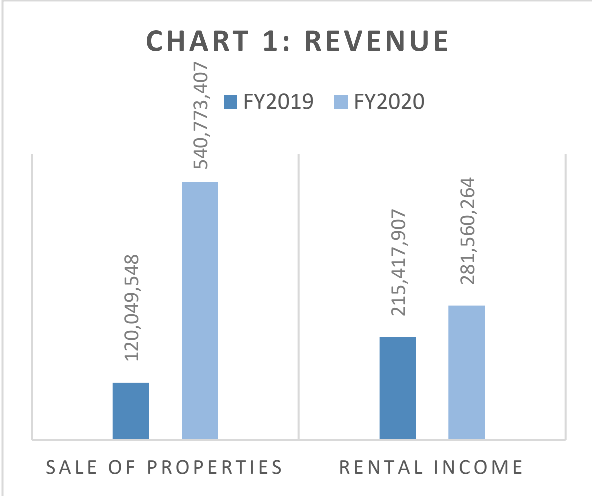
Merger of the Greater Male' Industrial Zone Limited (GMIZL)

Pursuant to the decision to merge the GMIZL with HDC, a "Deed in respect of transferring assets and liabilities" was signed between the two companies on 23rd September 2020. As a result, GMIZL has transferred all its assets, contracts and liabilities to HDC at their carrying value ceased its commercial operations as of that date.

2. Financial Review

2.1 Revenue

The total revenue has increased from MVR 335 million to MVR 822 million from 2019 to 2020 mainly as a result of sale of land and merger with Greater Male Industrial Zone Limited (GMIZL).



Sale of properties has increased by MVR 420 million and rental income increased by MVR 66 million compared to previous year. The increase in sale of properties is due to the sale of land from Hulhumalé Phase II and recognition of development and sale rights during the period for residential purposes. Rental income increased primarily due to merger of Greater Male' Industrial Zone Limited (GMIZL) with the Corporation.

Other income	2019	2020
Maintenance revenue	9,805,773	9,852,060
Government grant income recognized	4,160,496	-
Profit on sale of Investment properties	-	84,892
Provision reversal for imparment loss of non-interest bearing receivable	11,429,651	4,978,595
Provision reversal for imparment loss of other receivables	-	1,268,852
Miscellaneous income	12,744,340	86,145,013
Total Other Income	**38,140,260**	**102,329,412**

Other income has increased by 168% in 2020, mainly due to increase in miscellaneous income. Miscellaneous income increased due to acquisition fees for mixed-use residential developments, warranty provision reversal and tax reversals for contractor payments.

As shown in the above table, the company has reversed impairment provision of non-interest-bearing receivable of MVR 4.9 million and provision for other receivables of MVR 1.2 million in this year and has recognized this amount as other income.

2.2 Profitability

Gross profit

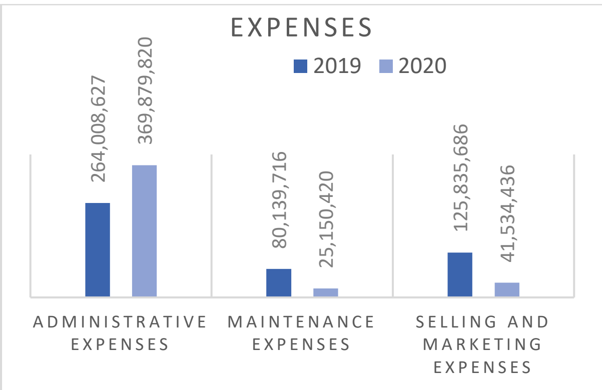
HDC made a gross profit of MVR 709 million in 2020, which is an increment of MVR 431 million. As such, gross profit margin shows improvement from 83% to 86%.

Operating Profit & Net Profit

With a significant revenue growth and reduction in operating expenses company was able to grow its profitability in 2020. As such, both operating margin and Net profit margin has increased by 12% and 22% respectively compared to previous year.

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 33 million compared to previous year.



Administrative expenses have increased significantly by 40% over the period, mainly due to increase in 'General and other admin expenses' and 'personnel cost'. Personnel or staff costs were increased by 4% mainly as a result of increase in number of staffs with the merger of GMIZL, however note that staff welfare expenses saw a decline of 87% (MVR 1.5 million). General and other administrative expenses include payment made to contractors for the delays incurred in the project mobilization and project payments because of delay in disbursement and financing. Further, the expense includes fine payable to the contractor as a result of payment delay. In addition to both, receivable write-off because of contract termination is also included general and other admin expenses.

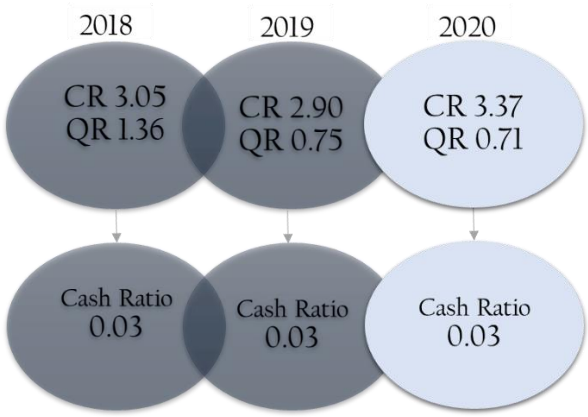
Maintenance expenses shows a huge reduction of over 69% from 2019 to 2020 (by MVR 54 million). Airport link road cost which is incurred in 2019 was main the reason for overall reduction. Building maintenance expenses, landscaping, vehicle and equipment running expenses has increase by 71%, 236% and 25% respectively. Other than those, company has saved from public area maintenance expenses and general maintenance expenses by 20% and 25% respectively.

Selling and marketing expenses has decreased by 67% (by MVR 84 million) over the comparable period. 98% of this expense includes 'provision made for impairment loss of interest-bearing receivables' which has decreased from MVR 64 million to MVR 40 million. Decrease in provision for receivables indicates the better collection management by the company. Other provisions totaling MVR 60 million was also fully impaired in 2019 which did not carry to 2020. Advertisement and ceremonial expenses increased by 42% and 17% respectively.

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, Quick and Cash Ratio



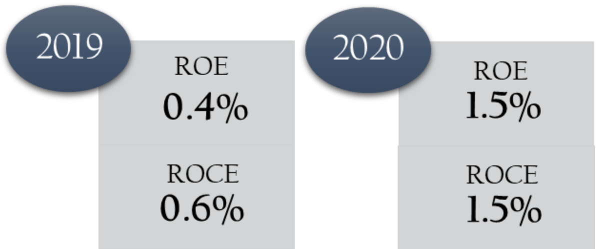
According to the liquidity ratios company is in a healthier liquidity position. However, it is important to consider the nature of the current assets. The major current asset of the company is inventory and trade receivables. HDC's inventory consists of land stock and property. The trade receivables and other receivables consists of prepayments paid for ongoing housing and infrastructural developments and receivables relate to the receivables from customers who have purchased properties and land on hire purchase basis and receivables from mixed residential developments.

Trade and other receivables of the company is recorded in both current and non-current assets because company's sales are based on Finance lease concept. Current portion of trade and other receivables of the company shows decrease by MVR 241 million compared to previous year mainly because of decrease in prepayments and advances compared to 2019 due to the recovery of advances paid to contractors.

Among HDC's current liabilities, loans and borrowing is the largest component which represent 62% of total current liabilities. Followed by trade and other payables representing 31% of total current liabilities.

To have a better view of the liquidity position, cash ratio was computed. The ratio was maintained at 0.03, suggesting significant improvements needed in this area in the future. The lower cash ratio during the period is mainly due to the significant investments on development of housing and infrastructural projects. Hence, this is a development stage for HDC where the returns will be low for a period of gradual recovery from the investments. Once the returns from the housing projects are started, quick and cash ratio of the will is expected to improve.

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



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 improved as the driving factors have improved over the year. As such company's profitability, capital employed, and equity & reserves has increased in 2020.

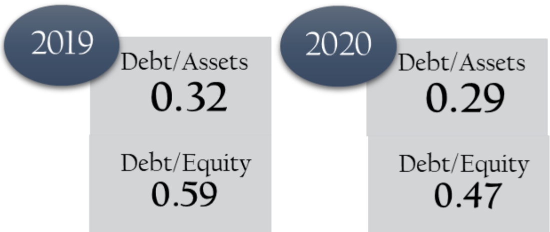
2.6 Shareholders Returns

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 2019 and 2020.

Earnings per share of the company has increased from MVR 1.40 to MVR 7.53 in 2020.

2.7 Financing and Leverage



Debt to assets of the company has decreased as total asset base of the company has increased (by MVR 6.2 billion) more than the level of increase in total debt (by MVR 0.9 billion). Similarly, debt to equity level has decreased by 12%, as total equity and reserve increased by MVR 6.2 billion. Although financial risk of the company is deteriorated since company has obtained additional fund as loan and borrowings by MVR 1.85 billion during 2020 for the housing projects and infrastructural development projects in Hulhumale' Phase II. The housing projects are forecasted to create cash inflows by 2022.

HDC has been heavily borrowing which has increased company's financial leverage. As such, company's total borrowings stand at MVR 10,686 million as at the end of FY2020.

HDC has invested MVR 4.2 million in property, plant & equipment and MVR 136 million in investment properties. Further, MVR 1,111 million was spend on loan repayments during the year and MVR 14.3 million as loan facility fees. It is important to note that majority of borrowed funds and the capital contribution received from Government (by MVR 1.1 billion) are invested on ongoing development projects such as 7,000 housing, 1530 housing and infrastructural developments in Hulhumale' Phase II.

Interest Cover

Interest expenses of the company has increased from MVR 184 million to MVR 195 million due to increased borrowings and with the completion of major projects. However, with a growth in operating profit by 203%, company was able improve interest cover from 0.86 times to 2.47 times.

3. External Audit

The external auditor of the company has expressed an unqualified opinion for the financial statements of 2020 and previous year as well.

4. Recommendation and Conclusion

As per the audited financial statement, it is evident that company's financial performance has significantly improved starting from revenue to operating profit and as well as net profit.

Revenue has increased significantly by increasing revenue from sale of properties. While administrative expenses increased, total recurrent expenses were maintained lower than last year by reducing both maintenance and selling and marketing expenses. This resulted to a growth in operating profit and as well as net profit.

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. Nevertheless, these ratios are expected to improve once the housing projects are completed.

HDC must act swiftly on policies for managing receivable and payables of the company to manage the cash flow position effectively. The company has made an impairment of MVR 40.8 million during 2020 for the social housing portfolio of the company.

Further, the company has not declared any dividend in both the financial years in review. The earnings per share has increased from MVR 1.40 to MVR 7.53 from 2019 to 2020, due to the growth in revenue and profit.

The company has been heavily borrowing for their housing and infrastructural developments in Phase II. During 2020, HDC has borrowed MVR 1.8 billion additional funds, which makes the total borrowing MVR 10,868 million as at FY2020. As a result, the financial risk of the company is increasing. However, increase in asset base is much higher than increase in loans and borrowings. Hence, company has the potential assets to generate revenue for the repayment of existing loans. Further, Completion of these projects will enable more revenue and more profit as well.

HOUSING DEVELOPMENT FINANCE CORPORATION PLC

ANNUAL FINANCIAL REVIEW

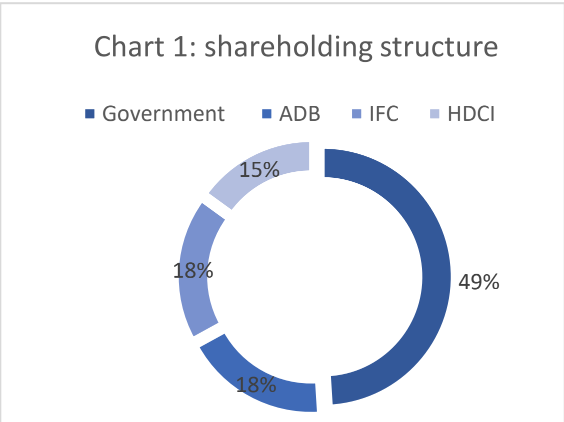
FY2020

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.

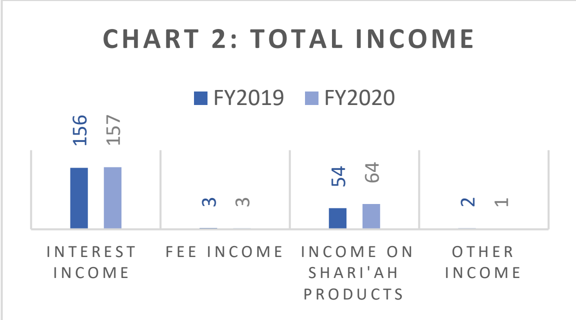
2. Ownership Structure



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

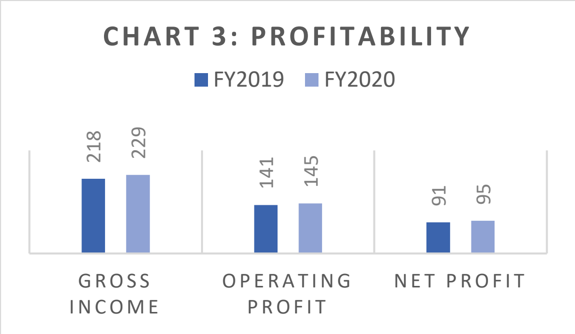


The above table consists of gross revenue figures.

The total gross income has increased by 5.2% from 2019 to 2020 (MVR 217 million to MVR 228.96 million). The highest growth was seen from AMNA revenue. Out of total income, interest income is the main revenue segment of the company with an income of MVR 157m, followed AMNA unit with gross income of MVR 68 million from short term investments and housing facilities. While those two segments have seen a growth of 1% and 21% respectively. On the other hand, fee income and other income has recorded a reduction of 18% and 50% compared to previous year.

The COVID-19 pandemic continues to disrupt the economies around the globe including Maldives, which has impacted majority of the sectors in the country. This has implications on the performance and operations of the company. Hence, as part of financial support to borrowers, HDFC granted moratorium of 6 months.

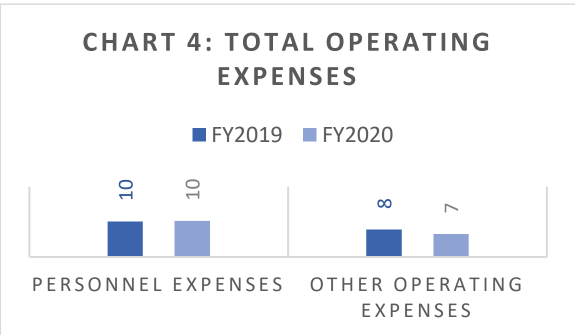
3.2 Profitability



Gross revenue and net profit have kept a growth of 5% in 2020 compared to 2019. Regardless of the challenges caused by covid-19 pandemic along with reduction in portfolio growth, the company has performed quite well.

Expenses

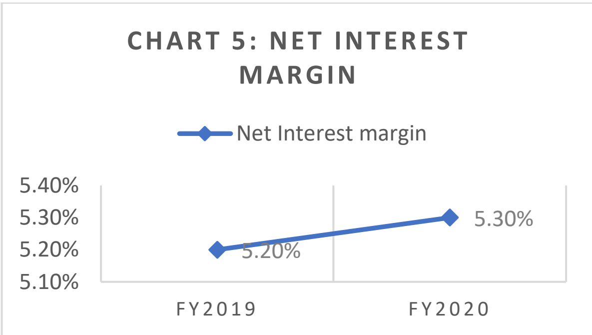
The Companies total expenses (except provisions) during the year was MVR 115.5 million as compared to MVR 94.1 million in the previous year, an increase of 23% mainly due to modification loss of loans and advances. Out of the total expenses for the year, interest expenditure was MVR 52.9 million (46% of total expenses), and Amna's investor's profit share is MVR 30.6 million. Operating expenditure was MVR16.8 million compared to MVR 17.9 million in 2019. In addition modification expense of MVR 15 million was recognized in 2020.



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 1% against previous year. Other operating expenses on the other hand has reduced by 16% mostly from advertising and marketing, IT expenses and board remuneration and meeting expenses.

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.



Total earning assets of the company has declined in 2020 due to reduction of financial assets, however net interest income shows a marginal growth. Therefore, the ratio has slightly improved in 2020. The interest earning assets amounts to MVR 1.95 billion in 2020 as compared to MVR 1.96 billion in 2019.

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

Due to the disruptions caused by global pandemic, housing finance market is expected to see a slower credit growth with self-employed borrowers to be affected the most. Asset quality is expected to deteriorate, and higher provisioning requirements are estimated to drive up the credit costs over the next year and beyond.

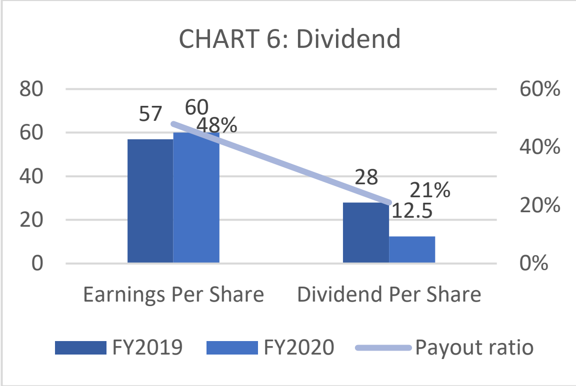
Although the portfolio has reached MVR 1.88 billion, from March no new loans/facilities were approved and added to the loan portfolio for the year 2020 due to the on-going pandemic. As at 31st December 2020, housing facilities contributed about 30 percent, MVR 563 million of the housing portfolio.

Amna segment (Shari'ah products) has shown a successful journey over the last 8 years. Amna products contributes to 27% of company's portfolio. The Amna portfolio has grown from MVR 497 million to MVR 563 million from 2019, an increase of 13% on the previous year. Net income from Amna products has shown 11% growth from 2019 to 2020 (MVR 33.9 million to MVR 37.6 million).

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.

Although no new loans were issued since March, conventional loan portfolio has increased by 6% in 2020.

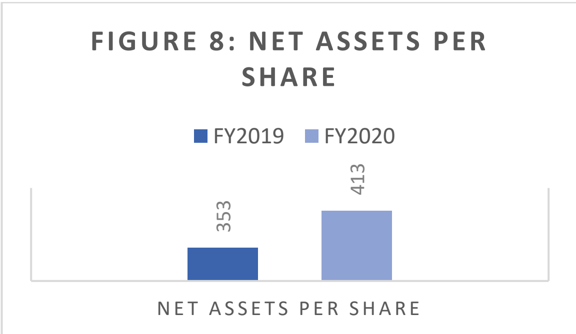
3.5 Shareholders Return



Earnings per share (EPS) of HDFC have improved from MVR 57 in FY2019 to MVR 60 in FY2020. However, the company has reduced its dividend per share from MVR 27.1 in 2019 to MVR 12.5 in 2020. Thus, Dividend payout ratio fell from 48% to 21%.

3.6 Asset Quality

The economic impact of the pandemic and the anticipated compression in the economy may result in higher non-performing assets. Asset quality is expected to deteriorate, and higher provisioning requirements are estimated to drive up the credit costs over the next year and beyond. As per the annual report, company is currently focusing on recovery and keeping a control on asset quality as well as focusing on control to reduce cost.



Net asset per share has improved in 2020, since liabilities of the company has declined much higher than assets. Total liabilities reduced by MVR 196 million while assets declined by MVR 100 million.

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 2020. HDFC complied with all of the externally imposed capital requirements to which they were subjected.

