



STATE ELECTRIC COMPANY LIMITED



 Page of Contents

INTRODUCTION

Our Company	01
Our Mission	02
Our Vision	02
Our Values	02
Key Milestones	03

OUR ORGANIZATION

Chairman's Message	04
Managing Director's Message	05
Board of Directors	08
Executive Team	17
Who we serve	25
Financial Highlights	26
Key Achievements	27
Asian Power Awards 2018	28
Our Footprint	29
Our Island Powerhouses	30

YEAR IN REVIEW

Performance Review	38
Corporate Social Responsibility	45
Major Projects 2018	46
Business Diversification	47
Financial Overview	48

MOVING FORWARD

Investing in Future	53
Future Outlook	55

FOOTNOTES

Audited financial statements
Corporate Information



OUR COMPANY




Our history dates back to 1949 , with the introduction of electricity services to government institutions and public buildings. The service had been provided under different names, until incorporation as a State Owned Enterprise and was named State Electric Company Limited(STELCO) in 1997.

We are responsible for the electricity generation, transmission and distribution and retailing of electricity in Male' and Kaafu Atoll , Ari Atoll and Vaavu Atoll.



HISTORY
1949 - 2019



COMPANY INCORPORATION
1997




YEARS OF SERVICE
70

Today, STELCO is an integrated utility service provider with power generation facilities, transmission networks, water and sewerage facilities.

We also serve over 61,000 customers through 35 independent power plants with the addition of 4 desalination plant. Our company also operates a distilled water bottling facility in Male'.




OUR MISSION, VISION AND VALUES



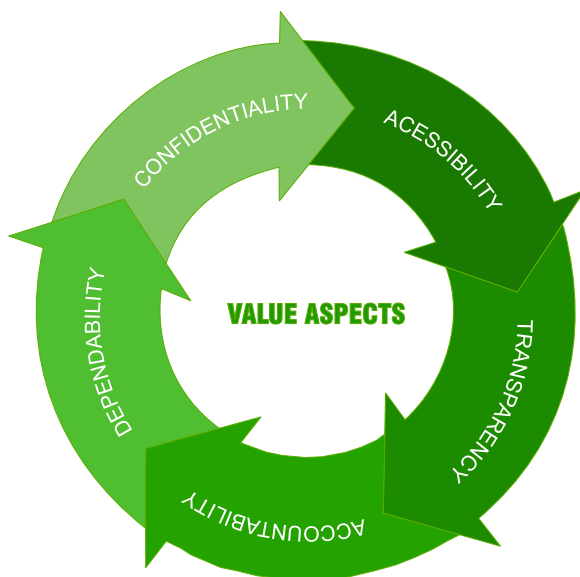
OUR MISSION

To provide electricity to enrich the lives of the public every day in every way and everywhere in a reliable, fast and honest manner.



OUR VISION

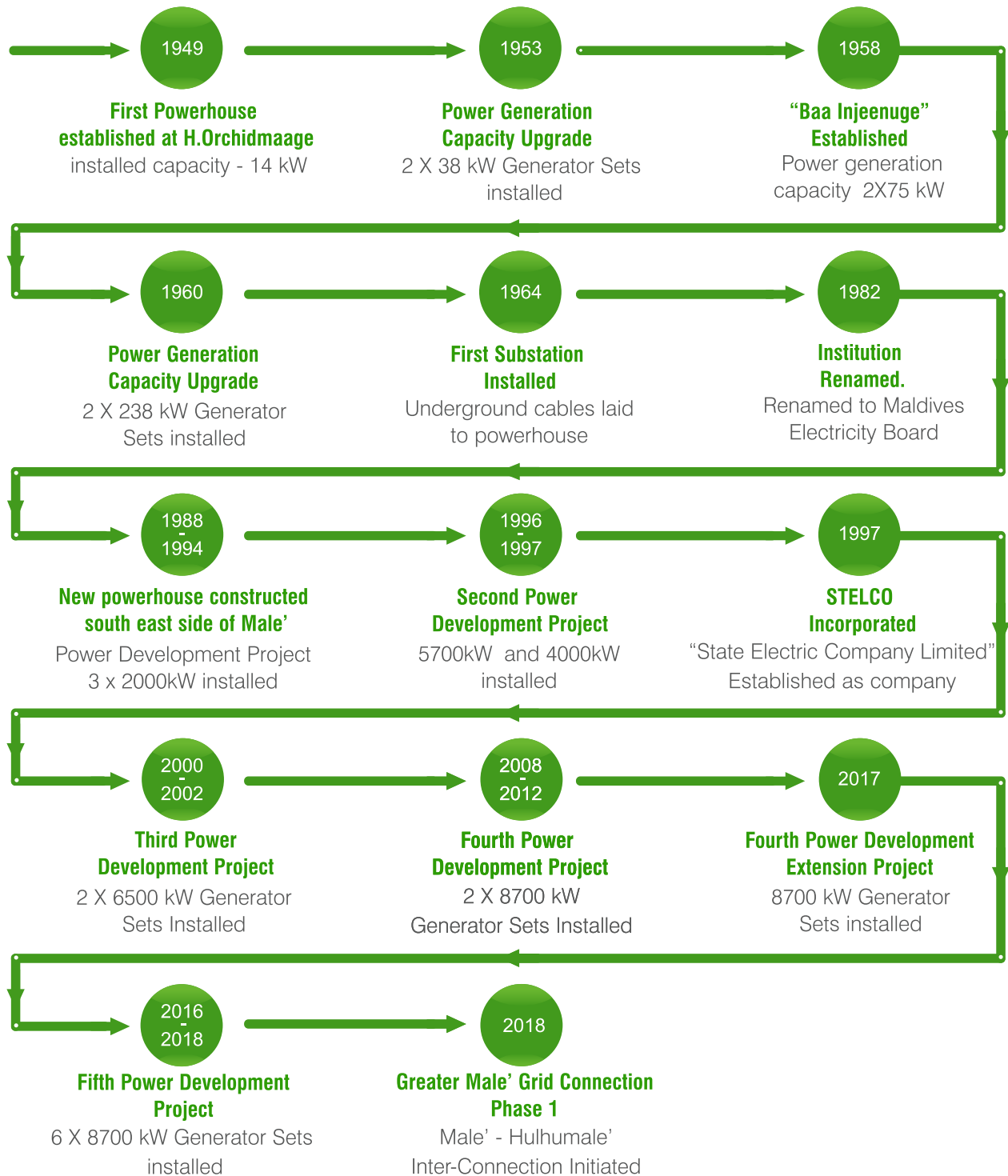
To achieve total customer satisfaction through management excellence and staff satisfaction.



CORE VALUES

- Making it as easy as possible to contact our technical support team 24 hours a day, 7 days a week.
- Providing clear, complete and accurate information on our products, services and pricing.
- Ensuring that in every aspect of our work, each individual is responsible and accountable for the quality of their work.
- Continuously enhancing and improving the network to ensure that the service we provide continues to meet and exceed the expectation of our customers.
- At all times striving to be honest, friendly and courteous, treating all customers as valued customers.
- Making certain that the level of service we provide meet your reasonable expectations.
- Treat personal information in the strictest confidence.

KEY MILESTONES





CHAIRMAN'S MESSAGE

I am pleased to present the Annual Report 2018. We have continued to stay firm to our mission of providing reliable and efficient electricity service to the public. Together with the Managing Director Mr. Hassan Mughnee, the Board of Directors are confident that the objectives set forth for the year and beyond will be fulfilled in our tenure.

The Board reaffirms to keep refining the corporate governance practices, keeping the best interest of the company at its midst. We exercise prudence to all matters of ethics and compliance backed by transparency, accountability and responsibility.

In our efforts to provide our services in a sustainable manner, we are focused on introduction of renewable energy in our production process. As the largest producer of power in the country, we are committed to continuous improvement to better serve our customers with innovation and sustainability as our core principles.

As we take on 2019 with a new drive to work alongside the administration of His Excellency President Ibrahim Mohamed Solih, we are focused on aligning our goals and objectives towards the development of the country.

I wish STELCO a bright and prosperous future and pray that our efforts are blessed with continued success.

Mohamed Rasheed

Chairman





MANAGING DIRECTOR'S MESSAGE

STELCO has seen remarkable improvement in 2018. Upon my appointment as Managing Director, my first priority was to make significant improvements in the way we operate as a Company by focusing on our financial status and employee engagement, rectifying weak areas and reinforcing the Company's strengths. My vision is to enhance the public's perception of STELCO as a Company that strives to work towards the expectation of the public.

Financial Highlights

The Company's financial status saw a tremendous improvement in 2018. Our revenue increased by 4% compared to 2017 with a 109% growth in profit after tax adjustment (20% growth in profit before tax). With a growing customer base and load growth, we are faced with the persistent demand for adequate, reliable and low cost power supply. Furthermore there is a need for network and infrastructure development along with the requirement for enhanced customer experience and innovation.

Our efforts to address these needs have resulted in a 39% growth in capital investments in 2018 with a total of MVR913million invested in capital expenditure.

In spite of our great accomplishments in revenue and profit growth, the Company had a high gearing ratio. Therefore in order to improve STELCO's Balance Sheet, debt restructuring exercises were carried out in collaboration with Ministry of Finance and Treasury in 2018.

Lowering Tariffs

Increasing the affordability of electricity along with eliminating inequalities between residents of Male and other islands in the provision of basic utilities is one of the presidential pledges of HEP Mr. Ibrahim Mohamed Solih. To support this pledge, in 2018 we worked to identify ways in which tariffs can be lowered. Careful planning and effective strategies were formulated before rolling out lower tariffs in March 2019 to ensure that the Company's operations and the low tariffs continue in a sustainable manner.

Developing Technical Expertise

The company is keen to continuously develop its administrative and technical structure in line with its needs and future aspirations and to organize its work to meet the demand for electricity in the areas that we operate. We are proud to say that we have enrolled a record number of young employees in 2018, helping fresh graduates with their first steps to successful careers in engineering and management. Furthermore we have also run a number of industrial exposure and vocational training programs for university-level students to give them hands-on engineering experience.

In addition to this, some of our existing staff were given the opportunity to participate in local and overseas training programs and workshops. Our staff were also given scholarship opportunities to complete higher studies abroad. We believe these investments in human capital will help the company to raise the efficiency of its existing power plants in accordance with set standards.

Project Highlights

STELCO has undertaken many projects during the year 2018. Some notable projects undertaken by the company include STELCO 5th Power Development Project to increase power generation capacity in order to meet growing demand in Male' and Hulhumale', Greater Male' Grid Connection Phase I to enable power supply from Hulhumale' to Male' and Hulhule.

These projects were carried out to strengthen our existing infrastructure and increase our capacity to sustainably meet long term demand forecasts.

Staff Health & Wellbeing

The in-house Health Insurance Scheme was revised to upgrade the overall scheme. The main changes brought to the Scheme include increasing claim limit and introducing additional benefits.

Furthermore we have established sports and recreational facilities in order to improve the health & fitness of our employees and also to enhance teamwork within the Company. We will further develop more team-building exercises and promote general fitness and wellbeing by implementing sports and recreation centres in all of our powerhouses.

STELCO Housing Project was also initiated in 2018. This project would provide affordable housing to the staff of STELCO providing a permanent solution to the housing needs of many of our employees.

Going Green

The global perspective towards environmental conservation and HEP Mr. Ibrahim Mohamed Solih's pledges towards green initiatives has encouraged us to strengthen our commitment to renewable energy sources.

We plan to increase the proportion of energy produced through solar power generation and hopefully surpass the level of power generated by non-renewable energy sources in the near future. Furthermore, we hope to promote the use of solar power for household and commercial purposes. The Company hopes to benefit from the income generating possibilities of this venture by establishing STELCO Solar Centre which will be dedicated towards the promotion and sales of photovoltaic equipment. This Centre will be a one stop solution for customers wishing to use renewable energy. This initiative will tremendously reduce the carbon footprint of the nation.

Also, I would like to note that we were the proud recipient of Asian Power Awards 2018 for the category “Environmental Upgrade of the Year”. This highlights that our efforts to enhance environment friendliness in our operations are recognised and celebrated by the international community as well.

CSR Initiatives

We take pride in the close relationship we have with our communities, and we support them with technical and financial assistance. These initiatives have developed unity and goodwill within the communities and strengthened youth empowerment.

Furthermore we collaborated with Maldives Police Service to broadcast Public Service Announcements to create awareness about road safety. We also facilitated more than 500 site visits for school children to educate them about power generation, distribution, safety and energy conservation.

Acknowledgments

Overall, 2018 has been an eventful and successful year. Our achievements in 2018 could not have been possible without the guidance of the Board of Directors and the counsel of the Company's Senior Management. I would like to thank the Board of Directors, Senior Management team and all the employees of the company for their remarkable work ethic and great dedication which contributed to achieving the targeted results.

We contributed to community development, recreational activities and in the area of educational development.

I thank Almighty Allah for our success and pray that STELCO continue to be blessed with prosperous years ahead.



Hassan Mughnee
Managing Director



BOARD OF DIRECTORS



MOHAMED RASHEED
CHAIRMAN

Mohamed Rasheed is a veteran in the electricity sector of the Maldives with over 48 years of experience. He was appointed as the Chairman of the Board of Directors on 12 February 2019. Prior to his appointment as Chairman, he has worked in different positions at STELCO. In 2008 he led the company as Managing Director.

In addition his tenure in STELCO, he also provided consultancy services and designed and implemented electrification systems in over 30 tourist resorts and several islands. Installation of the first Cummings generator in the Maldives was performed under his supervision. Furthermore he assisted the First, Second and Third Power Development Projects of Male'.

Mohamed Rasheed holds a BSc in Power Generation & Distribution Engineering from Energy Technical College of Leningrad, former Soviet Union.

HASSAN MUGHNEE

MANAGING DIRECTOR, EXECUTIVE DIRECTOR

Hassan Mughnee was appointed as the Managing Director and Executive Director of the Board of State Electric Company Ltd (STELCO) on 4th December 2018.

With over 15 years of experience in State Owned Enterprises, Mr. Mughnee has previously worked in Male Water & Sewerage Company (MWSC) as the Head of Marketing Division and as the Chief Operating Officer at Maldives Transport & Contracting Company (MTCC). He has held senior positions in several government and independent institutions including the position of Director General of Elections Commission of the Maldives in 2013, Director General of Customs Integrity Commission in 2015 and Director General of National Integrity Commission.

Mughnee brings an array of technical and academic knowledge to the company. He holds a Master's Degree in Business Administration from Brandeis International Business School, USA and a Bachelor of Science with Summa Cum Laude in Financial Management & Marketing from Upper Iowa University, USA.



BOARD OF DIRECTORS



ALI AZWAR

DEPUTY MANAGING DIRECTOR, EXECUTIVE DIRECTOR

Ali Azwar joined STELCO in 1997, and currently is the Deputy Managing Director of STELCO and also Executive Director of the Board. He has held various executive posts in the company including the posts of Chief Operating Officer, Head of Customer Services Department, Head of Business Development Department. He has also worked in Projects Department and Regional Department.

Azwar holds a Doctorate in Public Policy specialising in Renewable Energy Policy from Victoria University of Wellington, New Zealand, a Masters Degree in Public Policy from National University of Singapore and a Bachelors Degree in Business Studies from University of Sheffield, United Kingdom.

MOHAMED WASEEM

NON-EXECUTIVE DIRECTOR

Mohamed Waseem was appointed as a Director of the Board in 2013. Waseem served the Government in various capacities for a period of 15 years, during which he served in the education sector and as Assistant Island Chief of Sh.Komandoo. He also served as a Board Member of Maldives Post Limited for three years.