Capital management	**FY2019**	**FY2020**
Share capital	159,375,000	159,375,000
Retained Earnings	388,667,400	483,993,375
Reserves	15,000,000	15,000,000
Total Qualifying capital	**563,042,400**	**658,368,375**
Risk-weghted assets		
On-balance Sheet	939,155,236	968,659,652
Basel Ratio	**60%**	**68%**

The changes in the regulatory capital was mainly due to the profit earned during the year ended 31 December 2020. The increase in risk-weighted assets reflects the expansion of the loan portfolio during year.

It is important to note that, 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

The reduction in income, especially for self-employed borrowers, are likely to impact both income and the asset quality of home loans. The company continuously assess the credit quality of their portfolio in order to ensure that adequate provisions are recognized in the financial statements. In the year under review, the credit quality of the Loans was evaluated, and appropriate provisions were made. The non-performing loans and facilities has increased to 3.09% in 2020 compared to 1.51% at the end of 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 2020

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 from customers	1,369	0	167	5,757	73,020	80,313
Debt securities in issue	29,409	3,175	66,687	176,733	334,814	610,818
Other borrowed funds	9,654	39,966	164,267	390,192	105,650	709,729
Other liabilities	-	-	8,533		199,552	208,085
Lease liabilities	120	360	1,080	6,495	5,655	13,710
Total Liabilities	**40,552**	**43,501**	**240,734**	**579,177**	**718,691**	**1,622,655**
Assets						
Cash and balances with banks	50,566	57,057				107,623
Financial assets at amortized cost	119,885	0				119,885
Loans and advances	21,213	63,639	190,916	997,007	2,690,661	3,963,436
Other assets			**80**			80
Total assets	**191,664**	**120,696**	**190,996**	**997,007**	**2,690,661**	**4,191,024**
NET (Assets-Liabilities)	**151,112**	**77,195**	**(49,738)**	**417,830**	**1,971,970**	**2,568,369**

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**

**Both the table illustrates, contractual maturities of undiscounted cash flow of financial assets and liabilities.*

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 1.9 billion in 2019 to MVR 2.5 billion in 2020. The carrying value (SOFP) of net assets is MVR 658million in 2020. (2019: 563 million) is the increase in net assets is mainly because of reduction of liabilities along with increase in assets.

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 2020. However, the matter addressed below was identified by the auditor as a key audit matter.

Impairment of loans and advances; as at 31st December 2020, 88% of the total assets of the Company consisted of loans and advances amounting to MVR 1.8 billion shown net of loss allowance of MVR 42.1 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 of audit report.

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 gross income of MVR228.96 million for the financial year ended 31 December 2020 as against MVR217.65 million for the previous year. Subsequently, Profit after Tax (PAT) for the year has also improved by 5% against previous year, regardless of the disruption of Covid-19 pandemic. The company has given 6-month moratorium to the borrowers as part of financial support.

The economic impact of the pandemic and the anticipated compression in the economy may result in higher non-performing assets. Asset quality is expected to deteriorate, and higher provisioning requirements are estimated to drive up the credit costs over the next year and beyond. The non-performing loans and facilities has increased to 3.09% in 2020 compared to 1.51% at the end of 2019.

At the end of 31 December 2020, the total net loan/facility portfolio amounts to MVR 1.88 billion. From March 2020, no new loans/facilities were approved and added to the loan portfolio for due to the on-going pandemic. In addition, the company has a favorable liquidity position, maintaining net assets of MVR 658 million at the end of 2020.

Dividend per share of the company has reduced to MVR 12.5 in 2020, resulting the payout ratio fall from 48% to 21%.

MALDIVES AIRPORTS COMPANY LIMITED

ANNUAL FINANCIAL REVIEW

FY2020

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

2.1 Revenue

MACL was one of the companies who was hit hardest by Covid-19 pandemic followed by the close down of the domestic and international flight operations. Thus, the revenue of the company drastically fell by MVR 3.2 billion (59%).

Traffice Revenue	FY2019	FY2020	% change
Landing fee	265,987,247	93,050,251	-65%
Parking fee	64,398,208	57,907,895	-10%
Navigation fee	94,689,956	38,582,390	-59%
Ground handling charges	489,342,376	175,379,439	-64%
Departure control system	61,463,471	22,037,699	-64%
Traffice revenue	**975,881,258**	**386,957,674**	**-60%**

Non traffic revenue	FY2019	FY2020	% change
Fuel salaes	2,872,771,854	1,130,292,745	-61%
Duty free sales	699,263,620	208,805,558	-70%
rent and lease charges	153,269,426	88,911,998	-42%
cargo income	232,688,074	112,760,565	-52%
utility sales	80,388,135	62,184,827	-23%
lounge income	145,992,329	87,555,974	-40%
Consignment commission	137,620,504	48,096,810	-65%
Revenue share	27,178,856	14,069,749	-48%
Misclellaneous	30,769,341	48,224,136	57%
Passenger releated	8,379,602	2,651,624	-68%
Non traffic revenue	**4,388,321,741**	**1,803,553,986**	**-59%**
Total revenue	**5,364,202,999**	**2,190,511,660**	**-59%**

Table 9: Revenue

MACL classified traffic and non-traffic revenue separately. In 2020 MACL generated MVR 386.9 million as traffic income, which is 60% lower than previous year. And MVR 1,803 million was earned as non-traffic revenue, a reduction of 59% compared to 2019.

The main revenue generating segment of traffic income is ground handling representing 45% of traffic revenue. Fuel is the main revenue generating segment under non-traffic revenue representing 63% of non-traffic revenue and 52% of total revenue of the company.

Fuel sale fell by MVR 1.74 billion in 2020 owing to the reduction of demand for fuel due to close down of borders on March 2020. Subsequently, all components of traffic revenue were severely affected recording a reduction of MVR 588.9 million.

2.2 Profitability

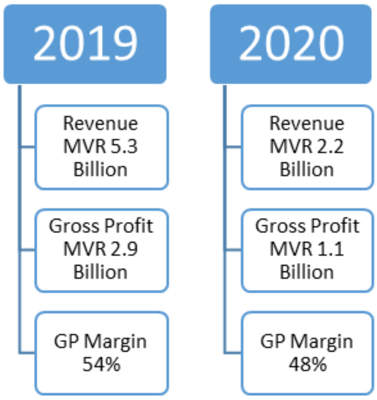


Figure 1: Gross Profit

Due to the fall in revenue the gross profit of the company has declined by over 64%. The gross profit margin also reduced from 54% to 48% in 2020.

The below table shows the profitability of fuel and duty-free segment.

	Fuel		Duty Free	
	FY2019	FY2020	FY2019	FY2020
Sales	2,872,771,854	1,130,292,745	699,263,620	208,805,558
Cost of Sales	1,653,189,503	609,992,525	418,361,193	126,588,187
Gross Profit	1,219,582,351	520,300,220	280,902,427	82,217,371
GP Margin	42%	46%	40%	39%

Table 2: Profit Margin

Although revenue declined, GP margin of fuel segment has improved as cost of sales has reduced much higher than revenue. The GP margin of duty-free segment has marginally reduced compared to previous year.

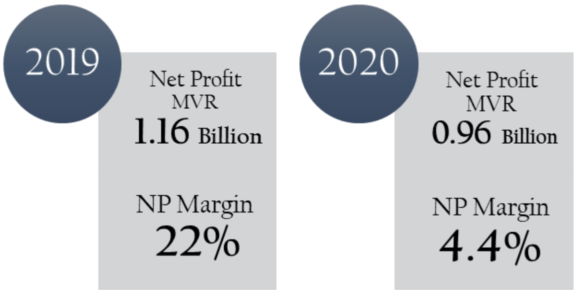


Figure 2: Net Profit

Net Profit of the company has reduced by 92% against previous year, thus NP margin declined from 22% to 4.4% in 2020. The significant reduction was mainly due to fall in revenue. In addition, fall in other income as also resulted in the low net profit.

Expenses

While revenue declined by 59%, total expenses also recorded a reduction of 48%. In order to compensate the significant revenue loss, MACL has cut down its operating expenses mainly from fuel and consumables and employee benefits.

Total Employee related expenses has decreased by MVR 55 million mostly from overtime, training and other benefits. However, the basic salaries Total Employee related expenses has decreased by MVR 55 million mostly from overtime, training and other benefits. However, the basic salaries have increased by 4% compared to previous year. (MVR 25 million)

Employee Benefit Expense	FY2019	FY2020	% change
Salaries and wages	583,973,178	609,199,863	4%
Staff welfare	3,907,304	2,702,262	-31%
Overtime	36,023,604	11,869,332	-67%
Pension fund	18,279,215	20,476,874	12%
staff trasportation	17,848,243	17,639,020	-1%
Training and development	15,011,487	3,598,757	-77%
Employee helath insurance	12,903,690	13,681,675	5%
Accomodations	461,606	752,216	[illegible]
Employees retirement benefits	24,723,781	26,737,458	8%
Other benefits	[illegible]	[illegible]	[illegible]
Total Employee Benefit Expense	**754,062,638**	**713,826,599**	**-5%**

Depreciation on PPE	[illegible]	[illegible]	[illegible]
Depreciation on investment properties	[illegible]	[illegible]	[illegible]
Amortisation charge - right of use assets	[illegible]	[illegible]	[illegible]
Amortisation changes	[illegible]	[illegible]	[illegible]
Employee benefits	[illegible]	[illegible]	-12%
Repair benefits expenses	[illegible]	[illegible]	[illegible]
Insurance	[illegible]	[illegible]	[illegible]
Communication expense	[illegible]	[illegible]	[illegible]
Fuel and consumables	[illegible]	[illegible]	-36%
Professional fees	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Travelling expenses	3,847,293	1,244,851	-68%
Bank changes and commission	16,739,613	7,172,234	-57%
Licnence charges	4,752,839	348,199	-93%
Import duty	7,071,480	2,560,905	-64%
Subscription expneses	35,554,738	25,197,285	-29%
Functions and clebration	3,599,693	526,242	-85%
Printing and stationies	5,382,688	3,114,737	-42%
Garbage disposal	7,358,491	6,792,453	-8%
Loss on isposal of PPE	4,765,505	4,829,438	1%
Exchange loss	1,882,521	1,779,635	-5%
Provision for EoT claims	692,049,600	-	-100%
Expected cresit losses of trade receivables	-	42,797,629	
health and safety expenses	-	7,935,804	
Other administrative expenses	19,311,085	23,142,063	20%
Total	**1,604,399,287**	**831,829,724**	**-48%**

Table 3: Expenses

Table 10: Employee benefit expenses

Total employee benefits are classified as administrative expenses and cost of sales. Employee benefits classified under administrative expenses reduced by 12% while employee benefits under cost of sales recorded a growth of 5%.

The company has recognized two additional expenses in 2020 i.e. expected credit losses amounting to MVR 42.7 million and health and safety expenses amounting to MVR 7.9 million.

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 aim of proper working capital management is to maintain sufficient cash flow to meet short term obligation.

Current and Quick Ratio

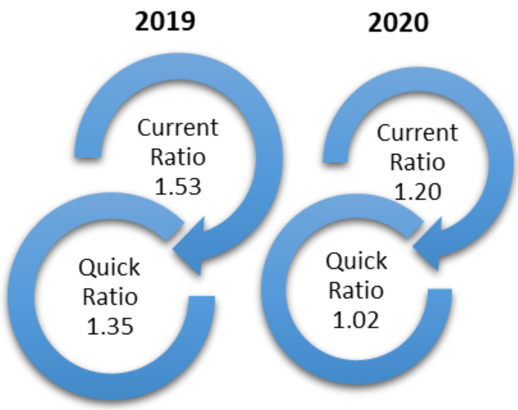


Figure 3: Current and Quick ratio

Short term liquidity ratios of the company have deteriorated in 2020. This is because MACL's current assets has significantly reduced mostly from trade and other receivables. In addition, financial assets recognized in 2019 under current assets was not recognized in 2020. The financial asset represents treasury bills between 3 months to 1 year depending on the immediate cash requirements of the company. Deposits with original maturities of less than three months are classified under cash and cash equivalents.

Current ratio of the company has declined from 1.53 to 1.20. Although a ratio of above 1 represents that a company is capable of meeting its short-term liabilities, it is important to highlight that one of the significant components of current asset is trade receivable, which is unlikely to be recoverable within one year. Tax receivables of MACL are substantial as it represents 37% of total receivables and 14% of total current assets. Other receivables of MACL mainly include recoverable from Ministry of Finance amounting to MVR 44,167,623 (2019: MVR 614,518,360).

MACL's current liabilities has also reduced in 2020 compared to previous year. Trade and other payables have reduced by MVR 293.7 million mainly due to reduction of accrued compensation payable. On the other hand, trade payables have increased by MVR 366.3 million compared to 2019.

Receivable and Payable days

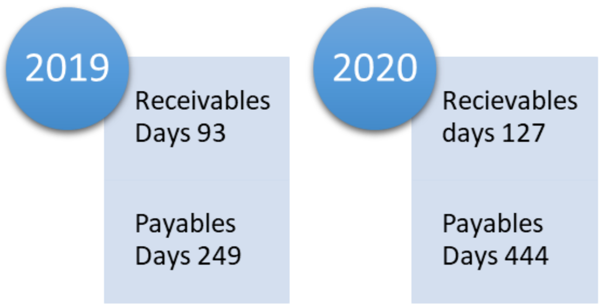


Figure 4: Receivable & Payable days

Both receivable days and payable days of the company has increased in comparison to previous year. Collecting outstanding debt as quickly as possible is essential for maintaining a favorable cash position.

While revenue reduced by 59% the total receivable for the year also decreased by 44%. Trade receivables and other receivables has reduced by 20% and 91% respectively. Other receivables mainly include recoverable from Ministry of Finance and Treasury. Receivables from related parties on the other hand has increased by 13%.

As per the above figure, MACL now takes more days to collect receivables. Total receivables of the company are equivalent to 35% of its total revenue 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 significantly increased from 249 days to 444 days. Nevertheless, trade payables have significantly reduced compared to previous year mainly as result of settlement of compensation payables. However, trade payables show increment of MVR 366 million.

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.

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

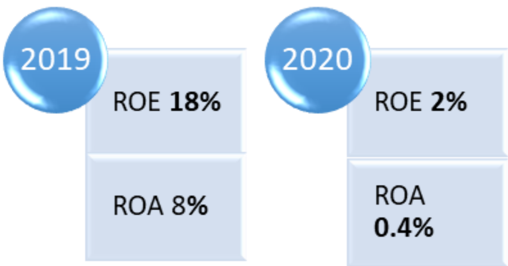


Figure 5: ROE and ROA

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 drastically reduced in 2020, mainly as a result of reduction of profits. Total equity and reserves have also declined. However, total assets of the company increased as a result of investment on ongoing capital projects. Nevertheless, positive result illustrates that MACL is generating profits with the money shareholders have invested.

2.4 Net Assets per Share

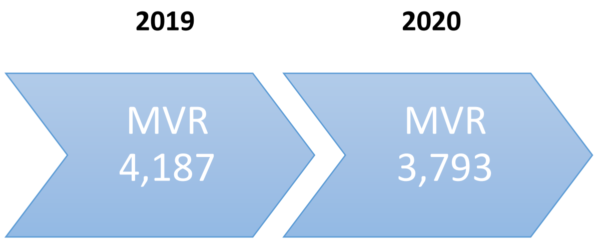


Figure 6: Net Assets per Share

Net Assets per Share of MACL has declined from MVR 4,187 to MVR 3,793. The net Assets of the company reduced from MVR 6,280 million to MVR 5,690 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.

2.5 Shareholders Returns

With the decline in profitability for 2020, earnings per share of the company has reduced from MVR 773.5 to MVR 64.3. However, MACL has maintained their dividend payout ratio of 60% in 2020 as well.

The company has not paid declared dividend of 2019 to the Government of the Maldives and MVR 624,071,291.40 were set-off with the receivables from the Government. As at 31 December 2020, MVR 72,108,708.59 is recorded as dividend payable to the Government.

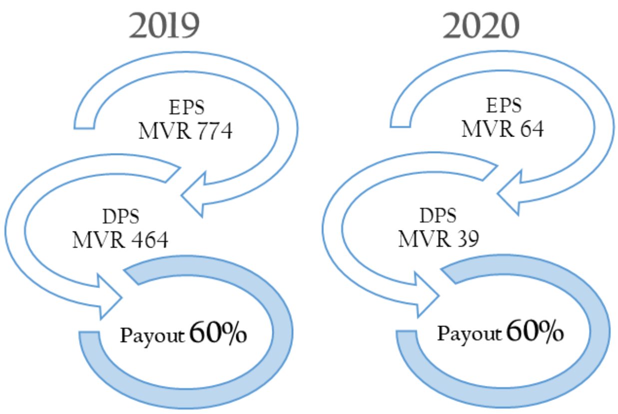


Figure 6: Dividend

2.6 Financing

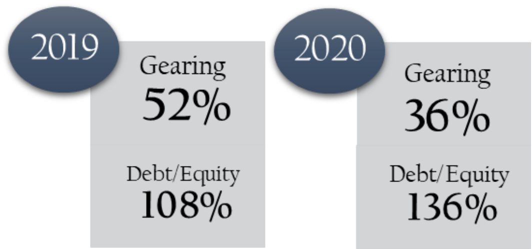


Figure 7: Gearing

Regardless of increase in loans and borrowings gearing of MACL has reduced due to significant increase in capital employed. In FY2020 MACL has obtained MVR 1.1 billion additional borrowing and repaid MVR 134 million.

MACL is highly leveraged as the amount of debts has exceeds company's equity in both the years. MACL's total borrowings stands at MVR 7.7 billion as at the end of FY2020 when its total equity stands at MVR 5.7 billion.

During 2020, MACL has invested MVR 21 million on property, plant & equipment and Investment on capital work in progress amounting to MVR 1,297 million. It is important to note that majority of borrowed funds are invested on ongoing development projects.

Figure 9: Interest Cover

A drastic reduction is seen from company's interest cover due to fall in operating profit and increase in finance costs. Nevertheless, company was able to just cover its finance costs with operating profit of 2020.

External Audit

The external auditor of the company has expressed an unqualified opinion for the separate and consolidated financial statements of the year 2020. Therefore, we assume that financial statement of MACL is free from material misstatement.

3. Recommendation and Conclusion

The covid-19 pandemic has severely affected the companies in airline industries and airport operators. Due to the closedown of domestic and international flight operations, the revenue of the company has reduced by 3 billion and net profit by MVR 1.1 billion. Subsequently, the profit margins were heavily affected in 2020.

Return on assets and return on equity have significantly reduced as the net profit declined. MACL was not able to gain same level of return out of the assets as some of the assets are at development stage.

Short term liquidity position of the company has marginally declined compared to previous year. MACL 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 37% of total current assets and 35% of total revenue. MACL has to collect its receivables in order to manage its cash flow efficiently.

Although gearing ratio has declined the company is 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. Once ongoing development projects are completed revenue will start to follow. Therefore, credit worthiness and company performance will improve in near future.

The company has maintained payout ratio at 60% for the past 2 years although earnings reduced.