Waseem holds a Diploma in Human Resource Management.



ABDUL RAHMAN ARIF

NON-EXECUTIVE DIRECTOR

Abdul Rahman Arif was appointed as a Director of the Board in 2013. He is currently the Chief Engineer at Sun Hotels & Resorts and has over 16 years of experience in the field.

FORMER BOARD OF DIRECTORS



AHMED AIMAN

CHAIRMAN & NON-EXECUTIVE DIRECTOR (2016-2018)

Ahmed Aiman served as the chairman from September 2016 to November 2018. We thank him for his invaluable contribution towards the development and improvement of the company during his tenure.

AHMED ZUHOOR

CHIEF EXECUTIVE OFFICER & EXECUTIVE DIRECTOR (2017-2018)

Ahmed Zuhoor served as the Chief Executive Officer and Board Member from June 2017 to November 2018. We thank him for his invaluable contribution towards the development and improvement of the company during his tenure.



MARIYAM SHAFEEGA

NON-EXECUTIVE DIRECTOR (2016-2019)

Mariyam Shafeega served as the Board Member from April 2016 to February 2019. We thank her for her invaluable contribution towards the development and improvement of the company during his tenure.

DIRECTORS GOVERNANCE REPORT

Our company strives to strengthen governance by ensuring that we operate efficiently through greater accountability and transparency, improved Boardroom practices, internal controls, internal audit and risk management. In this regard, our operations are based on core values such as fairness, responsibility, transparency and accountability in the company. The company seeks guidance from the corporate governance code for all state owned enterprises and shall fully adopt it in the year 2019.

The Board of Directors

The Board's role is to provide innovative leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed. It is the responsibility of the Board to set the company's strategic aims, and ensure that the necessary financial and human resources are in place for the company in order to meet its objectives and review management performance. The Board is also responsible for setting the company's values and standards and ensure that its duties are understood and met. All directors should be able to allocate sufficient time to the company to exercise their responsibilities effectively and add value to the Board.

The Chairperson

The Chairperson is a Non-Executive or Independent Director who leads the Board. He ensures that adequate time is available for the discussion of all agenda items with strategic issues in particular and ensuring effectiveness and satisfactory performance on all aspects of the Board. The chairperson promotes a culture of openness and debate by confirming the effective contribution of directors. The chairperson is responsible for ensuring that the directors receive accurate, timely and clear information.



Composition of the Board

The size and composition of the Board is adequate in ensuring effective corporate governance, necessary pluralism productive and constructive discussions, prompt and rational decisions and effective organization of the work of its committees. All members of the board are individuals of integrity who can bring a blend of knowledge, expertise, skills, objectivity, experience and commitment to the Board. All Board members are nominated based on their qualifications and have equivalent legal responsibilities. The Board has an appropriate balance of Executive and Non-Executive directors to ensure unbiased and diverse advice is brought to the company and to ensure that no individual or small groups of individuals dominate the Board's decision.

Board of Directors

Name	Designation	Service Period
Hassan Mughnee	Managing Director	04.12.2018 to Present
Abdul Rahman Arif	Board Director	18.02.2014 to Present
Mohamed Waseem	Board Director	18.02.2014 to Present
Mariyam Shafeega	Board Director	12.04.2016 - 06.02.2019
Ahmed Aiman	Chairperson	29.09.2016 - 21.11.2018
Ahmed Zuhoor	Chief Executive Officer	04.06.2017 - 21.11.2018

Newly Appointed Board of Directors in 2019

Name	Designation	Service Period
Mohamed Rasheed	Chairperson	12-02-2019 to Present
Ali Azwar	Board Director	09.05-2019 to Present



Non-Executive Directors

Non-Executive Board members comprise at least half of the Board. These directors are responsible for the stewardship of the company on behalf of the Government and the public. The two key functions include leading the company and overseeing its management and operations. Their responsibilities also include performing their duties in good faith and in a manner that they believe to be in the best interests of the company and the public.

Directors Independence and Conflict of Interest

Transactions between the company and its managers or directors are sources of conflict of interest. Full and timely disclosure of any conflict, or potential conflict, is made known to the Board.

In cases where any conflict or potential conflict of interest may arise, the directors refrain from participating in the relevant meeting and the decision-making process.

In 2018, there were no cases in relation to conflict of interest for any of the directors of the company.

Board Performance Evaluation

The board of directors' annual evaluation shall be performed effective from 2019. A policy and procedure for the annual evaluation shall be developed.

The Board is in the process of establishing an evaluation process by refreshing the TORs and duties of the directors to clarify lines of responsibility and developing a criteria to measure performance.

Meetings of the Board of Directors

The Board schedules and follows its annual plan which provides for a number of meetings to be held. The agenda of the board meetings are sent to all directors in advance along with any relevant documentation. The Board meetings are held pursuant to the Articles of Association of the company.

Attendance of Directors at Board Meetings

Name	Designation	Attendance
Hassan Mughnee	Managing Director	 2/2
Abdul Rahman Arif	Board Director	 24/24
Mohamed Waseem	Board Director	 21/24
Mariyam Shafeega	Board Director	 24/24
Ahmed Aiman	Chairperson	 21/21
Ahmed Zuhoor	Chief Executive Officer	 21/21

Appointment of Members

- Appointed Deputy Managing Director Mr. Mohamed Latheef to temporary lead the company upon the termination of Mr. Ahmed Zuhoor as CEO of the Company.
- Privatization and Corporatization Board appointment of Mr. Hassan Mughnee as Managing Director of the Company.

Review and Approval of Financial Reports

- Opened bank account in State Bank of India regarding STELCO Housing Project.
- Granted permission to initiate transfers and payments through Internet Banking.
- Approved the Audited Financial Statements for the year 2017.

Remuneration Committee

Function

The function of the Remuneration Committee is to develop policies on employee remuneration and determining the structure and the amount of remuneration packages of individual Directors and general employees of the Company.

Roles & Responsibilities

- Reviewing suitability and importance of the existing Remuneration Policy.
- Ensuring that payments are made to employees upon termination from employment as agreed in the employment contract whilst being fair to the terminated employee and the Company.
- Overseeing any major changes in employee benefit structure throughout the Company and making recommendations to the Board with regard to any changes.
- Identifying Board vacancies and submitting to the Board for the approval of new candidates, when the need arises.
- Development and implementation of a conflict of interest policy applicable to Directors, Executives and Employees of the company.
- Ensuring that Directors disclose personal business interests that may give rise to conflict of interests with the company.

Members of the Committee

Name	Designation	Service Period
Abdul Rahman Arif	Committee Chairperson	03.05.2016 to Present
Mariyam Shafeega	Member (Board Director)	03.05.2016 - 06.02.2019
Mohamed Waseem	Member (Board Director)	03.05.2016 - 21.05.2018

Audit Committee

Function

The function of the Audit Committee is to oversee due diligence and control over the financial aspects of the company's operations and performance.

Roles & Responsibilities

The Audit Committee identifies and makes recommendations and reports to the Board with respect to the following tasks and responsibilities;

- Monitor the integrity of the financial statements of the company and any announcements of the company's financial performance, reviewing significant financial reporting judgments contained in them, review and recommend for Board and shareholders' approval quarterly and annual statement.
- Reviewing the company's internal control, audit, compliance and risk management systems.
- Receive and discuss the external auditor – Auditor General's report including any issues and recommendations raised by the external auditor on internal control weaknesses.
- Overseeing the functioning of internal audit department and internal control system.
- Review the reliability and accuracy of the financial information provided by the management to the Board and other users of financial information.
- Maintain company's compliance with legal and regulatory requirements with regard to financial matters.
- Overseeing and reviewing policies and procedures in order to identify, monitor and mitigate risks.

Members of the Committee

Name	Designation	Service Period
Mohamed Waseem	Committee Chairperson	03.05.2016 to Present
Abdul Rahman Arif	Member (Board Director)	03.05.2016 to Present
Mariyam Shafeega	Member (Board Director)	03.05.2016 to 21.05.2018

EXECUTIVE TEAM



HASSAN MUGHNEE
MANAGING DIRECTOR

Hassan Mughnee was re-appointed as the Managing Director and 'Executive Director of the Board' of State Electric Company Ltd (STELCO) on 4th December 2018. With over 10 years of experience in State Owned Enterprises (SOE), he was a member of the Transitional Committee formed by the newly elected government to assess SOEs. Mughnee has previously held the position of Managing Director of STELCO back in 2014. He has also worked in Male Water & Sewerage Company (MWSC) as the Head of Marketing Division and as the Chief Operating Officer at Maldives Transport & Contracting Company (MTCC). He was the Director General of Elections Commission of the Maldives in 2013 and Director General of Customs Integrity Commission in 2015.

Mughnee brings an array of technical and academic knowledge to the company. He holds a Master's Degree in Business Administration from Brandeis International Business School, USA and Bachelor of Science in Financial Management & Marketing from Upper Iowa University, USA.

ALI AZWAR

DEPUTY MANAGING DIRECTOR

Ali Azwar joined STELCO in 1997, and currently is the Deputy Managing Director of STELCO and also Executive Director of the Board. He has held various executive posts in the company including the posts of Chief Operating Officer, Head of Customer Services Department, Head of Business Development Department. He has also worked in Projects Department and Regional Department.

Azwar holds a Doctorate in Public Policy specialising in Renewable Energy Policy from Victoria University of Wellington, New Zealand, a Masters Degree in Public Policy from National University of Singapore and a Bachelors Degree in Business Studies from University of Sheffield, United Kingdom.



EXECUTIVE TEAM



MOHAMED LATHEEF

DEPUTY MANAGING DIRECTOR

Mohamed Latheef joined STELCO in 1989, and currently holds the position of Deputy Managing Director of the Company. He has held various executive posts including the posts of Head of Projects, Planning & Information Technology, Strategy & Development and Transport & Maintenance Department. He also served as the Board Secretary of STELCO from 2001 to 2008.

Latheef holds a Bachelor of multi-disciplinary Science degree from Curtin University of Technology, Australia.

AISHATH MUZNA

GENERAL MANAGER / COMPANY SECRETARY

Aishath Muzna joined STELCO in 2000, and currently is the Head of STELCO Bureau. She was also appointed as Company Secretary in August 2017. During her years of service, she has held various executive posts including the posts of Head of Procurement & Inventory Management, Information Technology Department and Customer Services & Billing Department.

Muzna holds a Bachelor of Arts Degree in Accounting and Finance from University of East London, United Kingdom.



AHMED IQBAL

GENERAL MANAGER

Ahmed Iqbal joined STELCO in 1991, and currently is the Head of Engineering & Mechanical Department of the Company. He has held various executive posts including the posts of Head of Greater Male Region and Regional Department.

Iqbal holds a Bachelor of Mechanical Engineering degree from University of Leicester, United Kingdom and an Associate Diploma in Electrical Engineering from South Australian Institute of Vocational Education.

EXECUTIVE TEAM



FAYZ WAHEED
GENERAL MANAGER

Fayz Waheed joined STELCO in 1986, and currently is the Head of Plant Maintenance Department. He has held various executive posts including the posts of temporary Head of Customer Services & Billing, Head of Transport & Maintenance and In charge of Villingili Powerhouse and Hulhumale' Powerhouse.

Fayz holds a Trade Certificate in Automotive from Islamic Centre for Technical and Vocational Training, Bangladesh.

HASSAN HUSSAIN
GENERAL MANAGER

Hassan Hussain joined STELCO in 1982, and currently is the Head of Transport & Logistics Department of the Company. He has held various executive posts including the posts of Head of Managing Director's Bureau and In-charge of Hulhumale Powerhouse.

Hassan holds an Advance Certificate in Office Management from the Centre for Management and Human Resource Development, Maldives.



AHMED SAIF
GENERAL MANAGER

Ahmed Saif joined STELCO in 1997, and currently is the Head of Projects, Planning Development Department of the Company. He has held various executive posts including the posts of Head of Procurement & Inventory Management and Customer Services Department.

Saif holds a Bachelor of Electrical and Electronic Engineering degree from University of Leicester, United Kingdom.

EXECUTIVE TEAM



HUSSAIN FAHMY
GENERAL MANAGER

Hussain Fahmy joined STELCO in 1998, and currently is the Head of Business Development Department of the Company. Prior to that he has held various executive posts including the posts of the post of Head of Procurement & Inventory Management and Customer Services & Billing Department.

Fahmy holds a Master of Arts in Accountancy from University of Aberdeen, United Kingdom and Master of Business Administration from University of East London, United Kingdom.

IBRAHIM NASHID
GENERAL MANAGER

Ibrahim Nashid joined STELCO in 2000, and currently is the Head of Electrical, Instrumentation & Controls Department. He has held various executive posts including the posts of Head of Transmission & Distribution and Information Technology Department.

Nashid holds a Bachelor of Electrical and Electronic Engineering Degree from University of Hertfordshire, United Kingdom.



MOHAMED SALEEM
GENERAL MANAGER



Mohamed Saleem joined STELCO in November 2002 and currently is the Head of Procurement Department of the Company. He has held various executive posts including the posts of Head of Finance & Accounts Department, Head of Internal Audit and In-charge of HA.Hoarafushi Powerhouse.

Saleem holds a Master of Business Administration degree from University of Wales, United Kingdom.

EXECUTIVE TEAM

ABDULLA MUSHRIF **GENERAL MANAGER**

Abdulla Mushrif joined STELCO in 2003, and currently is the Head of Information Technology and Software Engineering Department. Prior to that he has also served as Head of Information Technology and Software Engineering Department.

Mushrif holds a BTEC Higher National Diploma in Operational Telecommunications from The Cable and Wireless College.



ABDUL MALIK THOUFEEG **GENERAL MANAGER**

Abdul Malik Thoufeeg joined STELCO in 1999, and currently is the Head of Internal Audit of the Company. Prior to that he served as Head of Procurement Department. He also worked in Electrical Department, Customer Service Department as well as Projects, Planning & Implementation Department.

Malik holds a Master of Business Administration degree from Ritsumeikan Asia Pacific University, Japan and Bachelor of Electrical & Electronic Engineering degree from University of Hertfordshire, United Kingdom.

ABDULLA NAZIR **GENERAL MANAGER**

Abdulla Nazir joined STELCO in 2001, and currently is the Head of Human Resources & Training Department and temporary Head of Public Relations and Media Department of the Company. He also was the Head of Corporate Affairs Department. He served as the Board Secretary of STELCO from 2010 to 2014.

Nazir holds a Bachelor of Arts degree in Business Administration from University of East London, United Kingdom.



EXECUTIVE TEAM



IBRAHIM NIZAM
GENERAL MANAGER

Ibrahim Nizam joined STELCO in 1997, and currently is Head of Transmission & Distribution Department of the company. He has also held various executive posts including the posts of Head of Customer Services & Billing, Power Generation, Business Development and Water Production Department & Hulhumale' Powerhouse.

Nizam holds a Master of Science degree in Electrical Power Engineering from The University of Manchester, United Kingdom and a Bachelor of Engineering degree in Electronic and Electrical Engineering (Power Engineering) from University of Strathclyde, United Kingdom.

ENAS AHMED
GENERAL MANAGER

Enas Ahmed joined STELCO in 1999, and currently is the Head of Finance & Accounts Department of the Company. Prior to that, she held the post of Unit Head of Finance & Accounts Department.

Enas is a Chartered Management Accountant and a member of Chartered Institute of Management Association (CIMA), UK. She also holds a Masters in Business Administration degree from Anglia Ruskin University (UK).