MALDIVES CENTRE FOR ISLAMIC FINANCE LIMITED

ANNUAL FINANCIAL REVIEW

FY2020

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

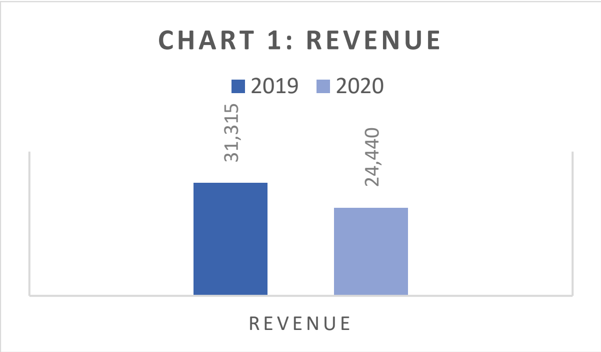


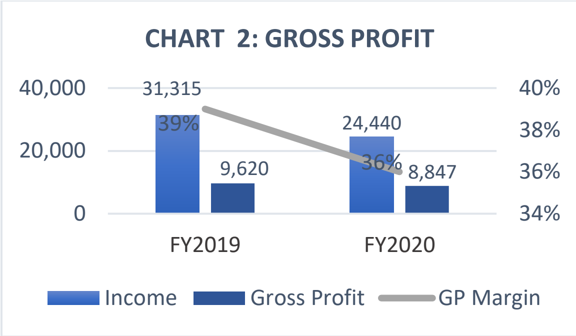
Figure 7 Revenue

In 2020, the company has earned revenue from Advanced Diploma in Public Finance Management (ADPFM) course commenced by MCIF/SAIIF at the last quarter of 2020. This course has now been transferred to IUM from the first quarter of 2021, in line with the terms agreed during the transfer of SAIIF from MCIF to IUM.

MCIF has been unable to generate sufficient revenue since its incorporation. The company is now in the process of been converted into a Special Purpose Vehicle for issuance of Islamic finance instruments.

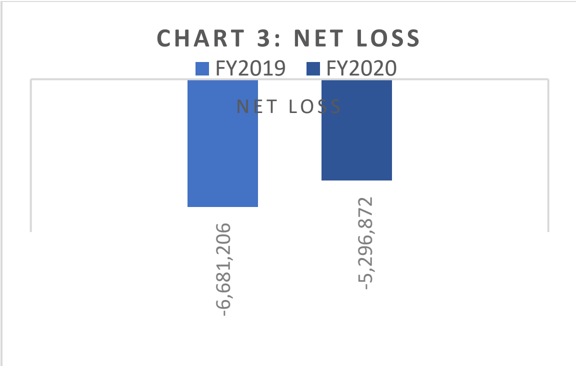
2.2 Profitability

Gross Profit



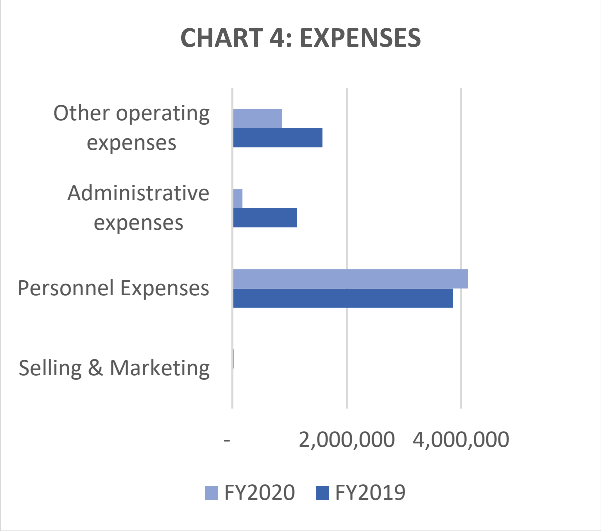
MCIF has made a gross profit from the educational programs conducted. GP margin has marginally declined compared to previous year. The company has been unsuccessful in seeking a sound revenue generation in year 2020.

Net Loss



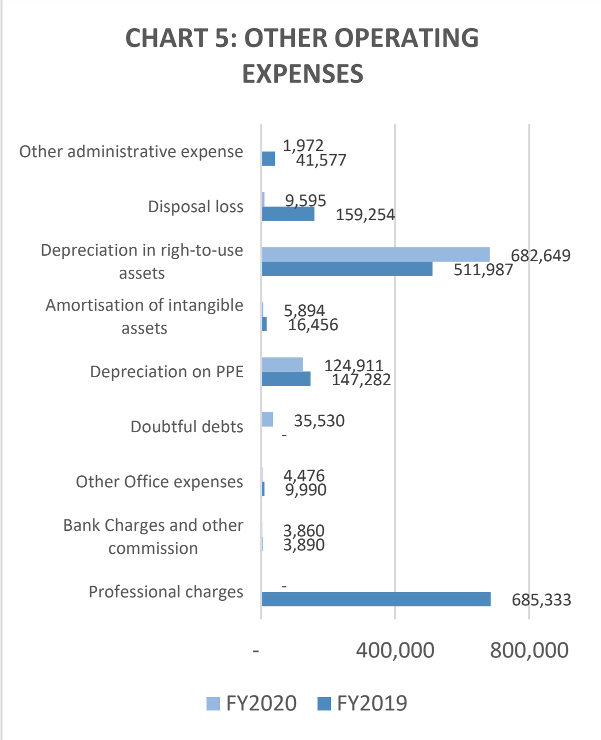
The company has made a net loss for both the years in review, while loss of 2020 is marginally lower than previous year as a result of reduction in operating expenses. The accumulated loss of the company stands at MVR 29.5 million.

Considering that company is only engaged in providing educational programs in 2020, the operating costs of the company is relatively high. Since the company do not generate sufficient revenue to cover the operating expenses, these expenses are financed from the capital contributions from the government.

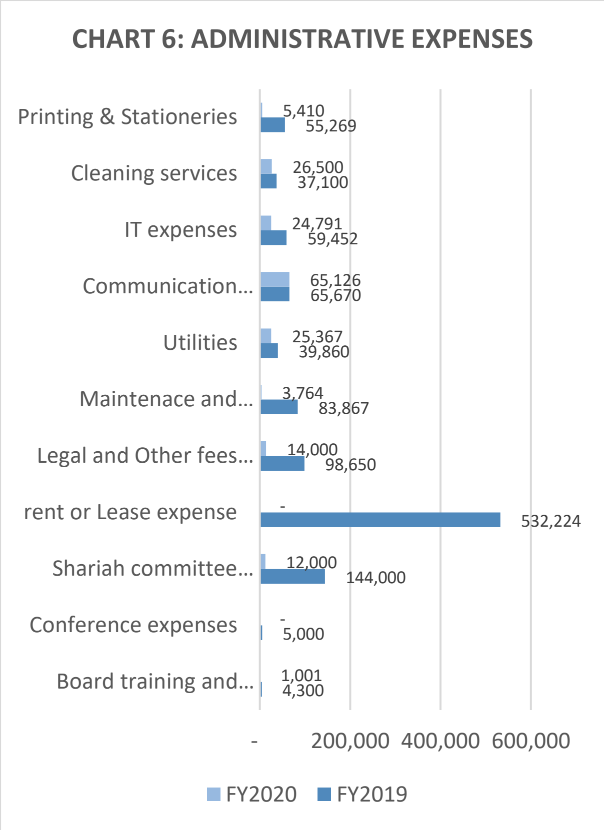


Major expense of the company is personnel expense which contributes 79% of total expenses. Personnel expenses have increased by 7% in 2020. On the other hand, other operating expenses and administrative expenses decreased by 45% and 84% respectively.

The operating expenses of the company consists of the following.



Major other operating expenses consists of non-cash expenses such as depreciation of right-to-use asset, PPE and amortization of intangible assets. The company has written off doubtful debts of MVR 35,530 which related to a course fee of a student.



All administrative expenses have declined in 2020 compared to 2019. Legal & other fees is course content approval and registration fees incurred for Advanced Diploma in Public Finance Management (ADPFM) course. Sharia committee allowance has significantly reduced since sharia committee member contracts were not renewed when it was expired in the first quarter of 2020. Maintenance and repair expense and printing and stationery expenses have also significantly reduced in 2020 compared to previous year.

2.3 Shareholders Returns

The company is unable to distribute any returns to shareholder since MCIFL is making huge losses since its inception in 2016. Currently, GoM, being the only shareholder providing for the working capital requirements for the operation of the company. In 2020, the total operating costs and personal expenses of the company stands at MVR 5.2 million. During 2020, government has contributed MVR 5.3 million as capital. (2019: MVR 5.4 million)

2.4 Net Assets Per Share

Figure 1: Net Assets per Share

Net Assets of the company has significantly declined mainly because of reduction in right of use of asset. In addition, the number of shares also increased with new share capital during 2020. Thus, net assets per share has dropped. This figure is notably lower than the nominal value of MVR 10.

2.5 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.

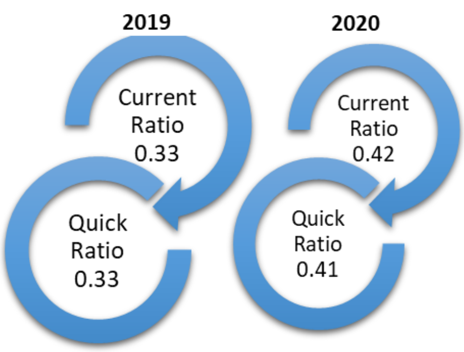


Figure 2: Current Ratio

Both current assets and current liabilities have increased in 2020. Thus, the current ratio has marginally increased to 0.42 times. While the current ratio is low, only cash balance is the liquid assets the company has. If only the liquid assets are considered, the current ratio of the company is 0.19, indicating that the company is incapable of meeting its short-term obligations. The cash balance of the company is the capital contribution by the government.

Accounts payable has increased from MVR 687,566 to MVR 703,587, an increase of 2%. 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 2020 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 5,296,872 for the financial year 2020 and has an accumulated loss of MVR 29,512,383 as at 31 December 2020. During 2020, the company has earned only revenue from a course (ADPFM) commenced by MCIF/SAIIF at the end of the year. Hence, the operational expenses are financed through the capital contributions by the Government. During 2020, capital contributions of MVR 5.2 million was disbursed to MCIF, increasing government investment without any return. In order to be self-sufficient, MCIF should come up with a feasible business model.

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 contributed by the shareholder.

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 operations, 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 ISLAMIC BANK

ANNUAL FINANCIAL REVIEW

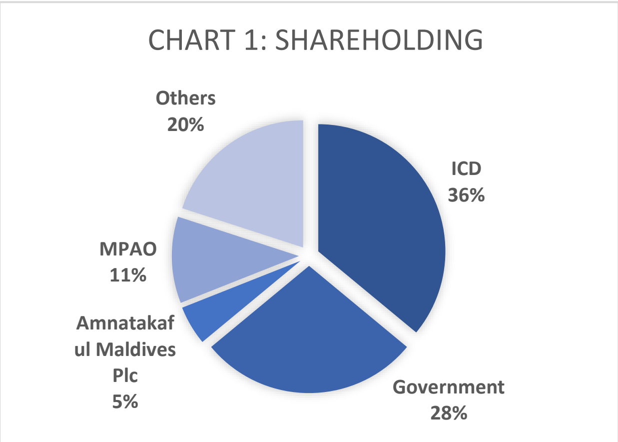
FY2020

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.

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

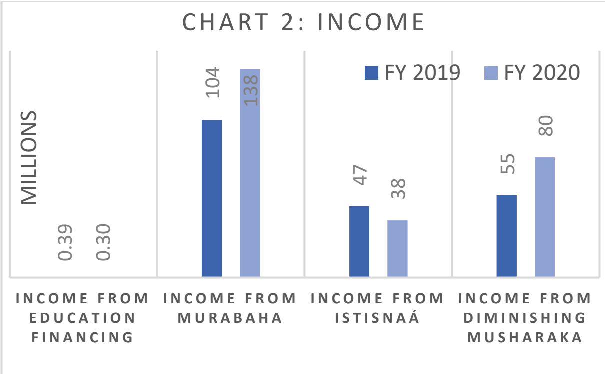
2. Shareholding Structure



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

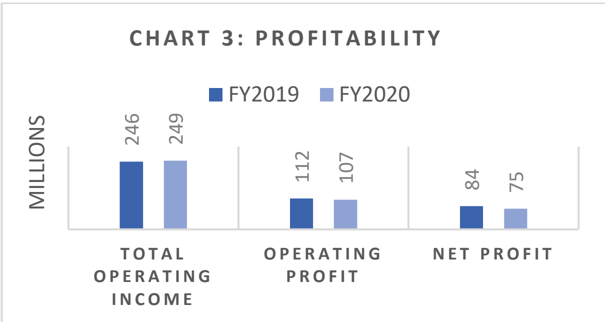


(the table shows net Income figures)

Income from financing activities has reached MVR 234 million, 13.5% increase compared to previous year, where improvements were seen from Murabaha and diminishing Musharakh income.

Nevertheless, negative impacts of covid -19 pandemic was faced by the bank despite being strongly capitalized and funded. However, the bank has tackled with the challenges and finished the year without any major impact on financial or operational results.

a. Profitability



The bank has made a net profit of MVR 75 million, a reduction of 10% compared to previous year owing to the impact of the pandemic that resulted in higher impairment and provisioning requirement, in relation to COVID-19 relief measures. Total operating income increased by 1.2%, while total operating expenses has increased by 6%. Cost to income ratio has increased from 54% to 57% in 2020, indicating that MIB now incurs higher cost than previous year to generate every MVR of income.

Expenses

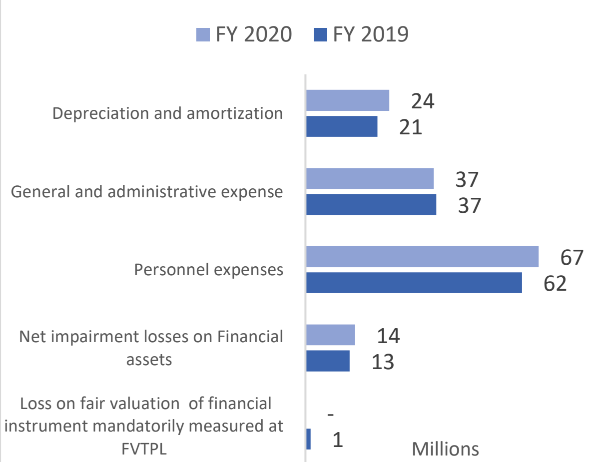


CHART 4: EXPENSES

The bank acquired MVR 12.2 million of PPE and MVR 6.09 million worth of intangible assets during the year 2020, threfore depreciation and amortization have increased by MVR 3.4 million.

General and Administrative expenses on the other hand have marginally reduced by 2% while personnel expenses have increased by 8% over the comparable period.

Personnel expenses is the most significant expense of the Bank. It represents 47% of total operating expenses;

Personnel expenses	FY 2019	FY 2020
Salaries and wages	42,041,682	45,353,289
Housing allowance	6,151,673	6,560,086
Annual and ramadan bonus	5,776,606	7,741,635
Contirbution to defined contribution plans	2,375,546	2,579,224
Medical insurance	1,528,476	1,917,225
Training and development	879,575	294,269
Uniforms	537,470	286,034
Executive allowance	287,806	324,000
Other staff expenses	2,241,557	1,584,730
Total	**61,820,391**	**66,640,492**

Table 1: Personnel Expenses

Salaries and wages have increased by MVR 3.3 million and annual and Ramadan bonus also increased by MVR 1.9 million in 2020 compared to 2019.

3.3 Solvency

Financing Assets to Deposits Ratio

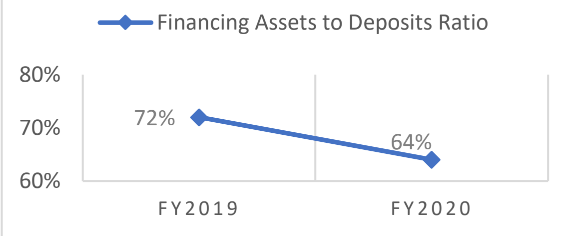
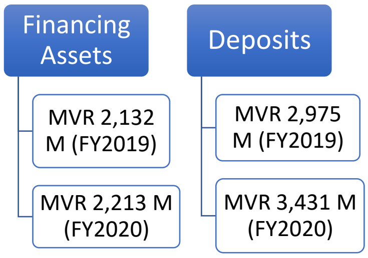


CHART 5: FINANCING ASSETS TO DEPOSIT RATIO



Although financing assets and deposits have recorded an upward growth, the financing assets to deposit ratio has declined. This is because the growth of deposits (15%) was much higher than growth of financing assets (4%). This ratio is used to assess the bank's liquidity and a high ratio means the bank may not have enough liquidity to cover any unforeseen fund requirements. A ratio of below 100% is acceptable, since it indicates bank has more deposits than the assets invested.

Non- performing Advance Ratio

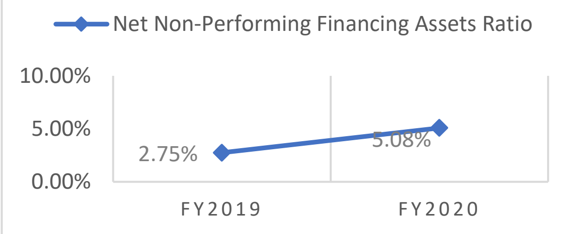


CHART 6: NET NON-PERFORMING ADVANCE RATIO

Non-performing advance refers to the advances that do not create any income for the bank. Non-performing advance ratio has increased from 2.75% to 5.08% in 2020, indicating the percentage of non-performing assets of MIB has increased which will have an unfavorable impact on bank's profitability.

During the Covid-19 pandemic, MIB became the first bank in the Maldives to offer moratorium to all customers of all the products of the Bank. The Bank continued its moratorium portal until end of March 2021 to help sustain the lives of Maldivians.

3.3 Shareholders Returns

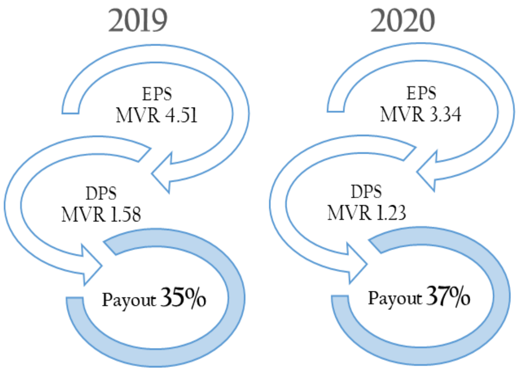


Figure 8: Dividend

The bank has declared a dividend of MVR 1.23 per share for FY2020 (FY2019: MVR 1.58) while earnings of the company has dropped to MVR 3.34 per share, resulting an improvement in payout ratio. It has to be noted that the payout ratio of MIB is higher than BML for the past two years in review.

Net Assets per Share

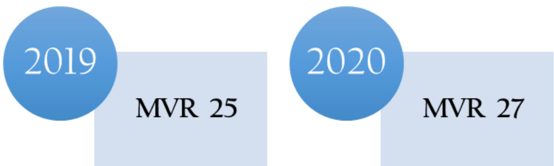


Figure 9: Net assets per Share

The bank finished the year with total assets of MVR 4,416 million (2019: MVR 3,809 million), increased by 16% compared to previous year. Thus, net assets per share improved to MVR 27 from MVR 25 in 2020.

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

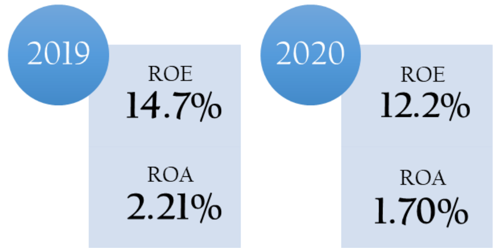


Figure 10: RO and ROA

ROE and ROA are important components in banking for measuring corporate performance. Return on equity (ROE) helps investors gauge how their investments are generating income, while return on assets (ROA) helps investors measure how management is using its assets or resources to generate more income.

Both ROE and ROA has recorded a downward movement, indicating decline in bank's profitability in 2020.

3.4 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 2019 and 2020. As per MMA guidelines, the total capital ratio must be maintained at minimum 6% for Tier 1 and minimum 12% for total risk-based capital. MIB reported 18% for Tier 1 and total risk-based capital ratio of 22% for the year 2020.