IBRAHIM RAUF
GENERAL MANAGER



Ibrahim Rauf joined STELCO in 1991, and currently is Head of Water and Sewerage Department of the company. Prior to that, he held the post of Chief Superintendant Engineer and Head of the Electrical Department.

Rauf holds a BTEC National Diploma in Engineering.

EXECUTIVE TEAM



ALI MUJTHABA MOHAMED
GENERAL MANAGER

Ali Mujthaba Mohamed joined STELCO in 2003, and currently is the head of Business Development Department of the Company. Prior to that he has held various executive posts including the posts of Head of Procurement Department and Customer Services and Billing Department.

Ali Mujthaba Mohamed holds a Master of Business Administration Degree from Australian Institute of Business, Australia and Bachelor of Arts in Business Administration Degree from University of East London, United Kingdom and Advance Diploma in Business Administration from The Association of Business Executives, United Kingdom and, Diploma in Management.

AHMED SHAFEEU
CHIEF ELECTRICAL ENGINEER

Ahmed Shafeeu joined STELCO in 1991, and currently is the Chief Electrical Engineer of Hulhumale' Powerhouse. He has held various executive posts including the posts of Head of Transmission & Distribution Department, Business Development, Billing Services, Greater Male Region, Regional and Customer Services & Information Technology Department.

Shafeeu holds a Post Graduate Diploma in Electrical Power Systems from Norconsult International AS, Norway and a Bachelor of Science Degree in Electrical and Electronic Engineering from Islamic Institute of Technology, Bangladesh.



EXECUTIVE TEAM



AHMED SHARNEEZ
CHIEF MECHANICAL ENGINEER

Ahmed Sharneez joined STELCO in 1997, and currently is the Chief Mechanical Engineer of Hulhumale' Powerhouse. He has held various executive posts including the posts of Head of Hulhumale' Powerhouse, Regional Department and Water Production Department.

Sharneez holds a Bachelor of Mechanical Engineering degree from University of Bradford, United Kingdom.

ABDUL GAFOOR
CHIEF MECHANICAL ENGINEER

Abdul Gafoor joined STELCO in 1994, and currently is the Chief Mechanical Engineer of the Company. He also worked in Power Generation Department, Greater Male' Region Department as well as Mechanical Department.

Abdul Gafoor holds a Diploma in Mechanical Engineering from INTI College, Malaysia.





WHO WE SERVE



Institutional and Governmental

1,562 Customers

3%



Commercial

15,003 Customers

24%



Residential

44,890 Customers

73%

Total Customer
Base



61,455

FINANCIAL HIGHLIGHTS - 2018



REVENUE

+4%
MVR 1,767million



EXPENDITURE

+3%
MVR 1,695million



PROFIT

(BEFORE TAX)	(AFTER TAX)
+20%	+109%
MVR 71million	MVR 110million



TOTAL INVESTMENTS

+39%
MVR 913million



TOTAL ASSETS

+34%
MVR 3,821million



TOTAL LIABILITIES

+39%
MVR 3,186million

KEY ACHIEVEMENTS

OUR STAFF



OUR CORE BUSINESS

35 Power Systems
4 Water Networks

ENVIRONMENTAL UPGRADE OF THE YEAR

STELCO - Solar Hybrid Power
System Project



INTER OFFICE BADMINTON CHAMPIONSHIP 2018

Badminton Champions
Men's 2018



ASIAN POWER AWARDS 2018

Environmental Upgrade of the Year - Maldives

V.Rakeedhoo island has a significant renewable energy installation completed in 2014. The project was a success in terms of fuel saving, reduced maintenance, system reliability and stability. This project is a first of its kind to be used to power an entire island with lithium ion batteries with three way hybrid system. The multi cluster box is a very technologically advanced power management system capable of monitoring and controlling of all grid connected solar systems, battery management and island load profiling. This system is capable of selecting the right power source considering the time and efficiency.

With increased customer demand, the daytime peak load was higher than the combined output of solar and battery system, hence generators had to run twice during day time for nearly four hours. During 2017, the system was upgraded with additional 18kW of solar panels with grid connected micro invertors in each panel. These inverters also allow us to monitor the health and performance of each individual solar panel. This upgrading works was done by STELCO staff.

After the upgrade, the generators remains shut down from morning 7am to evening 5pm. By the time the generators start at 5pm, the batteries still have more than 75% charge. This indicates very high efficiency of the system. This innovative technology requires very little to no input from the operator.

The project can be scaled and replicated across a large number of powerhouses in the country and has been an overwhelming success as a pilot project in renewable energy with energy storage.



OUR FOOTPRINT



K. Kaashidhoo

K. Gaafaru

K. Dhiffushi

AA. Thoddo

K. Thulusdhoo

AA. Ukulhas

AA. Rasdhoo

K. Himmafushi

AA. Bodufolhudhoo

K.Thilafushi

Hulhumale'

AA. Mathiveri

K.Gulhifalhu

Male'

AA. Feridhoo

Villimale'

AA. Maalhos

K. Gulhi

AA. Himandhoo

ADH. Hangnaameedhoo

K. Maafushi

ADH. Omadhoo

K. Guraidhoo

ADH. Kunburudhoo

ADH. Mahibadhoo

V. Fulidhoo

ADH. Mandhoo

ADH. Dhangethi

V. Thinadhoo

ADH. Fenfushi

ADH. Dhigurah

V. Felidhoo

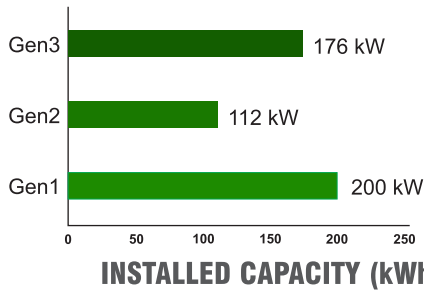
ADH. Dhidhdhoo

V. Rakeedhoo

V. Keyodhoo

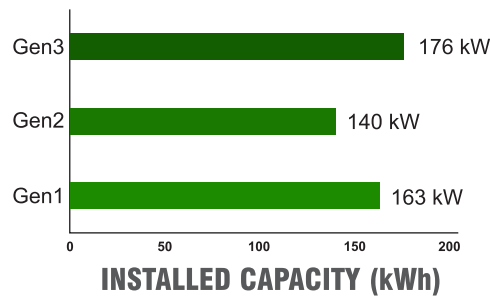
OUR ISLAND POWERHOUSES

AA.BODUFOLHUDHOO



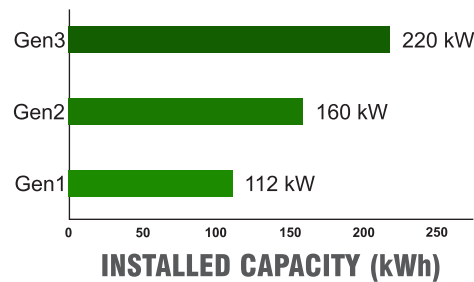
TAKEOVER DATE: December 2011
CUSTOMERS: 202
INSTALLED CAPACITY: 488
POPULATION: 607
USAGE (AVG. MONTHLY): 65,527kWh

AA.FERIDHOO



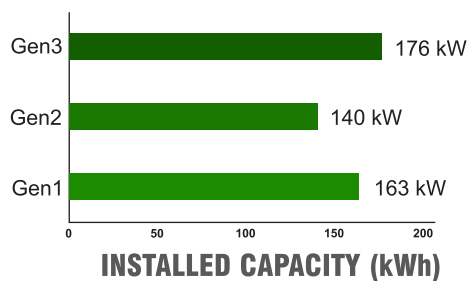
TAKEOVER DATE: February 2012
CUSTOMERS: 171
INSTALLED CAPACITY: 479
POPULATION: 437
USAGE (AVG. MONTHLY): 53,002kWh