3.5 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

The bank has classified Receivable from Financing Activities into 5 grades based on the number of days due, where receivables more than 90 days are considered as default.

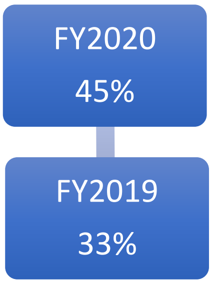
Receivable from Financing Activities Measured at Amortized Cost	Stage 1	Stage 2	Stage 3	Total MVR	Total MVR
Grade 1 - Low Risk (0 Days)	1,688,604,355			1,688,604,355	1,889,748,857
Grade 2 - Low Risk (1 - 30 Days)	174,167,380			174,167,380	138,006,144
Grade 3 - Fair Risk (31 - 60 Days)		244,857,268		244,857,268	51,825,856
Grade 4 - Fair Risk (61 - 89 Days)		38,104,928		38,104,928	23,272,168
Grade 5 - Default (Over 90 Days)			112,334,515	112,334,515	58,644,634
				2,258,068,446	2,161,497,659
Loss Allowance	(7,728,774)	(5,089,217)	(32,342,037)	(45,160,028)	(29,506,530)
Carrying Amount	**(7,728,774)**	**(5,089,217)**	**(32,342,037)**	**2,212,908,418**	**2,131,991,129**

As per the above the table, 5% of financing activities are default at the end of 2020. (2019: 3%)

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 MIB 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 2020. The following were identified by the auditor as key audit matters.

→ IFRS 9 Financial Instrument require impairment based in expected credit loss rather than the impairment applied as per the guidelines issued by Maldives Monetary Authority. 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.

4. Conclusion

Regardless of 2020 being the challenging year, bank has tackled with the challenges and finished the year without any major impact on financial or operational results. The bank has achieved a growth 1.2% on total operating income. Nevertheless, net profit has decline by 10%.

Net income from financing activities had a growth of 13.5%, while cost/income has increased from 54% to 57%. Financing assets to deposits ratio has declined because the growth of deposits (15%) was much higher than growth of financing assets (4%).

The bank is complying with the regulatory capital requirements outlined by MMA, reporting 18% for Tier 1 and total risk-based capital ratio of 22% for the year 2020.

A dividend of MVR 1.23 per share has been declared for 2020 (2019: MVR 1.58) maintaining a dividend ratio of 37%.

MALDIVES PORTS LIMITED

ANNUAL FINANCIAL REVIEW

FY2020

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. 10 of 1996.

Principal business activity of the Company includes providing International sea port facilities and local harbor facilities. 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 impact of covid-19 pandemic on the company was huge, as total revenue has dropped by over MVR 221 million in 2020 compared to 2019. The following table shows the revenue breakdown of the company.

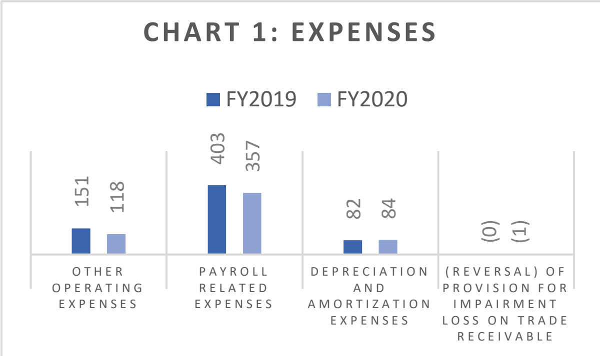
Revenue	FY2019	FY2020	% change
Ship arrival and pilotage services	78,003,424	58,785,455	-25%
Unloading the cargo	194,718,144	143,866,379	-26%
Clearing the goods	68,669,754	34,588,085	-50%
Loading/Unloading the cargo	298,382,764	208,112,626	-30%
Empty containers & vessel departure	42,676,995	27,298,663	-36%
Vessel & equipment hiring charges	6,792,080	6,200,870	-9%
Rent income	39,964,277	41,881,332	5%
Revenue from transport	24,349,723	13,272,464	-45%
Revenue from ferry transport	4,628,483	3,122,375	-33%
Total Revenue	**758,185,644**	**537,128,249**	**-29%**

Table 11: Revenue

Due to the lockdown imposed in the second quarter of 2020, most of the operational activities of the company were restricted. Revenue from loading and unloading which is the largest business activity of the company has reduced by MVR 141 million and clearing has reduced by MVR 34 million (50%).

The total other income of the company has also reduced by 15%.

Expenses



The company does not represent any direct costs in their financials, all costs are recognized as operating expenses. The overall expenditure of the company has reduced by MVR 77 million in 2020 compared with 2019. Other operating expenses shows reduction of MVR 33 million and payroll related expenses has also reduced by over MVR 45 million. While revenue reduced by 29%, the overall expenditure has reduced by 12%. However, expenses to sales ratio have increased from 84% to 104% since sales reduction was much greater relative to the level of expenses.

The total other operating costs has decreased by 22% due to reduction in operational activities compared with 2019. The expenses reduced from travel & conference, hire charges, marketing & sponsorship and repair and maintenance of vessels. Payroll related costs which have changed significantly during 2020 compared to 2019 is shown below.

Personnel costs	FY2019	FY2020
Salaries and wages	120,685,845	129,297,783
Overtime	27,999,211	9,383,091
Staff allowance	205,470,985	190,703,823
Boat laari	3,150,127	-
Bonus	7,547,500	2,090,045
Contribution to MRPS	8,310,070	8,784,562
Staff training expenses	6,688,405	623,472
Staff compensation	3,941,513	579,663
Medical expenses	55,042	73,656
Uniform expenses	623,777	715,594
Directors allowance	110,312	86,500
Gratuity expense	4,121,291	424,215
Other expenses and allowance	13,856,847	14,379,244
Total	**402,560,925**	**357,141,648**

Table 12: Payroll Expenses

Payroll related expenses has significantly reduced mainly because of reduction in overtime and staff allowances. Due to the pandemic most of the staffs were working from home, hence allowances and overtime has drastically reduced.

2.3 Profitability

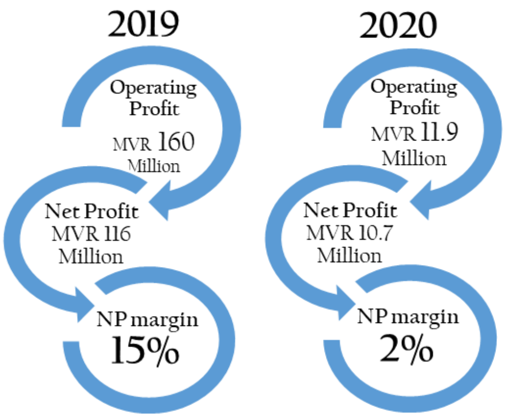


Figure 11: Profitability

MPL is the one of the companies hardest hit by covid-19 pandemic. Operating profit dropped by over MVR 148 million and net profit dropped by MVR 105 million in 2020 compared with 2019. The drastic fall is attributable to the disruption of company's operations resulting reduction of 29% of revenue. Subsequently, net profit margin has declined from 15% to 2%.

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

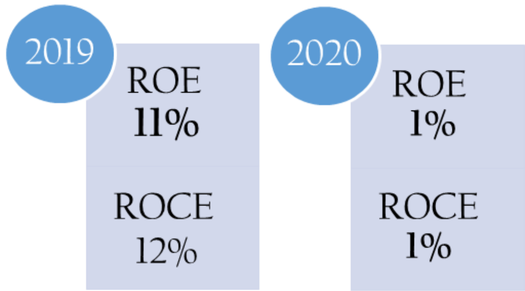


Figure 12: ROE and ROCE

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 the drastic fall of profits, these ratios have significantly dropped in 2020 compared with 2019.

2.5 Shareholders Returns

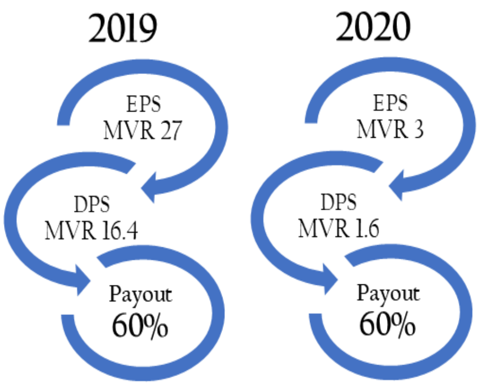


Figure 13: Dividend

The company faced a lower net profit in 2020, followed by fall in earnings per share. Hence, dividend per share has reduced from MVR 16.4 to MVR 1.6 per share in 2020. Nevertheless, the company has maintained its payout ratio of 60% for both the years.

2.6 Net Assets per Share

Figure 14: Net Assets per share

Total assets were increased by MVR 31 million while total liabilities have increased by MVR 90 million over the period from 2019 to 2020. Therefore, the net assets per share has decreased from MVR 241 to MVR 227.

2.7 Gearing

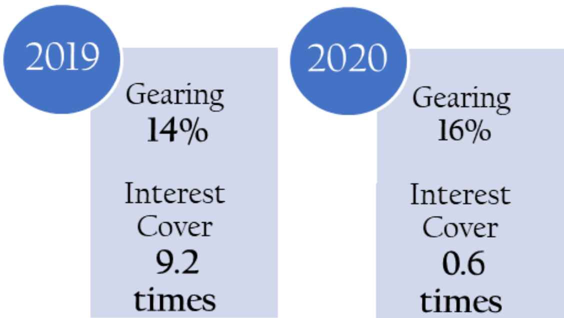


Figure 15: Gearing

Company's borrowing increased in 2020 by 5% while finance costs increased by 24% compared to 2019. Hence, gearing ratio has increased while interest cover reduced due to fall in profits. MPL obtained additional finance for the capital investments undertaken by the company in 2020.

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

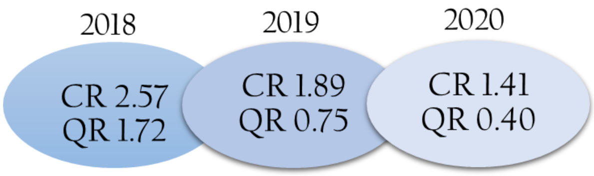


Figure 16: Current & Quick Ratio

These results measures company's ability to meet short-term liabilities (those falling due within 12 months) with the current assets. Both the ratios have declined over the past years because current liabilities of the company have increased much higher than company's current assets.

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

Current Assets	FY2019	FY2020
Inventories	423,858,992	508,279,315
Contract assets	3,076,338	2,883,708
Other financial assets	83,533,744	71,762,829
Income tax receivable	-	16,364,855
Trader and other receivables	140,926,692	81,814,344
Cash and cash equivalents	50,723,842	28,739,722
Total current assets	**702,119,608**	**709,844,773**

Current Liability	FY2019	FY2020
Employee Defined Benefit liabilities	949,631	874,402
Interest-bearing loans and borrowings	36,811,315	83,690,079
Lease laibilities	7,902,086	12,714,441
Trade and other paybales	323,556,004	405,075,310
Contract Liabilities	960,078	840,089
Income tax paybale	1,668,133	-
Total	**371,847,247**	**503,194,321**

Table 13: Current assets and Liabilities

Current liabilities of the company are low compared to its current assets, as a result current ratio remained at minimum sufficient levels in both 2019 and 2020. However quick ratio is below 1 for 2020 and 2019, as inventory is the major current asset of the company.

Although ratios seem to be declining compared to previous two years, these ratios illustrate that short-term liquidity position of the company is sufficient. However, it is important to highlight that over 83% of current assets are trade and other receivables and inventories, which shows quick funds are relatively challenging. Also, it has to be highlighted that 89% of Inventory is the work in progress of Hiya Project cost.

The higher the current ratio, the more capable the company is of paying its short-term obligations, as it has a larger proportion of asset value relative to the value of its liabilities.

Therefore, it is important to manage company's working capital to the most optimum level in order to ensure the most financially efficient operation.

2.10 Receivable and Payable days

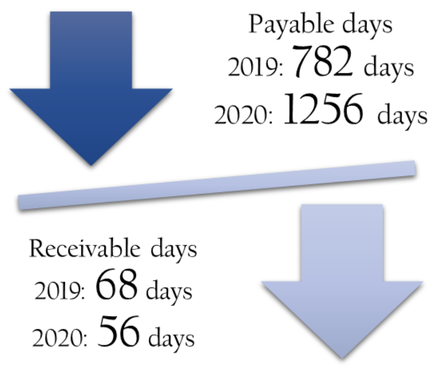


Figure 17: Receivable and Payable Days

Accounts receivables are considered valuable because it measures the speed with which company is paid by its customers. A high ratio could indicate that the company may face increasing liquidity challenges. 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 68 to 56 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 84 million as at December 2020. Also, part of the receivables from MMPRC has been considered as non-current asset. 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. An increasing ratio over time indicates that the company is paying suppliers more slowly and may indicate worsening financial condition. Nevertheless, the longer it takes to pay the better for working capital and cash position. However, this cash flow advantage may be obtained at the expense of the business relationship with entity's creditor.

The payable days of the company has significantly increased in 2020. Since the company does not present any direct costs we have used other operating expenses when calculating the payable days. Hence, this could not be accurate as some of the payroll related expenses also might fall into direct costs. In addition, it has to be noted that majority of payables is dividend payables to shareholder.

3. External Audit

Upon auditing of the financial statements of MPL for the year ended 31 December 2020, the Auditor General has expressed a qualified opinion. The following basis for the qualified opinion are taken directory from the audit report of the company.

- An amount of MVR. 24,783,732 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 auditors were not allowed access to the premises verify the physical existence of the asset, hence auditors were unable to satisfy whether the amount shown under capital work in progress in the statement of financial position is fairly stated.
- An amount of MVR 56,057,619 is stated under capital work in progress in relation to cost incurred for construction of Dhoogs guest house as at the end of 2020. No active construction work with respect to Dhoogas Guest House had been carried out since 2018. Therefore, auditors were unable to determine whether any adjustments might have been found necessary.
- Total land value includes amount of MVR 956,150 in relation to Fuvahmulah land located in Gnaviyani Atoll. However, auditors were unable to verify the ownership of this land due to sufficient and appropriate audit evidence
- Related party receivables at the date of the statement of financial position includes receivables amounting to MVR 13,073,636 from Maldives National Shipping Limited, which has been outstanding for more than nine years and therefore, doubtful of recovery. NSP has settled an amount of MVR 6,000,000 out of total outstanding of MVR 13,073,636. Furthermore, parties have agreed to write off the remaining balance amount of MVR 7,073,636. However, the Company has not made a provision for the amount of MVR 7,073,636 as at 31 December 2020. As a result, net profit has been overstated by MVR 7,073,636 during the year ended 31 December 2020 and amount due from related parties' balances has been overstated by same amount as at 31 December 2020.
- Other operating expenses include fuel expenses of MVR 31,047,271 for the year ended 31 December 2020. The Company has discovered asset misappropriation in respect of fuel purchases during the year ended 31 December 2020. However, the Company was unable to quantify the cost of fuel purchases in connection to asset misappropriation for the year ended 31 December 2020.
- Trade receivables include an amount of MVR 6,117,222 receivable from HC Line Private Limited (HC Line) as at 31 December 2020. This outstanding balance consists of unpaid invoices of MVR 5,059,222 and interest receivable for late payments of MVR 1,058,000. The Company has filed a case against the HC Line due to return cheques issued by them as amount of MVR 750,000 as per the agreement dated 18 October 2017. The Court has ruled in favor of the Company on 31 August 2020 and ordered to pay the unpaid invoices amount of MVR 750,000 as well as interest on the outstanding amount of MVR 1,058,000. Furthermore, on 19 April 2021, the Company has filed another case against HC Line to recover the remaining outstanding balance of MVR 4,227,400 and the case is in progress. The Company has not assessed the

recoverability of this total outstanding balance of MVR 6,117,222 considering the outcome of the above cases and the time value of money as at 31 December 2020.

4. Conclusion

The Performance of the company was severely affected by the covid-19 pandemic. Thus, total revenue of the company dropped by MVR 221 million and net profit by MVR 105 million. To compensate the fall in income, company has cut down its expenses by over MVR 78 million from other operating and personnel costs.

In terms of short-term liquidity position, company's current ratio has been declining over the past years. 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.

Due to the significant fall in profits, company has reduced its dividend per share from MVR 16.4 to MVR 1.6 in 2020. The performance of the company is expected to improve in future as the operations normalize.

The financial risk in terms of gearing was maintained at an acceptable level. The interest covers of the company reduced in 2020, 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 as soon as possible since some of these significant issues has remained for long periods of time.

MALDIVES SPORTS CORPORATION LIMITED

ANNUAL FINANCIAL REVIEW

FY2020

1. Introduction

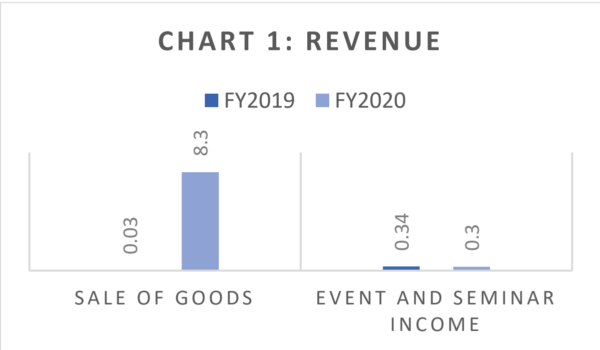
MSCL is a limited liability company, fully owned by the Government of Maldives (GoM). The company is incorporated under Sports Act 30/2015 in Republic of Maldives on 15th day of March 2016 bearing registration number: C-280/2016.

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

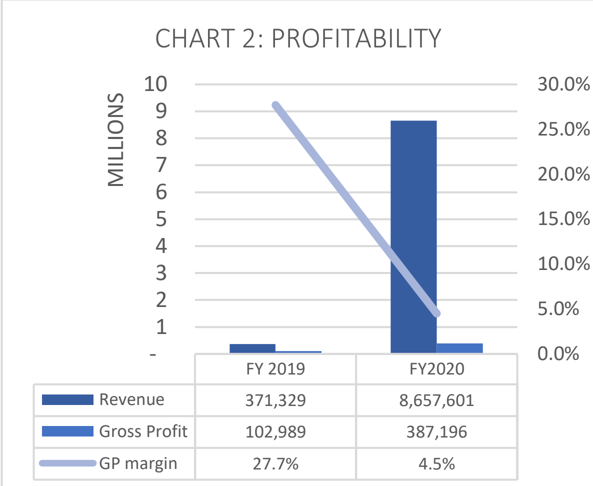
The company has recorded a total revenue of MVR 8.6 million, which is MVR 8.2 higher than previous year. Revenue is generated mainly from the project; supply of 61 gym to Ministry of Youth, Sports & Community Empowerment.



Apart from the project, sports corporation has earned income from conducting events and seminar. As such, MVR 324,950 was recorded as event and seminar income. Although company was able to increase its revenue, revenue is not enough to cover the operational costs of the business.

2.2 Profitability

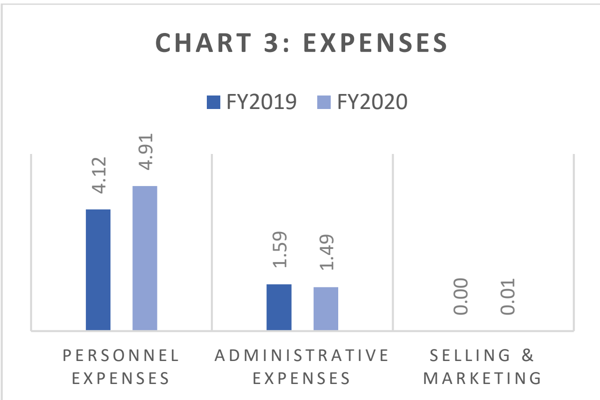
Gross Profit



Gross profit of the company is relatively lower compared to the significant revenue growth of the company. This is because the company has incurred significant direct costs to generate the revenue. The direct cost of sales stands at MVR 8.3 million in 2020. Nevertheless, gross profit margin has decreased from 27.7% to 4.5%.