AA.HIMANDHOO



TAKEOVER DATE: February 2012
CUSTOMERS: 220
INSTALLED CAPACITY: 492
POPULATION: 703
USAGE (AVG. MONTHLY): 77,927kWh

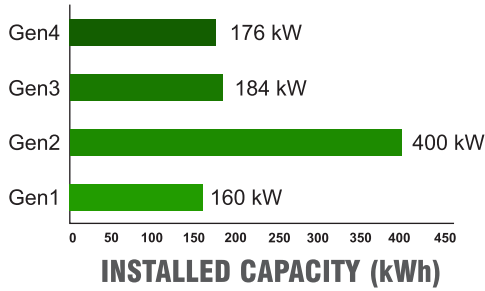
AA.MAALHOS



TAKEOVER DATE: February 2012
CUSTOMERS: 161
INSTALLED CAPACITY: 479
POPULATION: 426
USAGE (AVG. MONTHLY): 56,874kWh

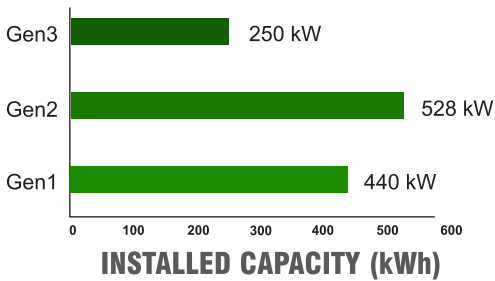


AA.MATHIVERI



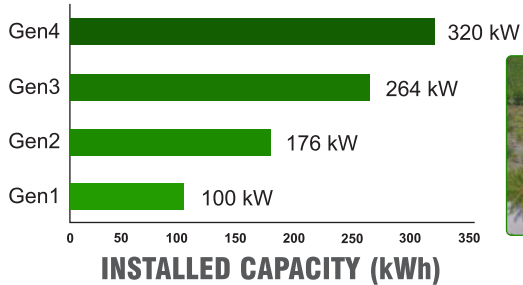
TAKEOVER DATE: February 2012
CUSTOMERS: 218
INSTALLED CAPACITY:
POPULATION: 578
USAGE (AVG. MONTHLY): 87,602kWh

AA.RASDHOO



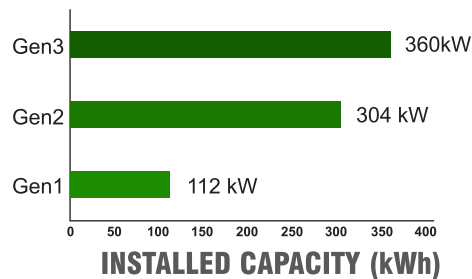
TAKEOVER DATE: January 2015
CUSTOMERS: 378
INSTALLED CAPACITY:
POPULATION: 1065
USAGE (AVG. MONTHLY): 205,276kWh

AA.THODDOO



TAKEOVER DATE: August 2015
CUSTOMERS: 543
INSTALLED CAPACITY:
POPULATION: 1320
USAGE (AVG. MONTHLY): 84,980kWh

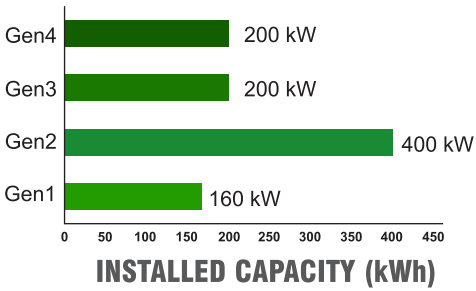
AA.UKULHAS



TAKEOVER DATE: December 2010
CUSTOMERS: 356
INSTALLED CAPACITY:
POPULATION: 918
USAGE (AVG. MONTHLY): 44,323kWh

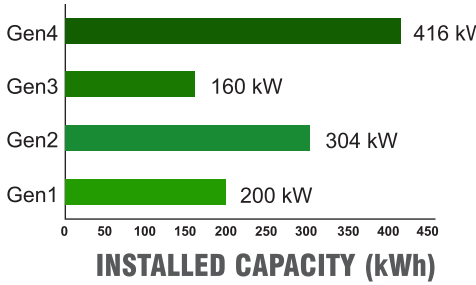


ADH.DHANGETHI



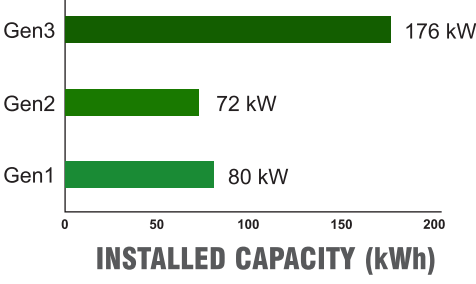
TAKEOVER DATE: March 2016
CUSTOMERS: 353
INSTALLED CAPACITY: 960
POPULATION: 827
USAGE (AVG. MONTHLY): 04,994kWh

ADH.DHIGURAH



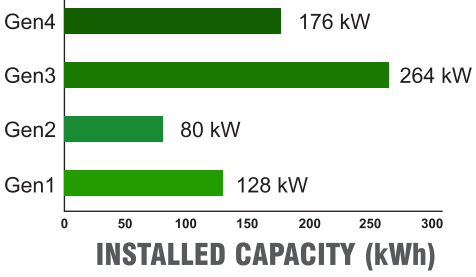
TAKEOVER DATE: October 2012
CUSTOMERS: 268
INSTALLED CAPACITY: 1080
POPULATION: 608
USAGE (AVG. MONTHLY): 10,179kWh

ADH.DHIHDHOO



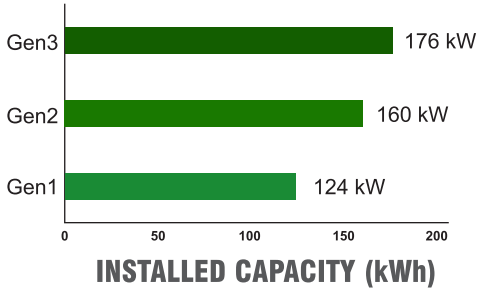
TAKEOVER DATE: February 2012
CUSTOMERS: 72
INSTALLED CAPACITY: 328
POPULATION: 156
USAGE (AVG. MONTHLY): 20,146kWh

ADH.FENFUSHI



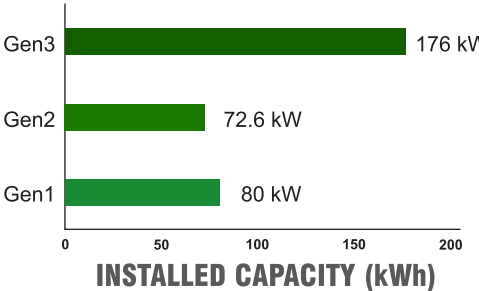
TAKEOVER DATE: February 2012
CUSTOMERS: 282
INSTALLED CAPACITY: 648
POPULATION: 836
USAGE (AVG. MONTHLY): 84,866kWh

ADH.HANGNAAMEEDHOO



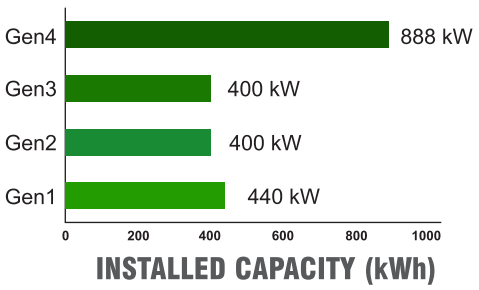
TAKEOVER DATE: August 2014
CUSTOMERS: 183
INSTALLED CAPACITY: 460
POPULATION: 501
USAGE (AVG. MONTHLY): 59,040kWh