It is important to highlight that the company does not have a stable revenue unit yet. 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.

2.3 Operating Expenses



Overall, total operating expenses has increased by 12% from 2019 and 2020 mainly from personnel expenses. The revenue generated by the company is not enough to cover its costs and operating expenses.

Personnel Expenses

Personnel expenses have increased by 19% (from MVR 4.12 to MVR 4.91 million) from 2018 to 2019 mainly from basic salary.

Admin expenses on the other hand has decreased by 6% over the comparable period, indicating that company was able to cut down its operating expenses. Maintaining its operating costs to an optimum level is important at a time where company is unable to create revenue generating units.

Sales and marketing expenses is reasonable compare level of operation, however compared to previous year marketing expenses increased from MVR 2,059 to MVR 5,682.

2.4 Profitability

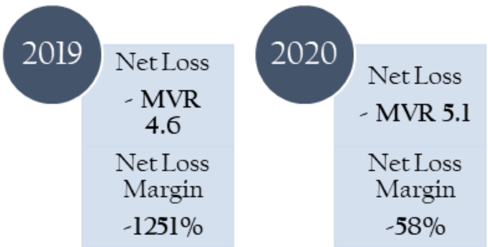


Figure 18: Profitability

The company is loss making since its commencement of operation. Net loss of the company has increased by 9% in 2020 due to higher operating expenses. The accumulated loss of the company stands at MVR 24.1 million.

Board of directors of MSCL must focus on ways to diversify and create more effective revenue generating units to overcome the costs, while the cost centers must be further analyzed to ensure those are maintained to the minimal level.

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

2.5 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.

2.6 Working Capital Management

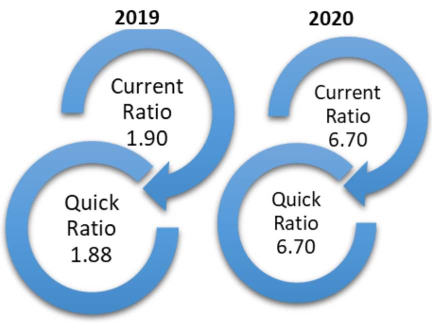


Figure 19: Current & Quick Ratio

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. 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.

Short term liquidity ratios of the company have significantly improved due to reduction of current liabilities more than its current assets. Current liabilities of the company recorded a fall of 82% mainly because there was no advance and deposits in 2020. Current assets also decreased compared to previous year by 37%. Over 99% of the company’s current assets consists of cash and cash equivalents which is the capital injected by the shareholder. Hence, the result 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 2020, 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 5.1 million for the financial year 2020 and has an accumulated loss of MVR 24.1 million as at 31 December 2020. 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 generated income of MVR 8.6 million for the year 2020 mainly from a single project. However, due to high direct costs and operational expense company ended the year with a net loss. The revenue generated is insufficient to cover its operating expenses.

Short term liquidity position of the company improved due to reduction of liabilities. Over 99% 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.

With significant accumulated losses, company is likely to face difficult year ahead without proper cost reduction measures in place. In order to improve performance, the company must find stable revenue sources and ensure costs are maintained to an optimum level.

Although the company's principal activity is sports related, it could consider diversifying its business activities to stable and more profitable businesses. Managing business efficiently and effectively could help earn the ideal financial position in business market enabling to minimize the dependency on shareholder to finance business operation.

MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC

ANNUAL FINANCIAL REVIEW

FY2020

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 five strategic business units (SBUs), as shown in the below chart.

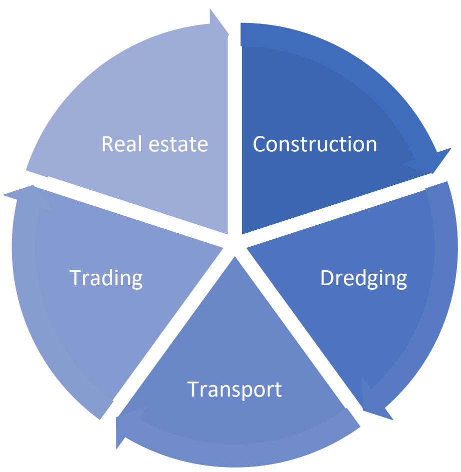


Figure 20 Strategic Business Units

2. Ownership Structure

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

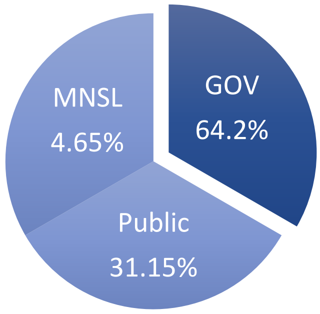


Figure 21 Ownership Structure

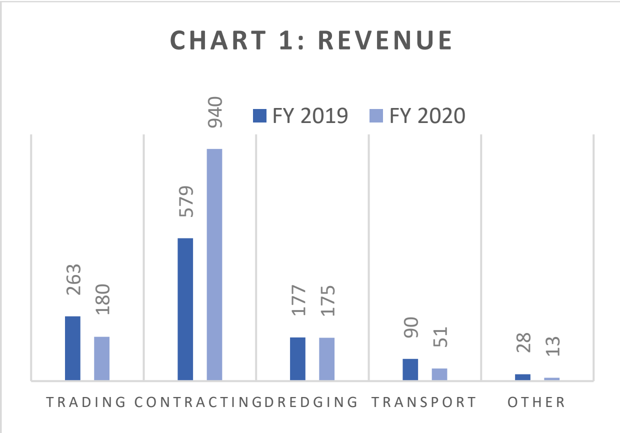
As of 31st December 2020, Government of Maldives held 64.2% of the shares, while 31.15% is owned by public and the remaining 4.6% shares are owned by Maldives National Shipping Limited, a company wholly owned by the Government of Maldives.

3. Financial Review

3.1 Revenue

The total revenue of the company for FY2020 was MVR 1,360 million, which was 20% increase from MVR 1,137 million in FY2019. The increase is solely due to the significant increase in contracting segment (by MVR 361 million which is 62%)

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



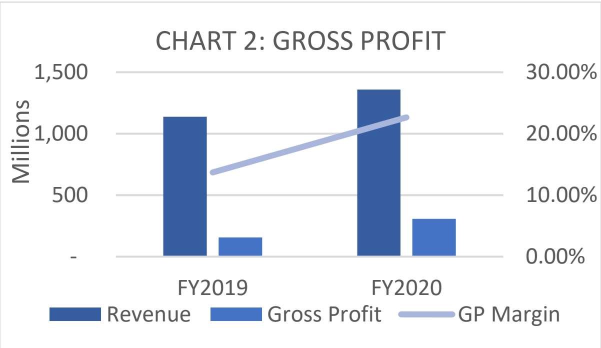
Trading segment of the company deals with products and services required for marine transport, industrial power generation, tourism and fisheries industries of the country. During the year 2020, revenue from trading has deteriorated by 31% (MVR 82.7 million). The reason for the drastic fall owes to the disruption arose from the curfew imposed across the country during 2020.

The contracting segment has contributed almost 69% of total revenue of 2020. Further, this segment has recorded a growth of 62% compared to previous year due to increase in new construction projects.

The dredging segment shows a slight decline in net revenue due to the adjustments over inter segment revenues within the Company. However, the total revenue from dredging has increased by 19% compared the previous year. Transport segment was severely hit by the pandemic due to the closure of transport services from April onwards, thus revenue from transport deteriorated by 43%.

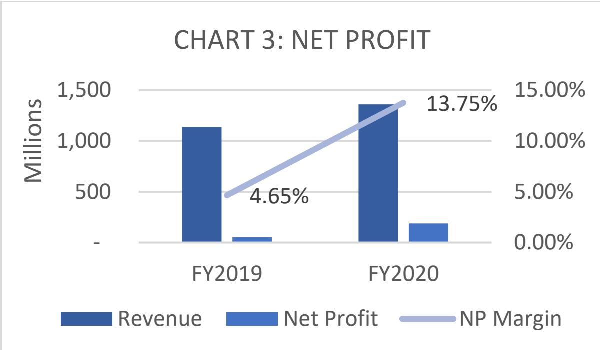
3.2 Profitability

<u>Gross Profit</u>



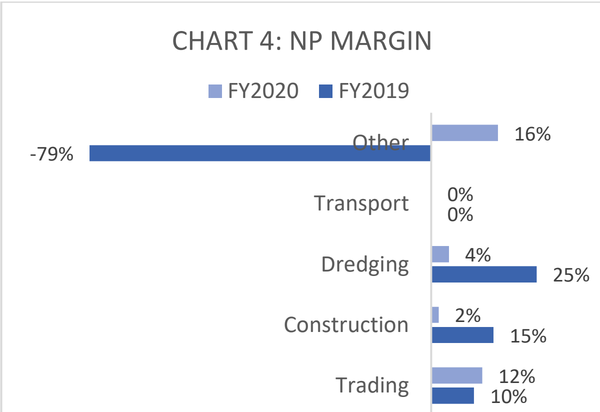
Despite 2020 being one of the difficult years, MTCC has achieved a remarkable gross profit of MVR 308 million, an increase of MVR 152 million (+98%). The exceptional result was solely contributed by the contracting segment, while all other segments was affected by the global pandemic. In addition, it must be noted that direct costs were well managed by the company.

<u>Net Profit</u>



Net Profit of MTCC has recorded a significant increase of MVR 134 million, thus NP margin has increased from 5% to 14%. With a 20% revenue growth, MTCC has achieved a net profit growth of 254%.

<u>Segmental margin</u>



The major revenue generating unit, construction segment contributes 69% total revenue of the company. The net profit margin also improved from 2% to 15% in 2020. With a 31% decline in revenue of the trading segment, NP margin also declined by 2%. A significant fall in revenue from other segment was noticed due to the pandemic, resulting a net loss for the year compared to the previous year. The losses of transport segment were subsidized by government subsidy, amounting to MVR million for 2020. The company has worked on several significant dredging and reclamation projects during the year, notably K. Huraa, K. Maafushi, K. Guraidhoo and Centara Resort island reclamation project.

The overall expenses of the company increased by only MVR 1.7 million compared to previous year. Total administrative expenses increased by 3%. With increased construction activities in 2020, sub contract expenses have seen a significant spike from MVR 6 million to MVR 55 million. Other operating expenses also records an increase of MVR 12 million mostly from loss on sale of assets. The major increase/decrease of expenses are shown in the below table.

Expenses	FY2019	FY2020	% change
Depreciation PPE	140,095,051	145,045,820	4%
Depreciation Investment properties	1,075,633	3,220,652	199%
Depreciation charges	13,708,322	18,466,769	35%
Employee benefits	246,272,122	268,262,300	9%
Lease rent and hiring expenses	58,210,531	50,177,040	-14%
Sub contract expenses	6,836,748	55,326,055	709%
Transportation, travel and inspections	20,808,977	15,239,450	-27%
Advertising, sales promotions and marketing	9,874,841	7,800,376	-21%
Training expenses	6,588,346	2,165,297	-67%
Loss on sales of assets	1,233,386	11,815,824	858%
Provision for impairment of receivables	18,799,032	6,875,607	-63%
Other expenses	20,351,162	23,755,070	17%

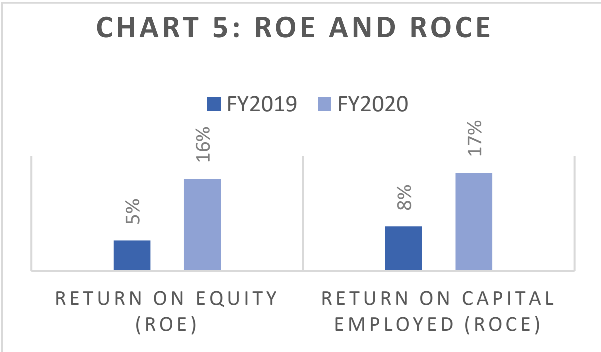
Table 1 Significant Expenditure Changes

At the end of 2020, MTCC have 1834 staffs, an increment of 128 staffs (8%) compared to previous year. Therefore, the employee benefit expenses have seen an increment of MVR 21.9 million (9%).

Employee Benefit Expense	FY2019	FY2020	% change
Wages and Salaries	168,232,102	183,526,348	9%
Other allowance	45,626,125	49,670,106	9%
Pension contribution	4,446,010	4,730,898	6%
Staff food allowance	13,984,953	14,817,559	6%
Staff Medical expenses	958,859	483,591	-50%
Retirement benefit	9,185,327	10,162,870	11%
Visa fees	2,766,722	3,212,510	16%
Staff welfare	1,072,024	1,658,418	55%
Total	**246,272,122**	**268,262,300**	**9%**

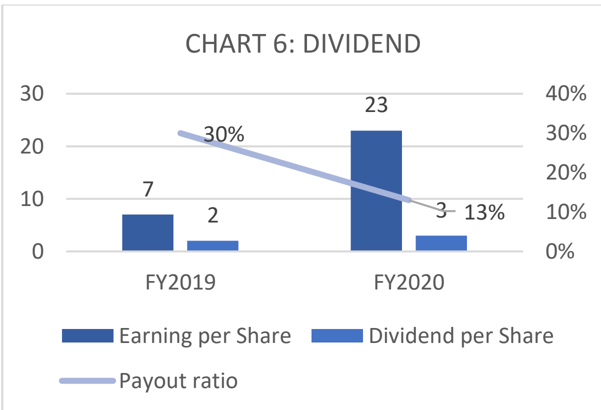
Table 2 Change in salary expenditure

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



Both ratios have improved in 2020 owing to the significant growth in profitability. In addition, both capital employed and equity of the company has also improved. These ratios illustrate that effectiveness of management using company's assets and capital in generation of profits have deteriorated.

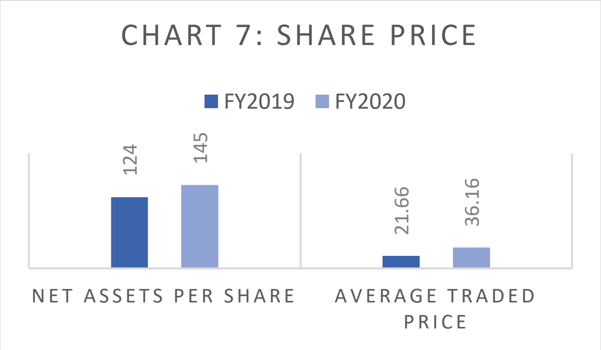
3.4 Shareholder Returns



The company has declared a dividend of MVR 3 per share from net profits of 2020. (2019: MVR

2 per share). The payout ratio shows a steep fall since earnings per share increased much higher than dividend.

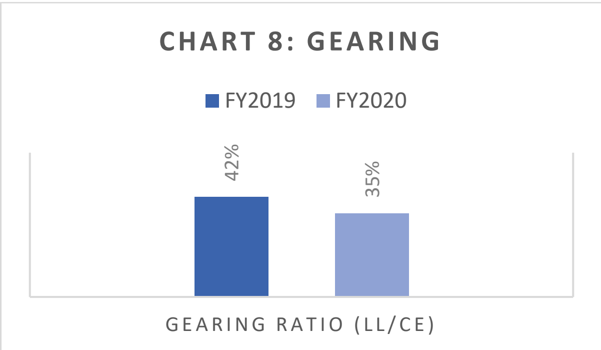
3.5 Market Price and Net Assets per Share



As shown in the above graph, MTCC's weighted average traded price is lower than its net assets per share may be due to the limited trading activities in the Maldives Stock Exchange. Further, the net asset value per shares has increased compared to the previous year due to increased profits in 2020.

During 2020, MTCC's 1914 shares traded at Maldives Stock Exchange. (2019: 18318 shares) The highest traded price in 2020 was MVR 40.

3.6 Financing



Gearing ratio of MTCC has reduced from 42% to 35% mainly because of reduction of loans and borrowings by MVR 23 million and improvement in capital employed. The company has borrowed MVR 62 million during 2020 mainly for the capital investments.

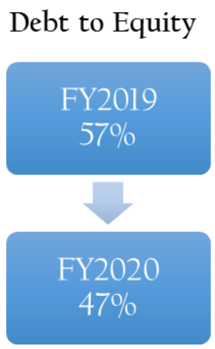


Figure 1: Financial Leverage

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 2: Interest Cover

The total interest expenses have increased by 11% compared to the previous year with the additional borrowing during the year. However, with higher operating profits compared to 2019, company's interest cover has improved from 2.5 to 5.7 times.

Considering 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.

3.7 Working Capital management

Figure 22: 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 slightly reduced although total sales have increased in 2020. The reduction in the ratio is because company's working capital has increased much higher than sales. A high turnover ratio shows that management is being very efficient in using a company's short-term assets and liabilities for supporting sales.

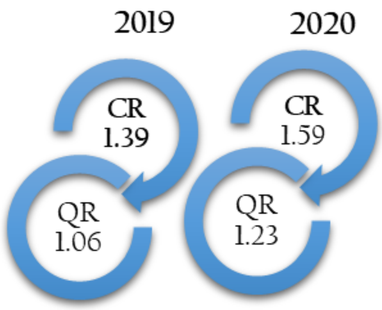


Figure 4: Current and Quick ratio

Both current and quick ratio shows improvement as the company current assets has increased much higher than current liabilities. All components of current assets specially contract assets and receivables increased due to more construction activities during the year. The above ratios illustrate that the company's ability to service its short-term obligations has improved from 2019 to 2020.

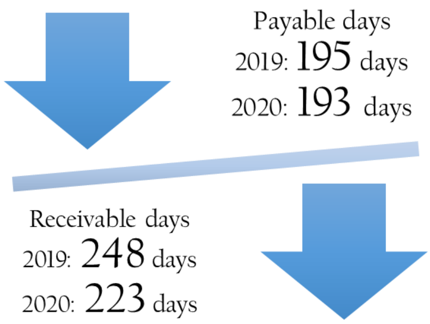


Figure 5: Receivable and Payable days

Accounts receivable days of MTCC has declined by 24 days compared to previous year.

Receivable from related parties are the major component of receivables representing more than 47% of total receivables. When related party receivables are excluded, receivable days will be reduced to 98 and 133 for FY2019 and FY2020 respectively. MTCC has recorded MVR 60 million as provision for related party receivables.

Payable days of the company are maintained far below receivable days and it has slightly reduced to 193 days. After exclusion of payables to related parties the payables days will be 86 days in FY2019 and 107 days in FY2020.