ADH.KUMBURUDHOO



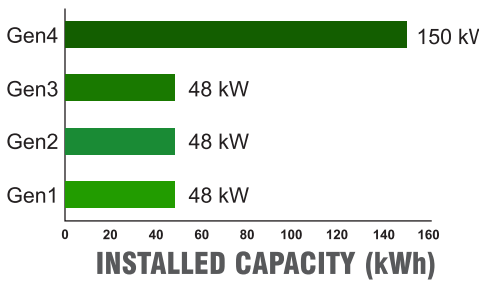
TAKEOVER DATE: October 2012
CUSTOMERS: 110
INSTALLED CAPACITY: 328.6
POPULATION: 462
USAGE (AVG. MONTHLY): 45,510kWh

ADH.MAHIBADHOO



TAKEOVER DATE: October 2014
CUSTOMERS: 532
INSTALLED CAPACITY: 2128
POPULATION: 2075
USAGE (AVG. MONTHLY): 267,998kWh

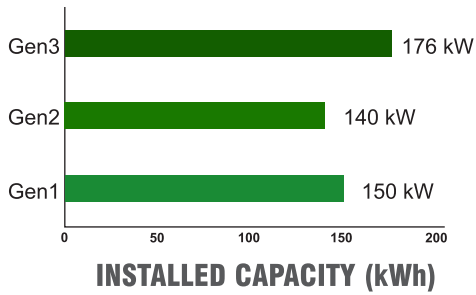
ADH.MANDHOO



TAKEOVER DATE: April 2016
CUSTOMERS: 118
INSTALLED CAPACITY: 294
POPULATION: 363
USAGE (AVG. MONTHLY): 39,610kWh

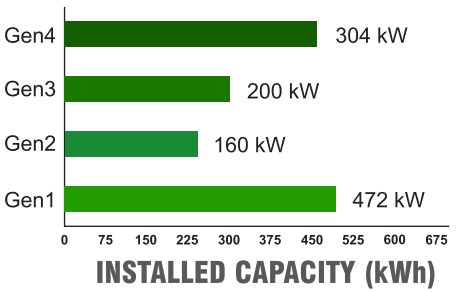


ADH.OMADHOO



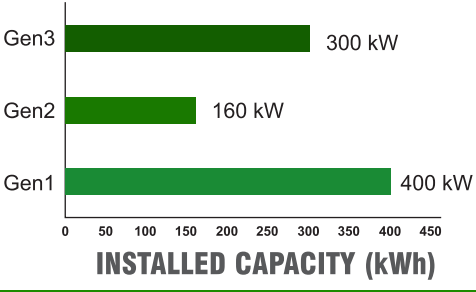
TAKEOVER DATE: February 2012
CUSTOMERS: 229
INSTALLED CAPACITY: 466
POPULATION: 886
USAGE (AVG. MONTHLY): 67,064kWh

K.DHIFFUSHI



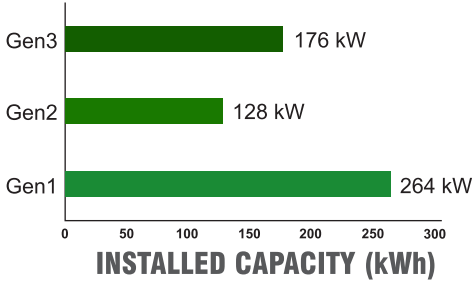
TAKEOVER DATE: December 2012
CUSTOMERS: 422
INSTALLED CAPACITY: 1136
POPULATION: 1024
USAGE (AVG. MONTHLY): 51,451kWh

K.GAAFARU



TAKEOVER DATE: July 2011
CUSTOMERS: 310
INSTALLED CAPACITY: 860
POPULATION: 1061
USAGE (AVG. MONTHLY): 19,126kWh

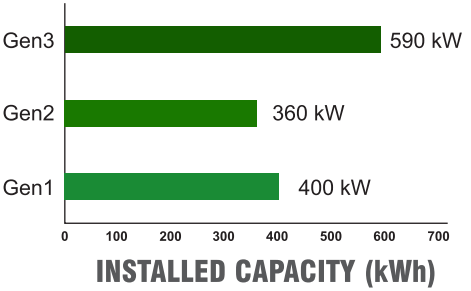
K.GULHI



TAKEOVER DATE: September 2011
CUSTOMERS: 200
INSTALLED CAPACITY: 568
POPULATION: 893
USAGE (AVG. MONTHLY): 97,524kWh

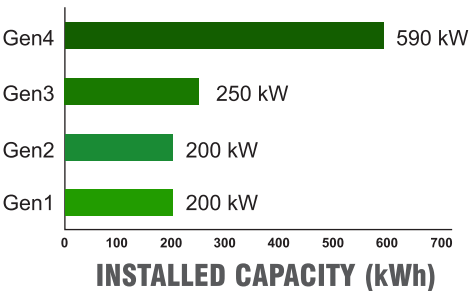


K.GURAIIDHOO



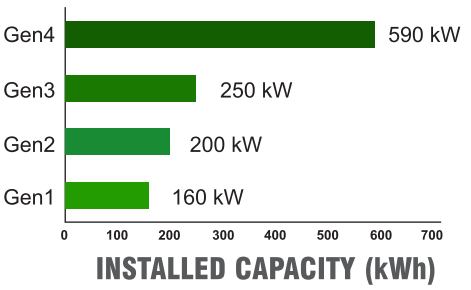
TAKEOVER DATE: July 1998
CUSTOMERS: 575
INSTALLED CAPACITY: 1350
POPULATION: 1605
USAGE (AVG. MONTHLY): 238,476kWh

K.HIMMAFUSHI



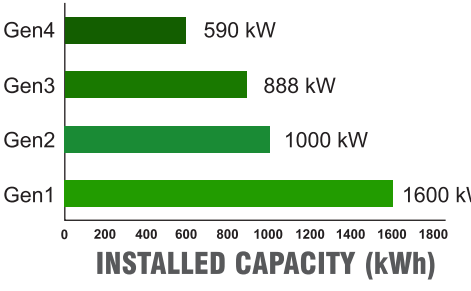
TAKEOVER DATE: February 2002
CUSTOMERS: 390
INSTALLED CAPACITY: 1240
POPULATION: 1308
USAGE (AVG. MONTHLY): 254,785kWh

K.KAASHIDHOO



TAKEOVER DATE: November 2001
CUSTOMERS: 555
INSTALLED CAPACITY: 1200
POPULATION: 1865
USAGE (AVG. MONTHLY): 197,247kWh

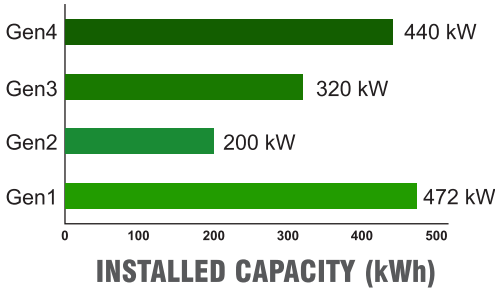
K.MAAFUSHI



TAKEOVER DATE: May 1997
CUSTOMERS: 650
INSTALLED CAPACITY: 4078
POPULATION: 2692
USAGE (AVG. MONTHLY): 699,165kWh

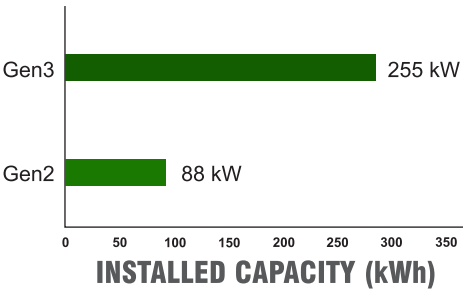


K.THULUSDHOO



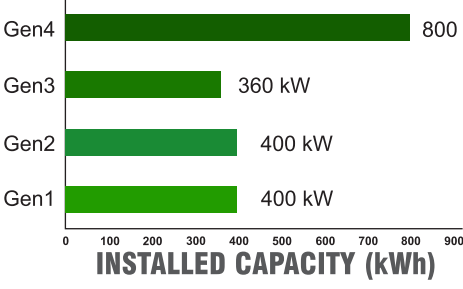
TAKEOVER DATE: May 1995
CUSTOMERS: 442
INSTALLED CAPACITY: 1432
POPULATION: 1388
USAGE (AVG. MONTHLY): 256,388kWh