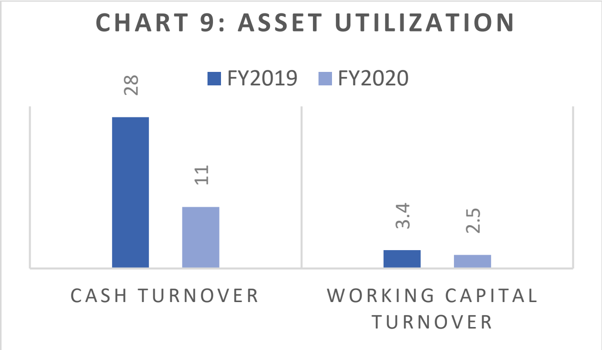
Related Party Dues and Receivables

Details	FY2019	FY2020
Amount due to related parties	292,078,856	248,755,456
Amounts receivable from related parties	458,936,690	446,621,925
Net Receivable	**166,857,834**	**197,866,469**

Table 3: Related party Transactions

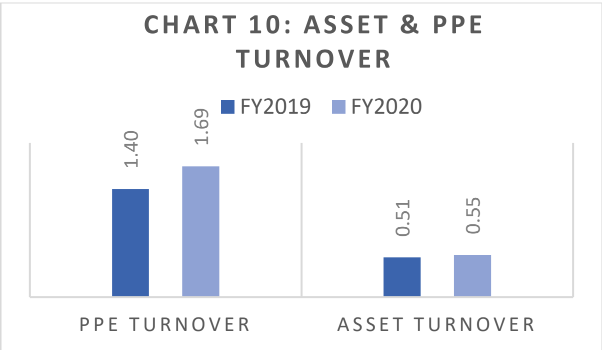
When net payables are set off against the receivables from related parties the balance is a net receivable for the company. Amount receivables from related party consist of Subsidy for the losses of transport segment equal to MVR 188 million as of 31 December 2020 (MVR 92 million in 2019).

3.8 Asset Utilization



MTCC's cash turnover has significantly declined, indicating the frequency of company's cash account replenishment through the sales revenue has declined. Nevertheless, both revenue and cash has improved in 2020.

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 marginally decreased.



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 above 1 seems satisfactory. It indicates that assets are being utilized efficiently to generate sales. Since the company is capital intensive and acquiring new assets every year, maintaining and improving PPE turnover is important.

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 of MTCC is quite low which needs to be improved.

4. 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.

5. Conclusion

Regardless of the challenges faced in 2020, MTCC has achieved remarkable results in terms of revenue and profitability. However, some of the business segments were affected due to Covid-19 pandemic, the construction segment performed well and achieved almost 69% of total revenue.

In terms of short-term liquidity, the company was able to increase both current and the quick 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. Accounts receivable is a major issue for the company, however the company finds difficulties in collecting the related party receivables.

With the increase in net profit, the company declared a dividend of MVR 3 per share. However, the payout ratio has significantly declined as the earnings has grown much higher than dividend. It is important to note that MTCC has also increased retain earning reserves in 2020. 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 declined owing to the repayments in 2020. Additional finances were also taken to purchase machineries, vehicles and equipment which may result future returns. While debt level reduced, and interest cover has improved in 2020.

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 loss-making segments.

MALE’ WATER AND SEWERAGE COMPANY PRIVATE LIMITED

ANNUAL FINANCIAL REVIEW

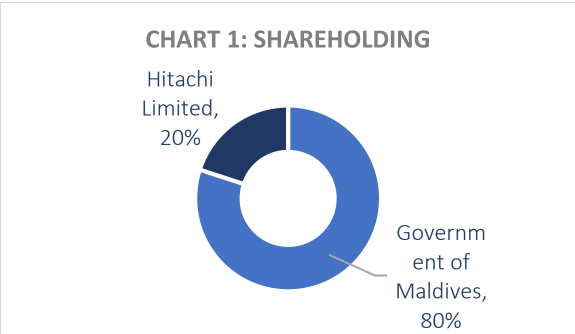
FY2020

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 is to develop, manage and maintain an efficient and cost effective strategy 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



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

The company reported total revenue of MVR 986 million for the year 2020, which is 2% lower than previous year. There are four revenue generating segments of which water, Electricity and Sewerage is the major revenue generating segment of the company.

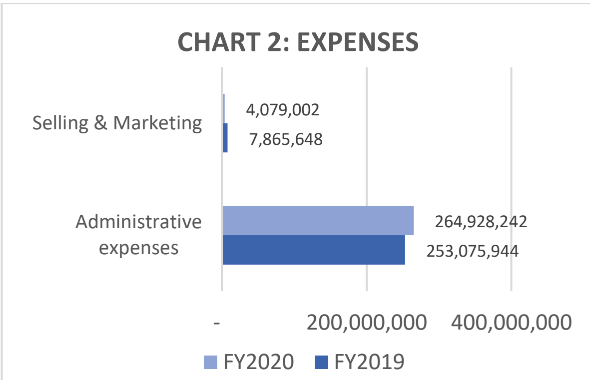
The below table shows a comparison of revenue generated for the major revenue generating segments for the previous two years.

Revenue	FY2019	FY2020	% change
water electricity and sewerage	780,976,806	754,320,464	-3%
Construction	90,899,051	104,965,134	15%
Bottled water and flaked ice	127,924,287	112,457,512	-12%
Pipe & other Water related items	9,956,221	14,889,517	50%
Total Revenue	**1,009,756,365**	**986,632,627**	**-2%**

Table 14: Revenue

The core business segment of the company has recorded a revenue fall of MVR 26.6 million. The reduction is mainly from water revenue in Greater Male' Area commercial category by suspension of Commercial activities and domestic consumption has also reduced due to temporary migration to outer islands due to covid-1p pandemic. Likewise, bottled water and flaked ice has also declined by 12% compared to previous year. Water electricity and sewerage represents 76% of the total revenue hence, any change in this segment affects total revenue of the company. On the other hand, revenue from construction and pipe & other water related items has improved in 2020.

Expenses



Administrative expenses have increased by MVR 11.8 million, while marketing expenses reduced by MVR 3.8 million compared to previous year. Thus, total expenses growth stands at 3%.

The expenditures which showed a significant variation in 2020 compared with 2019 is shown in the table below.

Administrative expenses	FY2019	FY2020	% change
Salaries and wages	47,724,738	55,610,522	17%
Staff bonus	22,011,277	5,807,523	-74%
Allowance expenses	37,872,432	44,548,508	18%
Overseas training expense	7,751,517	1,111,822	-86%
Depreciation of Investment properties	514,204	1,290,113	151%
Import duty and frieght charges	11,086,939	7,106,605	-36%
Repair and maintenance	12,395,647	15,547,887	25%
Transport and travelling expenses	1,790,297	1,184,575	-34%
Electrcity expense	1,283,549	4,673,332	264%
Printing and stationery expense	1,538,611	1,019,210	-34%
Donations expense	2,472,614	1,296,012	-48%
Outsourcing expenses	3,662,461	2,744,205	-25%
Unclaimed GST inlut tax	4,530,202	6,091,877	34%
Provision for slow moving inventory	2,395,878	9,517,112	297%
Impairment of trade receivables	17,707,088	33,334,467	88%

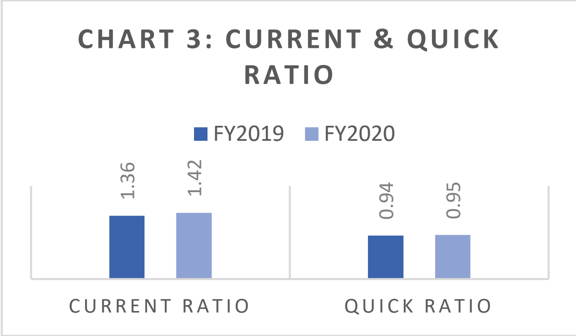
Table 15: Expenses

The major increase in administrative expenses segment is seen from salaries and wages, depreciation of investment properties, electricity expenses, provision for slow moving inventory and impairment of trade receivables. Impairment of trade receivables in 2020 is significant, it represents 8% of trade receivables and 3% of revenue of 2020. Careful management of trade receivables can help the company to reduce impairment and improve quality of receivables. On the other hand, Company has also reduced its expense from staff bonus, overseas training, import duty and freight charges, and outsourcing expenses.

MWSC reported a net profit of MVR 323 million, a growth of 5% compared to 2019. With reduction of cost of sales, company was able to improve its gross profit margin from 56% to 59% in 2020. Likewise, net profit margin also improved regardless of increased expenses.

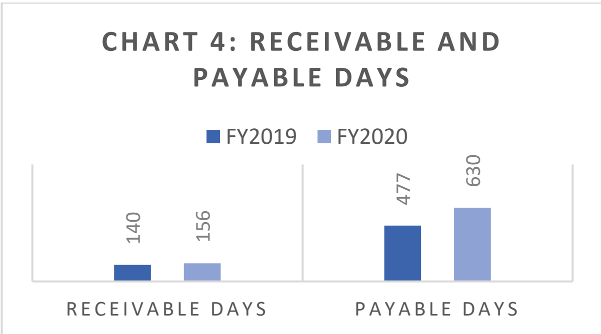
3.2 Working Capital Management

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



The current ratio has recorded a marginal increase in 2020. This is because increase in current assets are greater than the increase in current liabilities. As per this ratio MWSC has the ability to meet its short-term liabilities with available current assets. However, it has to be noted that major current asset of the company consists of trade receivables and inventory. The company has dividend payable of MVR 628.8 million as at the end of 2020 while receivable from related parties stands at MVR 239 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.

Quick ratio of the company has been below 1 for the past two years 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.



An increment of 16 days is seen from receivable days of 2020 compared to previous year. This is because receivables of the company have increased by over MVR 34.8

million. It is important to note that receivable from related parties are the major component of receivables representing 57% of total receivables. If related party receivables are removed, this ratio will be reduced to 57 and 68 for 2019 and 2020 respectively. Further, MWSC has made a huge provision for impairment of receivables of MVR 33 million (2019: MVR 17 million) which is equal to 3% of company's revenue. The increase in impairment of receivables must be managed carefully in order to increase the quality of revenue. The company also have significant number of receivables of more than 180 days.

Payable days of the company is quite high, and it has further increased by over MVR 105 million in 2020. Majority of trade payables consists of dividend payable to shareholders. After exclusion of dividend payables from total trade payable the payables days will be 60 days in FY2019 and 62 days in FY2020.

Details	FY2019	FY2020
Amount due to related parties	2,623,621	3,587,168
Dividend payable	518,517,541	628,791,714
Amounts receivable from related parties	229,684,007	239,681,567
Net Payable	**291,457,155**	**392,697,315**

Table 16: Related party transactions

Inventory Level

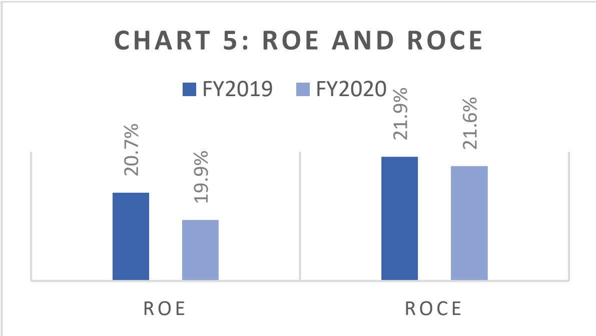
Details	FY2019	FY2020
Raw Materials	36,418,990	32,100,426
Consumable Stock	240,241,537	246,906,561
Finished Goods	8,730,665	12,332,356
Water Inventory		1,861,545
	285,391,192	**293,200,888**
Less: Impairment	(8,825,002)	(18,301,283)
Employee Housing Unit	17,707,827	102,591,315
Closing Inventory	**294,274,017**	**377,490,920**

Table 17:Inventory

The closing inventory at the of 2020 is equivalent to 93% of cost of goods sold.

Consumables stock and raw material represents 65% and 9% of total closing inventory respectively. Further, a significant provision is made for impairment of slow and non-moving inventory in 2020. Thus MWSC has to perform a cost benefit analysis of maintaining high inventory and make necessary changes for the betterment of the company.

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



ROE shows how much profit MWSC generates with the money shareholders have invested. The ratio has marginally declined in 2020. This is because equity and reserve has increased much higher than profit. Equity and reserve increased from MVR 1,489 million to MVR 1,627 million in 2020 compared to previous year. Nevertheless, profitability has also improved.

Return on capital employed shows how much profits each MVR of capital employed generates. This ratio has also slightly declined as capital employed increased higher than profits. Both measures show 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

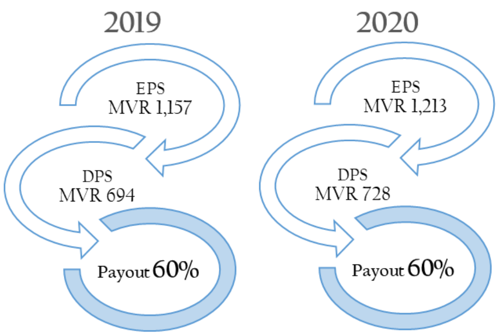


Figure 23: Dividend

Compared to previous year, the earnings of the company have increased, thus company has increased its dividend per share to maintain the payout ratio of 60%.

3.5 Net Asset Per Share

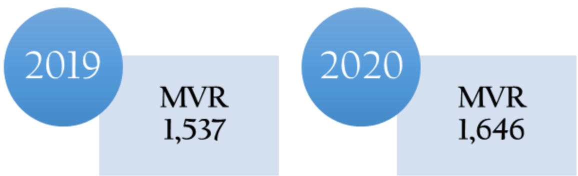
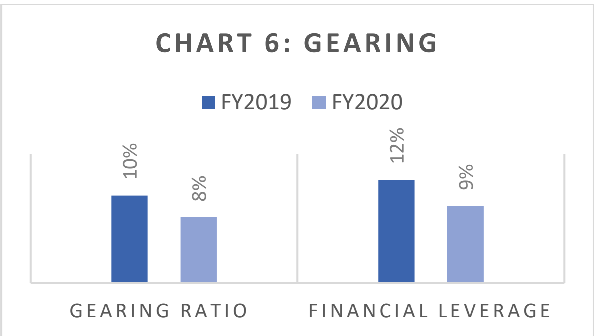


Figure 24: Net Assets per Share

Net assets of the company have increased from MVR 1,731 million to MVR 1,854 million in 2020. Number of shares remained unchanged, hence increase in net assets improved net asset per share of the company.

3.6 Financing



MWSC's gearing ratio has declined in 2020 compared with 2019 due to reduction of total borrowings since company has repaid MVR 37 million loans while no new borrowings were taken. The company's gearing remains low with ample space for more borrowings. Financial Leverage of the company has also declined from 12% to 9% due to reduction in borrowings. Based on current financial and leverage 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 depending on short term finance. While the long-term loans stand at MVR 99 million, short term loans stand at MVR 42 million at the end of FY2020.

Interest Cover

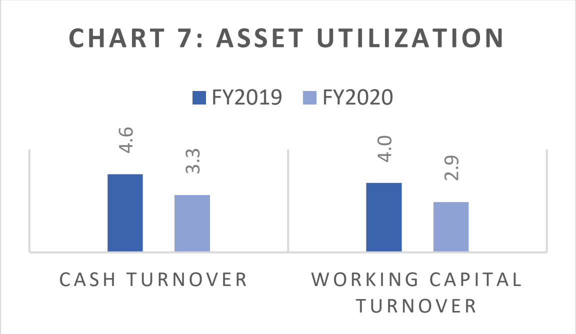
Figure 25: Interest Cover

As a result of reduction of finance costs and higher profit than previous year, interest cover of the company shows a marginal improvement in 2020. Net finance cost on borrowings stands at MVR 16.8 million (2019: MVR 16.9 million).

MWSC has invested MVR 14 million for purchase and construction of property, plant and invested MVR 83.8 million on capital projects.

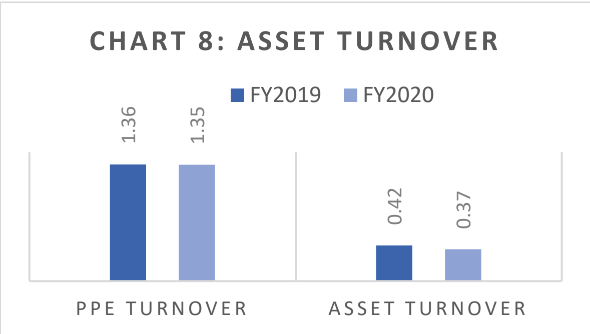
With a low financial leverage along with high profits, company's current financial status is very pleasing to finance providers since it demonstrates a quite low financial risk. Therefore, the company has a high chance of obtaining additional finance for development projects.

3.7 Asset Utilization



Cash turnover of MWSC has reduced as a result of improvement in cash position by 33% and turnover decreased by 2%.,

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.



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 producing sales with its machinery and equipment. PPE turnover of MWSC is at satisfactory level 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 slightly declined in 2020 compared with 2019, as company's revenue declined.

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 0.37 Rufiyaa of sales which is slightly lower than previous year.

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.

3.8 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.

The company's EVA figure has dropped to MVR 715 million in 2020 (reduced by 56% compared to 2019). 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 MWSC is able to generate value from invested funds above the cost of capital.

4. External Audit

The external auditor of the company has expressed an unqualified opinion for the financial statements for the year 2020. Therefore, we assumed that financial statement of MWSC is free from material misstatement.

5. Conclusion and Recommendation

The negative impact of Covid-19 has impacted the revenue of the company. The core business segment of the company has recorded a revenue fall of MVR 26.6 million, mainly from water revenue in Greater Male' area commercial category by suspension of commercial activities and domestic consumption has also reduced due to temporary migration to outer islands due to covid-19 pandemic. On the other hand, revenue from construction increased as many projects were completed during the year. Nevertheless, the profitability has improved by 5%.

Short term liquidity position of the company needs to be improved as MWSC does not have sufficient current assets to cover their short-term obligations after exclusion of their inventory. At the end of the year, company has dividend payable of MVR 628 million. Further, MWSC has significant trade receivables, which has further increased in 2020. Receivable from related parties are the major component of receivables representing 57% of total receivables. In addition, a significant provision was made for impairment of trade receivables.

The company has maintained its payout ratio of 60% in 2020 as well. Earnings per share also improved from MVR 1,157 to MVR 1,213 in 2020.

The gearing and financial leverage of the company is maintained at a fairly low level. With reduction of borrowings, the gearing level has further declined in 2020. With a low financial leverage along with high profits, company has a high chance of obtaining additional finance for development projects. Hence, company can further expand the projects segment to increase revenue and income.

MALDIVES TOURISM DEVELOPMENT CORPORATION PLC

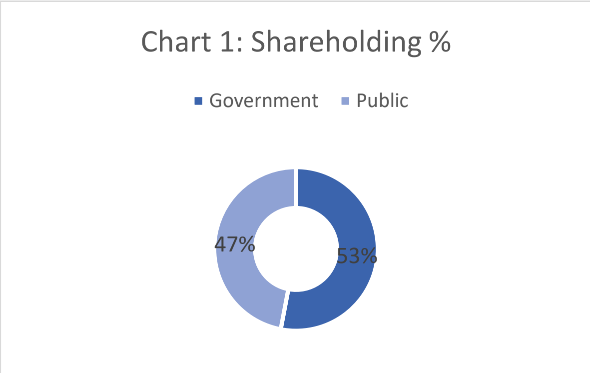
ANNUAL FINANCIAL REVIEW

FY2020

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.

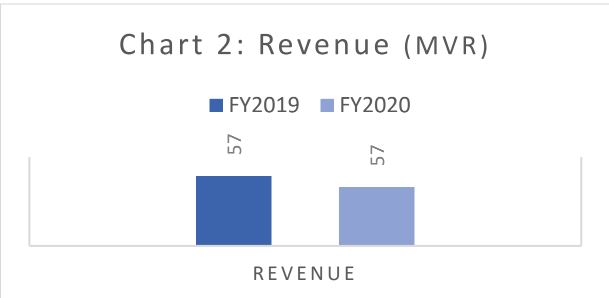
2. Ownership Structure



Government of Maldives is the main shareholder of the company holding 15,659,076 shares (53%) and Public holds 18,428,278 shares (47%).

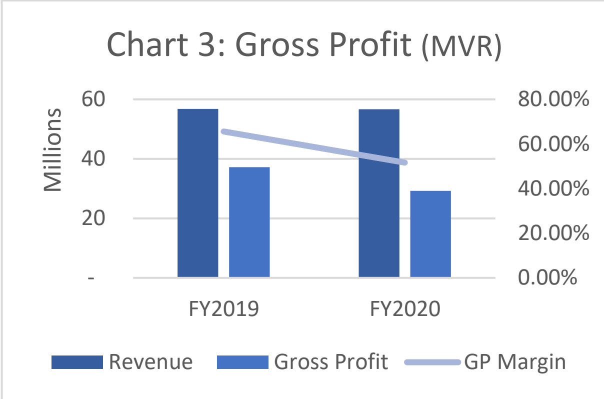
3. Financial Review

3.1 Revenue

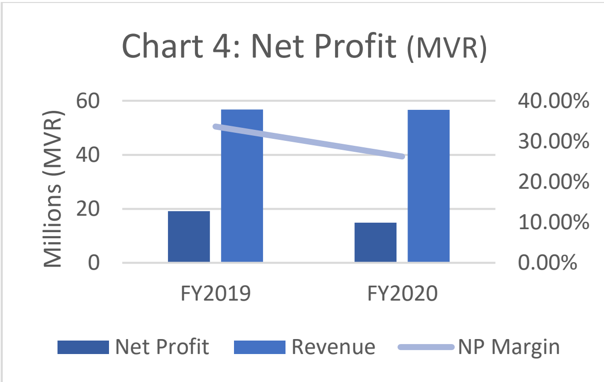


There were no major changes in performance of the company in 2020 compared to previous year. The only source of income derives from interest income on net investment in sublease.

3.2 Profitability



The reduction of gross profit against previous year is due to increase in interest expenses on the lease liability. Hence, gross profit margin has declined from 66% to 52%.



Operating Profit of the company significantly reduced from MVR 23 million to MVR 9 million in FY2020. This is mainly as a result of increase in cost of sales. The company has not recorded any other income in 2020, which has also contributed to the fall in profits compared to previous year.

On the other hand, MTDC has recorded a significant growth in finance income by MVR 45 million which lead the net profits to improve. The interest income was mainly from fair value gain recognized due to a law passed by the government to reduce the land rent of Gdh. Atoll which has had significant improvement (reduction) of lease liability and a fair value gain on the payable to government of Maldives.

Expenses

The operating expenses has marginally decreased from MVR 19.8 million to MVR 20.1 million. The breakdown of the major expenses are as follows;

Operating expenses	FY2019	FY2020	% change
Personnel costs	3,997,388	4,547,451	14%
Depreciation	107,354	115,095	7%
Directors Remuneration and other allowance	1,215,296	1,165,505	-4%
Professional fees	570,525	570,879	0%
Provisional for Impairment of lease rental	6,866,804	6,866,804	0%
Amortization of Intangible asset		67,247	
Written off of other receivables	567,055	-	-100%
Total operating expenses	**13,324,422**	**13,332,980**	**0%**

Total operating expenses records a marginal decrease compared to previous year mainly from personnel costs. The increase in depreciation was represent depreciation on Naagoashi's Right to Use.

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

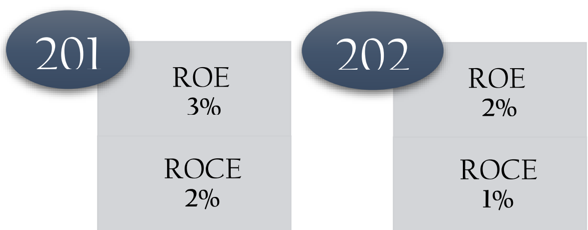


Figure 1: ROE and ROA

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.

Shareholders Returns

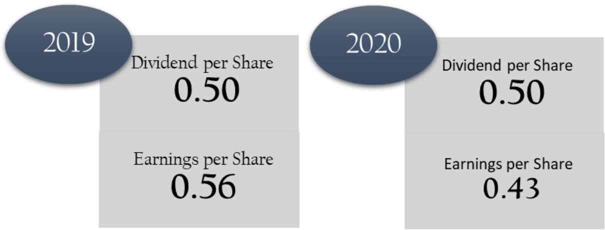


Figure 2: Earnings per share

Earnings per share has declined from MVR 0.56 to MVR 0.43. However, MTDC's board declared MVR 0.50 per share despite the reduction in earnings per share. Thus, payout ratio for the year is 116%. In 2020, the company declared MVR 0.50 per share as dividend, same as previous year. However, the dividend is still payable and at the end of 2020, total dividend payable amounts to MVR 45 million.

3.4 Net Assets per share

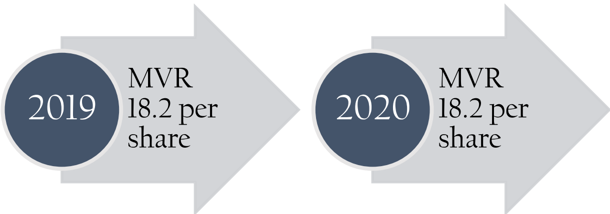


Figure 3: Net Assets per Share

Net assets per share remained same as previous year. However, both assets and liabilities of the company has increased in 2020.

3.5 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.

Current Ratio

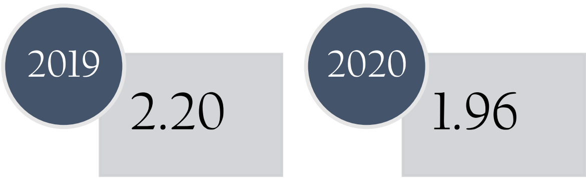


Figure 4: Current Ratio

The current ratio of the company declined in 2020 compared to previous year. This is because company's current liabilities have increased much higher than current assets. The movements in current Assets of the company are shown in the below table.

Current Assets	FY2019	FY2020
Net Investment in sub lease	26,349,804	82,378,220
Other receivables	93,461	708,595
Investment in fixed deposit	61,973,874	46,504,222
Cash and cash equivalent	5,712,509	10,888,124
Total current assets	**94,129,648**	**140,479,161**

The company has invested MVR 46 million in fixed deposit in Habib Bank limited during the year at the rate of 4.7% per annum which will be matured on 15 November 2021, although this is a lower amount compared to the amount invested in previous year. Investment in fixed deposit has been withdrawn to meet the operational obligations of the company.

Net Investment in sublease has significantly increased as company has recognized the net investment in sub lease in relation to head lease right of Magudhuvaa and Kihavah Huravalhi islands.

Cash and cash equivalent also improved by MVR 5 million compared to previous year mainly as a result of change in investment in fixed deposit.

The following table illustrates the movements in current liabilities for the two years in review.

Current liabilities	FY2019	FY2020
Trade and other payables	29,844,654	46,376,899
Lease liability	11,925,797	23,271,802
Tax payables	956,734	2,119,094
Total current liabilities	**42,727,185**	**71,767,795**

Total current liabilities increased by MVR 29 million, mostly from trade and other payables. Increase in trade and other payables are mainly from dividend payable.

Lease liability increased from the recognition of Naagoashi lease liability during 2020. Further, a modification adjustment was also made due to reduction of lease rent of Magudhuwa Island.

The short-term liquidity position of the company is favorable as company's current assets are greater than its current liabilities.

Receivable and Payable days

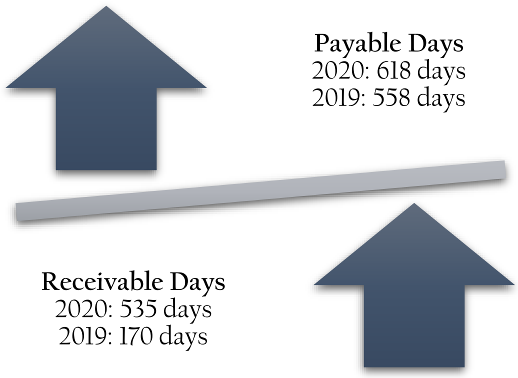


Figure 9: Receivable Days

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 graph, receivable days of MTDC has increased significantly as a result of increase in investment in sublease as a result of application of IFRS. Both net investment in sublease and other receivables have been used to derive the ratio. Other receivables have also increased while revenue has slightly declined.

Based on total trade and other payables, the payables days of the company is very significant as it stands at 618 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	FY2019	FY2020
Other Trade payables	419,316	789,304
dividend Payables	29,160,870	45,365,979
Other Payables	264,468	221,616
Total current liabilities	**29,844,654**	**46,376,899**

3.6 Financing

The company does not have any long term borrowing as such the gearing is zero. However, company has non-current liabilities amounting to MVR 509 million as at the end of 2020. Out of which MVR 181 million is classified as payables to Government of Maldives and MVR 328 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 opinion was qualified as the auditor were unable to verify the accuracy, completeness and valuation of the investment property balance of 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. Hence, previous year audit opinion was also modified. During 2020, the company has made the required adjustment as disclosure. However, the opening there was no adjustment made to opening balances which might be necessary, thus this year's audit opinion is also modified. (qualified opinion)

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

In terms of performance of the company, there were no significant changes in 2020. The only source of revenue is derived from interest income on net investment in sublease. The cost of sales increased due to increase in interest expenses on the lease liability. Thus, gross profit has declined against previous year. The company has made a profit after tax of MVR 14.8 million.

MTDC declared a dividend of MVR 0.50 per share in 2020. The payout ratio for the year is 116%. However, the company has a significant dividend payable of MVR 45 million at the end of 2020.

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.

Covid-19 pandemic has impacted the cashflow of the company due to deferral of sublease rent. Hence, to meet the operational obligations the company had to dispose part of the investment in fixed deposits.

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

MTDC complies with the rules and regulations of the corporate governance and the Board ensures that good governance practices are implemented in the work environment.

STATE ELECTRIC COMPANY LIMITED

ANNUAL FINANCIAL REVIEW

FY2020

1. Introduction

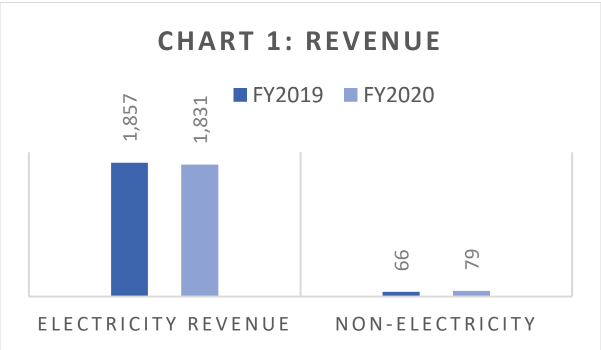
STELCO is a limited liability company incorporated in the Republic of Maldives under the section 95 of the Companies Act of 1996 under Presidential Decree no 1997/83 of 19th June 1997.

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 ended the year 2020 with a total revenue of MVR 1,909 million (2019: MVR 1,922 million) a fall of 1% compared to previous year.



With reduced consumption of electricity, the revenue from electricity has declined in 2020. The consumption declined because of temporary migration to outer islands due to covid-19 pandemic. In addition, most of the offices were closed due to the lockdown reducing the consumption.

Apart from being the electricity provider, STELCO is also in the business of distributing drinking water and providing sewerage facilities.

2.2 Profitability

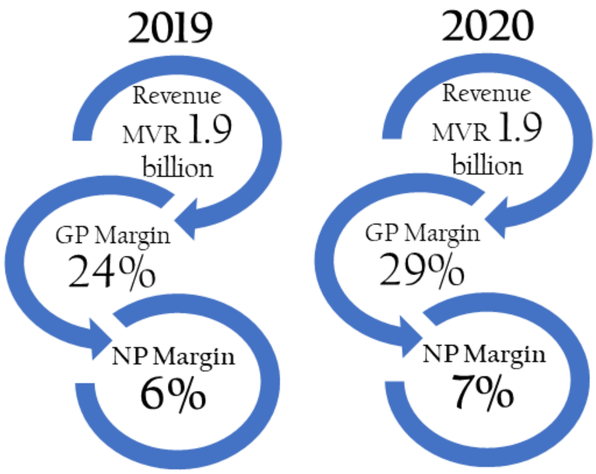
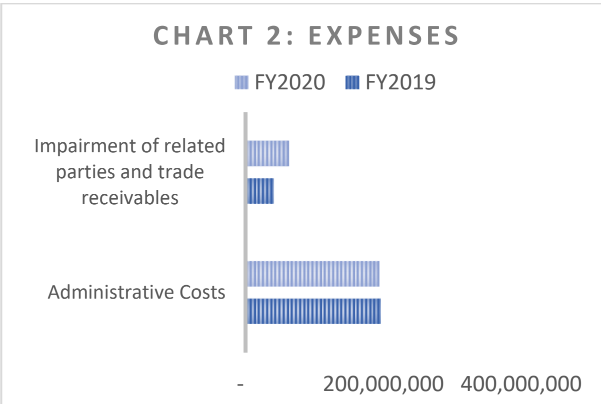


Figure 26: Profitability

The company has achieved remarkable gross profit growth of 20% while revenue fell by 1%. This is because STELCO has significantly cut down its direct costs. This is mainly as a result of reduction of global oil/diesel prices, as demand dropped sharply due to the Covid-19 pandemic in 2020. Thus, gross profit margin has improved from 24% to 29% compared to previous year.

Subsequently, net profit of the company has also improved achieving a higher net profit margin.

Expenses



Administrative expenses reduced by MVR 1.7 million while provision for trade receivables and amounts due from related parties have increased by over MVR 22.2 million. Among administrative expenses, personnel costs have reduced by 3% compared to 2019. Provision for slow-moving inventories also reduced by MVR 11.9 million. Nevertheless, total expenses increased by MVR 20.5 million due to significant provision for impairment of trade receivables.

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

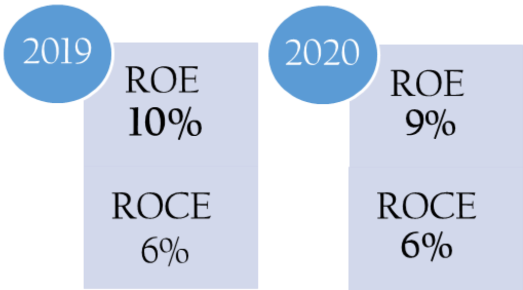


Figure 27: ROE and ROCE

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 dropped while ROCE remained unchanged over the period from 2019 to 2020. The reduction ROE regardless of increase in profits is because equity and reserves has increased greater than profits. Equity and reserves increased from retained earnings and share capital. During the year 2020, the company has received MVR 96,405,811/- for greater Male grid connection project and MVR 154,007,522/- for repayment of loan obtained from China Exim Bank for construction of Hulhumale Power Plant. These amounts have been considered as capital contribution by government.

ROCE remained almost at a similar level because both profits and capital employed has increased in 2020.

2.5 Shareholder's Return

Earnings and Dividend

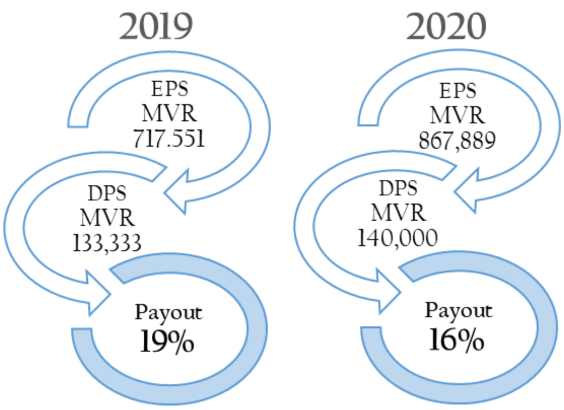


Figure 28: Dividend

The company has declared dividend of MVR 140,000/- per share amounted to MVR 20,000,000/- for the year 2020. (2019: MVR 133,333). The payout ratio of the company is relatively low, and it has further declined in 2020 as the growth of earnings per share is higher than dividend.

2.6 Financing

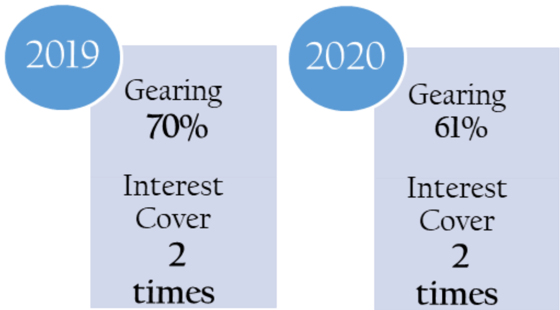


Figure 29: Gearing

The gearing ratio of the company has significantly reduced, since company has repaid significant loans and borrowings amounting to MVR 107 million. Majority of the loans and borrowings were invested to the company's 4th and 5th power project.

With high gearing, company is burdened with high financial risk as company has high debt to service. With the current level of leverage, STELCO may face challenges in obtaining additional finance through borrowing.

The interest cover ratio indicates STELCO's ability to service its debts from its current profits. A high ratio indicates that the entity has more capacity to absorb shocks and remain current on its debt service obligations. The interest covers of STELCO remained at the same level over the period from 2019 to 2020 (2 times). Although finance cost has increased in 2020, the increase in profits from 2019 to 2020 and enabled interest cover to be maintained in same level.

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.

2.7 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.

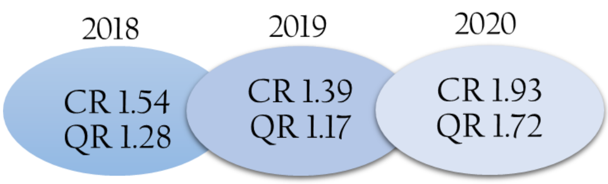


Figure 30: Current & Quick ratio

Current ratio measures STELCO's ability to meet short-term liabilities (those falling due within 12 months) through current assets. Quick ratio is a stricter form of current ratio, this measures company's ability to meet short-term liabilities with only the most liquid assets i.e. excluding inventories. Both current and quick ratio has shown improvement 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 by MVR 236 million from 2019 to 2020, mainly from amounts due from related parties and cash and cash equivalents. On the other hand, current liabilities have reduced favoring the liquidity position.

Receivable and Payable days

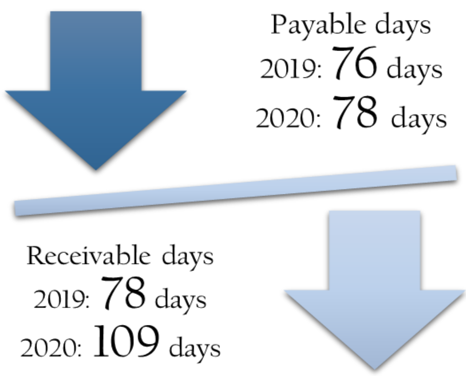


Figure 31: Receivable and Payable Days

Accounts receivable represents the money that is contractually owed to STELCO by its customers. Receivable days measures the speed with which the company is paid by its customers. As shown in above graph it takes in average of 78 days in 2019 to collect the payments and this has increased to 109 days in 2020.

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 411 million to MVR 571 million in 2020.

Below shown are the breakdown of receivable and payable days adjusted for amounts due from related parties.

Receivable and Payable Days	Days (2019)	Days (2020)	Days (change)
Receivable days - Trade and other receivables	53	62	9
Receivable days - Due from related parties	25	47	22
Payable days - Trade and other payables	46	56	11
Payable days - Due to related parties	30	22	(8)

Table 18: Receivable and Payable Days

Receivable days from trade and other receivables has increased by 9 days and payable days by 11 days.

Receivable days due from related parties has increased by 22 days indicating inefficient debt collection procedures being performed. Payables days due to related parties has reduced by 8 days.

Trade and other Receivable	FY2019	FY2020
Trade and other Receivable	238,981,161	323,441,606
Less:Provision	(32,405,204)	(45,307,420)
Prepayments	473,637	449,038
Other Receivables	72,844,943	47,085,428
Amounts due from related parties	131,455,599	245,964,053
Total	**411,350,136**	**571,632,705**

Table 19: Trade and other Receivables

These figures represent credit risk to the company; however, credit risk is influenced mainly by the individual characteristics of each customer. There is no concentration of credit risk geographically. Drastic increase in trade receivables along with increase in receivables days indicating that STELCO needs to improve in collection.

Receivables from related parties comprises 43% 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. At the end of 2020, MVR 168.9 million of trade receivables and receivables from related parties are more than 365 days past due.

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	FY2019	FY2020
Trade and other payables	182,619,796	209,530,978
Amounts due to related parties	118,744,231	80,137,389
Total	**301,364,027**	**289,668,367**

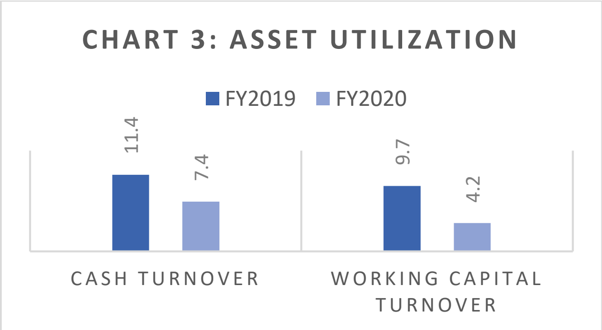
Table 20: Trade payables and amounts due from related parties

Payable day measures the speed with which the company pays its suppliers. An increasing ratio over time indicates that the company is paying suppliers more slowly and may indicate worsening financial condition. Nonetheless, it will affect the relations with creditors and suppliers.

STELCO's payable days has increased from 76 days to 78 days in 2020. Excluding the amounts payable to related parties, payables days increased from 46 to 56 days. STELCO takes more time in collecting the payment than paying to its suppliers. Hence, this could create cashflow problems which needs to be considered.

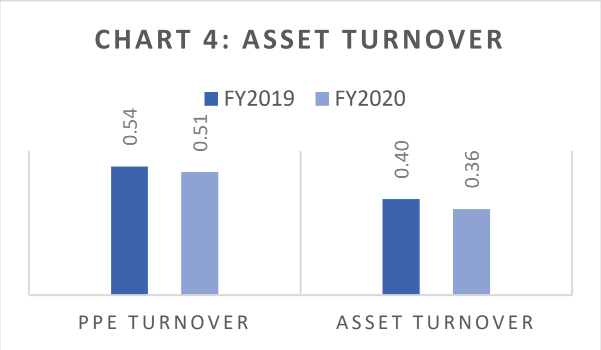
It has been noticed that company has been accounting provision for slow and non-moving inventories by a significant amount. However, compared to previous year the provision charged to profit and loss has reduced. It is important that company closely monitors its inventory management system to ensure this provision is kept to a possibly minimum level.

2.8 Asset Utilization



Cash turnover of STELCO has reduced as a result of improvement in cash position by 53% and turnover decreased by 1%.,

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



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 producing sales with its machinery and equipment. PPE turnover of STELCO is considered low as the ratio is below 1. it indicates it is not efficiently using its assets to generate sales. Company's PPE Turnover and Asset Turnover has slightly declined in 2020 compared with 2019, as company's revenue declined.

The asset turnover ratio shows how efficiently STELCO can use its assets to generate sales. As per the above table, each Rufiyaa of assets generates 0.36 Rufiyaa of sales which is slightly lower than previous year.

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.

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 increased to MVR 84.5 million in 2020 (2019: MVR 29.7 million). EVA has improved as a result of increase in profits. 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 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 2020.
- 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 1,175,001,598 as at 31st December 2020. An interest expense of MVR. 56,411,645/- has been recognized for the year ended 31st December 2020 and an accumulated interest expense of MVR.436,440,564 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 2020.

5. Conclusion

STELCO has ended the financial year 2020 with a net profit of MVR 130 million, a growth of 21% compared to 2019. However, revenue declined by 1% in 2020 against previous year, but due to reduction of oil prices company was able to save significant direct costs.

The short-term liquidity position of the company has improved in 2020, 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 61%, indicating company is heavily dependent on external funding for its ongoing operations/projects. The current level of leverage will have a negative impact on borrowing ability as the financial institutions consider this ratio before issuing loans. As at the end of 2020, STELCO’s financial commitment stands at MVR 3.1 billion (loan and interest).

STATE TRADING ORGANIZATION PLC

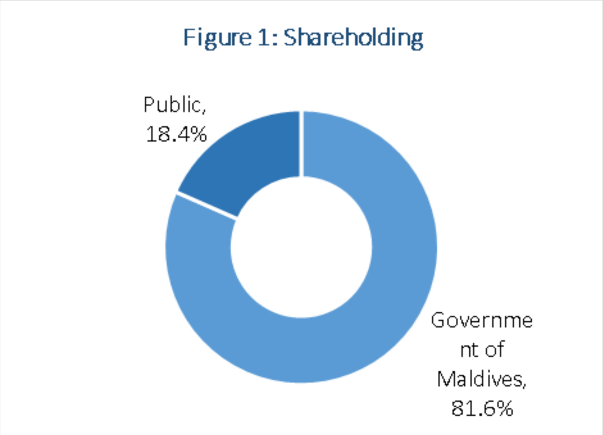
ANNUAL FINANCIAL REVIEW

FY2020

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



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

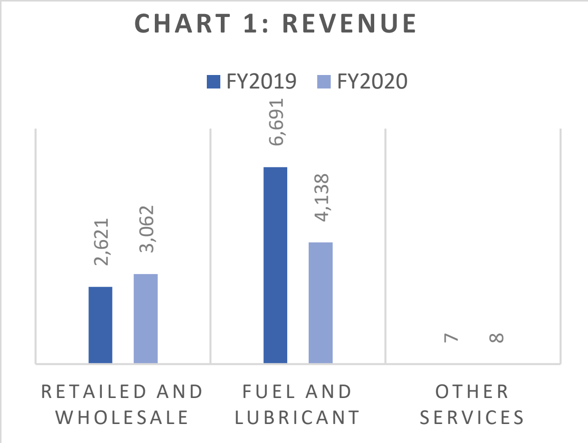
STO group with its subsidiaries, joint venture and associates is a national leader in business. STO is a diversified company and their main purpose is to provide products and services for the economic development and betterment of life. The organization is geographically diversified throughout Maldives 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	99.99%
5	Maldives National Oil company Ltd	99.99%
6	STO Hotels & Resorts Pvt Ltd	99.99%
7	Maldives Industrial Fisheries Company Limited	99.99%
8	Maldives State Shipping company Pvt Ltd	99.99%
8	Maldives Structural Products Pvt Ltd (Joint Venture)	50%
9	Raysut Maldives Cement Private Limited (Associate)	25%

3. Financial Analysis

3.1 Revenue



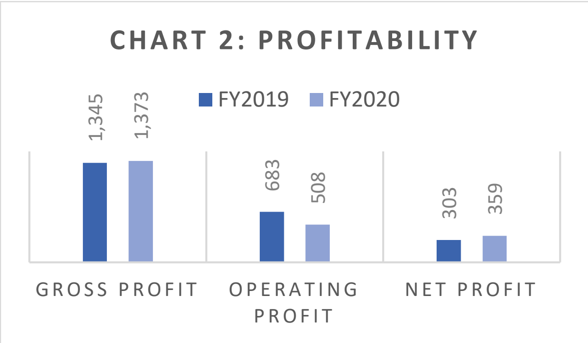
(Figures in Millions)

The major business segment of the company has severely affected by the covid-19 pandemic, thus revenue fell by MVR 2.1 billion. Both demand and selling price of the fuel dropped during the outbreak.

On the other hand, retail and wholesale segment and other segment has improved in 2020 regardless of the impact of covid-19. The sale of essential goods and medical equipments increased during 2020, leading to increased revenue from these segments. Despite the challenges, the retail and wholeale segment reported an increased of revenue of MVR 441 million. Nevertheless, the pandemic had an adverse impact on non-essential products which were offset with higher revenues from essential products.

The retail and wholesale segment reperesent 42% of total revenue (2019: 28%) and fuel and lubricant contributes to 57% of total revenue. (2019: 72%) This shows that segmental contribution has fluctuated over the period.

3.2 Profitability

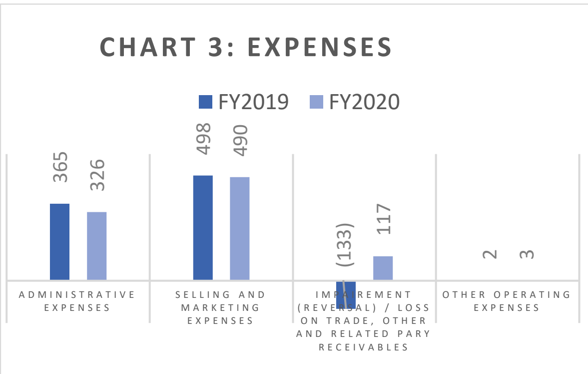


Although revenue declined in 2020 gross profit of the company improved by 2% since cost of sales reduced more than the revenue. This has improved gross profit margin from 14% to 19% in 2020.

Due to increase of bad debts provision because of increase in receivables has led the operating profits to decline in 2020.

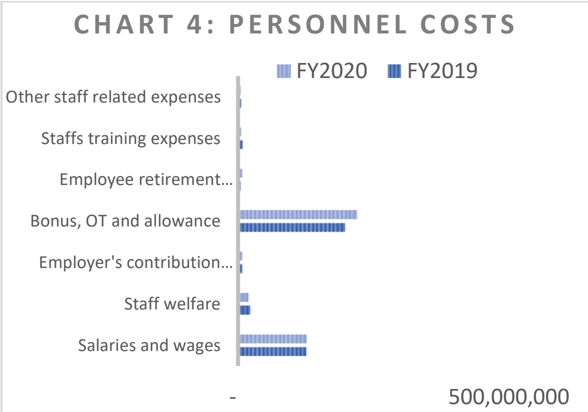
On the other hand, net profit is higher in 2020 as there was an impairment adjustment related to Hulhumale hotels done in previous year. The reduction in finance costs due to fall in global fuel prices has also positively impacted the profit. Thus net profit margin has improved from 3% to 5% in 2020.

3.3 Expenses



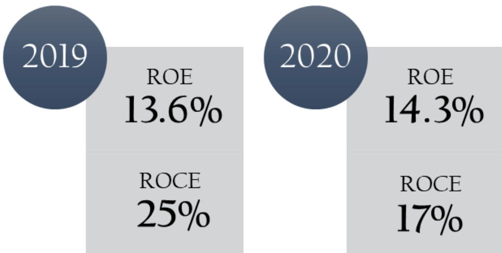
Both administrative expenses and selling and marketing expense have declined by 11% and 2% respectively compared to previous year. The major cost savings were recorded in raw materials and consumables.

On the other hand, provision for bad debts have increased in 2020 due to increase in receivables.



Personnel expenses records just 4% increment in 2020. A notable increment of MVR 22 million was seen from Bonus, OT ad allowances.

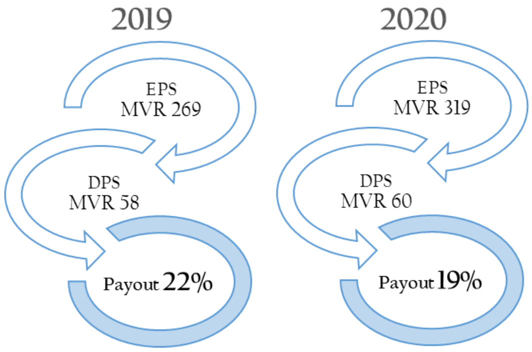
3.4 Return on Equity (ROE) and Return on Capital Employed (ROCE)



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.

ROE shows a marginal improvement in 2020 since net profit increased higher than equity and reserves. However, ROCE have declined as operating profit declined while capital employed increased compared to previous year.

3.5 Shareholder Returns

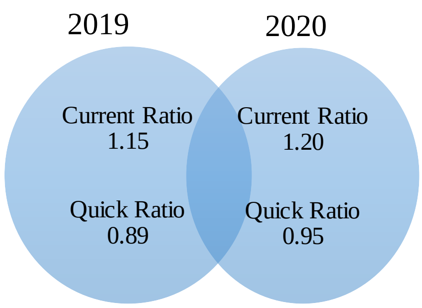


Company's earning (Net profit after tax) increased from MVR 303 million to MVR 359 million from 2019 to 2020. Company has declared MVR 60 per share as dividends of 2020. Although dividend per share increased payout ratio declined since eranings per share of the company has significanly improved.

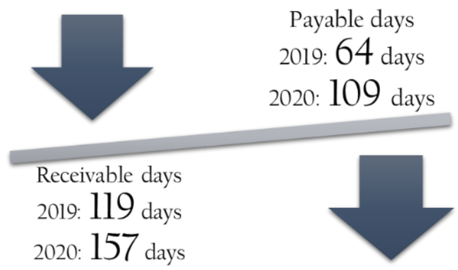
3.6 Net assets per share

Net assets of the company has increased from MVR 6.2 Billion to MVR 6.6 Billion. Total number of shares remained unchanged, as a result net asset per share has increased from MVR 1970 per share to MVR 2234 per share, increasing the value of its shares.

3.7 Working Capital Management



Both current and quick ratio have seen improvement during the period from 2019 to 2020 mainly as a result of improvement in current assets of the company (mainly from cash and cash equivalents) increased more

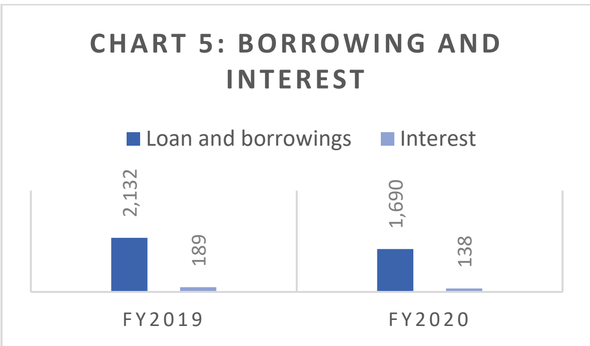


than current liabilities.

Both receivable and payable days have increased by 38 days and 45 days respectively.

Receivables days increased due to increase in receivables from related parties. Among related parties the biggest amount is due from Fuel Supplies Maldives and the second highest is ministry of Health owing to the medical equipments brought during the pandemic. Receivable days excluding related parties stands at 12 days and 13 days for 2019 and 2020 respectively. Trade and other payables of the company also significantly increased in 2020 by over MVR 348 million while cost of sales declined. Other payables includes advance received from customer MVR 171 million and deposits received from customer MVR 90.5 million.

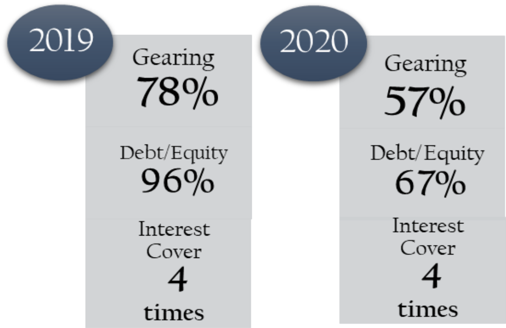
3.8 Financing



Loans and borrowings (including both short term and long term loan) of the company has dropped from MVR 2.1 billion to MVR 1.7 billion from 2019 to 2020.

Short term loans stands at MVR 1.5 billion and long term loans stands at MVR 181 million at the end of 2020. This shows that company is highly dependant on short term financing than longterm.

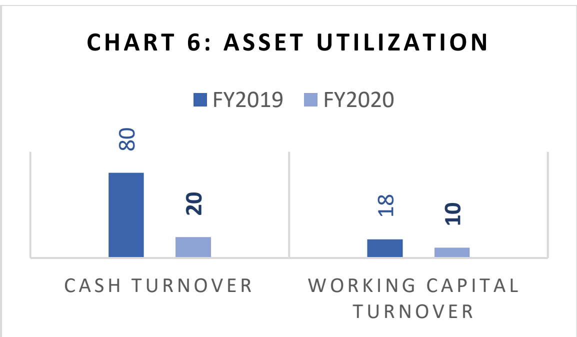
During 2020, STO has obtained additional loans and borrowings of MVR 226 million and repaid MVR 88 million. Company has invested MVR 47 million on construction of property, plant and equipment, and a further MVR 52 million in subsidiaries.



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 reduced to 57% due to reduction in total loans and borrowing in 2020 (by 21%). However, interest cover remained same as previous year since operating profit and interest expenes decreased equally compared to previous year. 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.

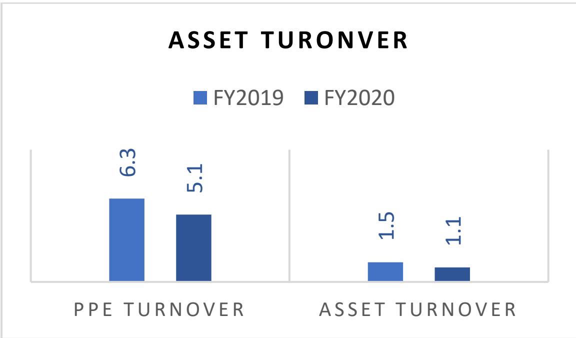
3.9 Asset utilization



Both cash and working capital turnover declined in 2020.

The reduction in cash turnover indicates the number of times STO has turned over its cash balance has declined compared to previous year.

Working capital turnover ratio measures how efficiently company is using its working capital to support a given level of sales. This ratio has also declined, indicating that the company is investing in too many accounts receivable and inventory to support its sales, which could lead to an excessive amount of bad debts or obsolete inventory.



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 declined over the period, since revenue decreased more than falling PPE and total assets. 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 2020. Therefore we assumed that financial statement of STO is free from material misstatement.

The following matters were identified by the auditor as key audit matters.

- *Recoverbaility of Investment property under construction*:- As at the end of

2020, investment property amounting to MVR 287 million has been inordinately delayed. Management has ben performing impairment assessment annually since 2018, as such an accumulated impairment charge of MVR 369 million had been recognized, thus the carryinng amount exceeded the recoverable amount of the investment. Mangement has engaged an independent valuer to estimate the fair value of the investment property.

- *Recognition of revenue from retail and wholesale business*:- During the year 2020, company has recognized revenue from retail wholesale business of MVR 7 billion, which represents 99.9% percent of total revenue. The audtiors decided this area involves risk as the revenue is genrated from several geographical locations and is captured and processed by automated systems invloving large volume of transactions.

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. During the year 2020 the company has introduced Corporate Governance Policy

6. Conclusion

The global pandemic had a severe impact on the company reducing the overall revenue by MVR 2.1 billion. The major hit was seen fuel and lubricants segment because of reduction in quantity sold due to lower demand in tourism industry. The company has managed its direct costs acheivng a 2% growth in gross profits. Howevr, operating profits dropped due to high bad debt provision. Nevertheless, STO ended 2020 with a net profit of MVR 359 million, an imporvment of 19% against previous year.

Company managed its working capital satisfactorily during 2020, as major working capital ratios such a current ratio, quick ratio improved compared to the previous year. However receivable days and payable days increase quite significantly .Though there are rooms for more effeciency in this area, more importantly in related party transactions.

The gearing ratio of the company has dropped to 57% (2019; 78%) as a result of reduciton in total borrowings. The interest cover remained at 4.

The overall performace of the group has significantly declined in 2020 owing to the negative impacts of the outbreak.

With an unqualified external audit opinion, and healthy corporate governance culture adhering to CMDA Corporate Governance Code, State Trading Organisation (STO) has completed one of the most challenging financial year with strong financial performance.