K.GULHIFALHU



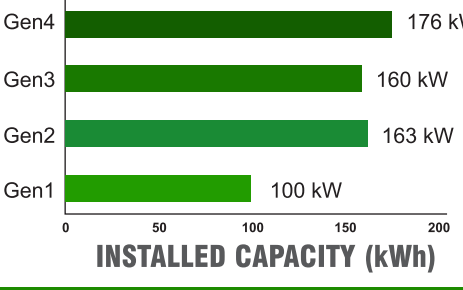
TAKEOVER DATE: February 2012
CUSTOMERS: 66
INSTALLED CAPACITY: 343
POPULATION:
USAGE (AVG. MONTHLY): 26,644kWh

K.THILAFUSHI



TAKEOVER DATE: June 2006
CUSTOMERS: 227
INSTALLED CAPACITY: 1960
POPULATION:
USAGE (AVG. MONTHLY): 390,313kWh

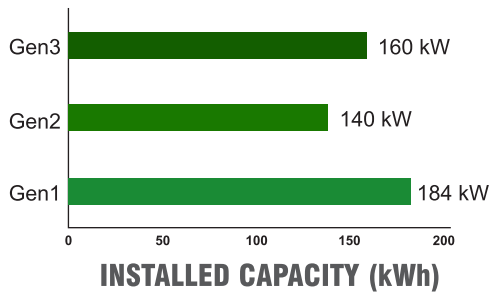
V.FULIDHOO



TAKEOVER DATE: May 2012
CUSTOMERS: 151
INSTALLED CAPACITY: 599
POPULATION: 360
USAGE (AVG. MONTHLY): 56,230kWh

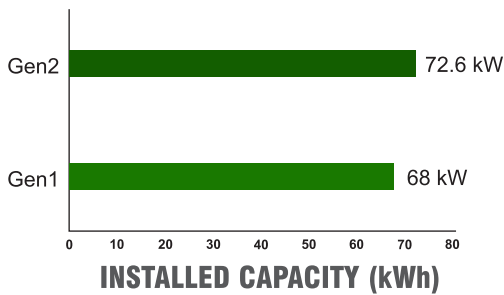


V.KEYODHOO



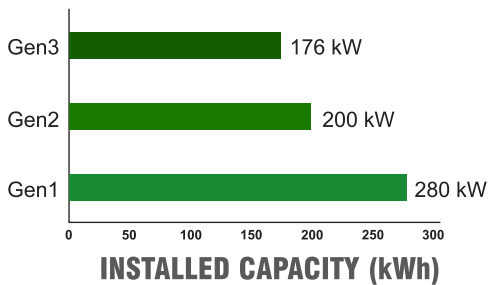
TAKEOVER DATE: October 2012
CUSTOMERS: 221
INSTALLED CAPACITY: 484
POPULATION: 657
USAGE (AVG. MONTHLY): 66,751 kWh

V.RAKEEDHOO



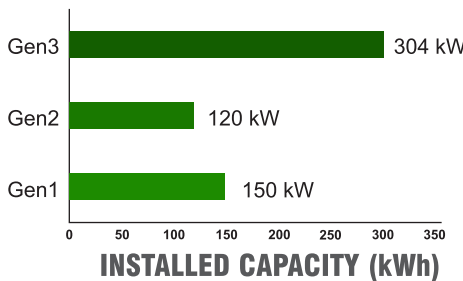
TAKEOVER DATE: September 2011
CUSTOMERS: 61
INSTALLED CAPACITY: 140.6
POPULATION: 84
USAGE (AVG. MONTHLY): 5,510 kWh

V.THINADHOO



TAKEOVER DATE: July 2011
CUSTOMERS: 88
INSTALLED CAPACITY: 656
POPULATION: 132
USAGE (AVG. MONTHLY): 65,132 kWh

V.FELIDHOO



TAKEOVER DATE: January 2014
CUSTOMERS: 192
INSTALLED CAPACITY: 574
POPULATION: 516
USAGE (AVG. MONTHLY): 80,532 kWh

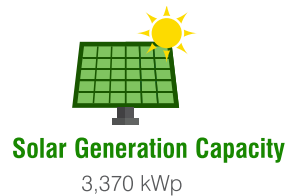


PERFORMANCE REVIEW

Power Generation

Our principle power is derived from diesel generator sets. Depending on island load profile, multiple generator sets are used in combination with synchronization panels to deliver the power. Our aim is to ensure operational excellence and cost efficiency at the heart of power generation process.

Energy Management Systems with solar photovoltaic (PV) and battery backups are used in two islands to generate power. We are proud to state that these two islands are able to cater for daytime load demand completely from solar PV without the need to run the diesel generators. 1500kW of solar PV was integrated into Hulhumale' Power System, enabling to decrease the day-time peak demand of the island.



Generation Highlight 2018

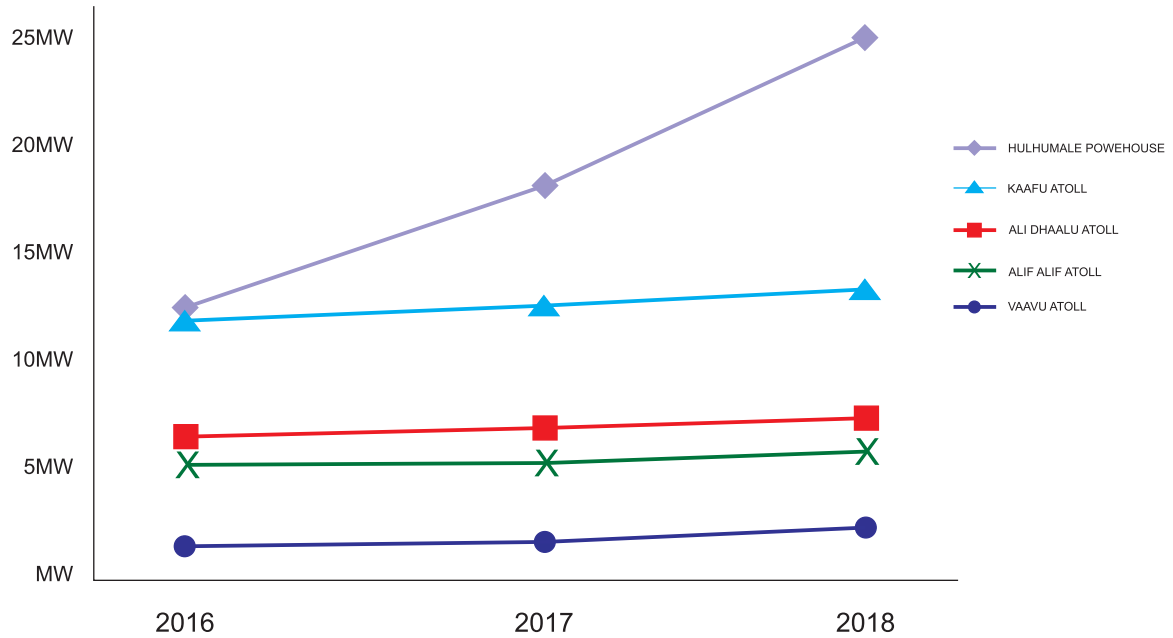
- To increase energy reliability of the Greater Male' area, 6x8700kW generator sets were installed in Hulhumale' under the Fifth Power Development Project. This is the largest power generating facility in the country and will be developed to 100MW plant as well as provide power to greater Male' region via greater Male' grid.

- To increase Hulhumale' Powerhouse capacity, 2x1600kW generator sets were installed and network was upgraded.

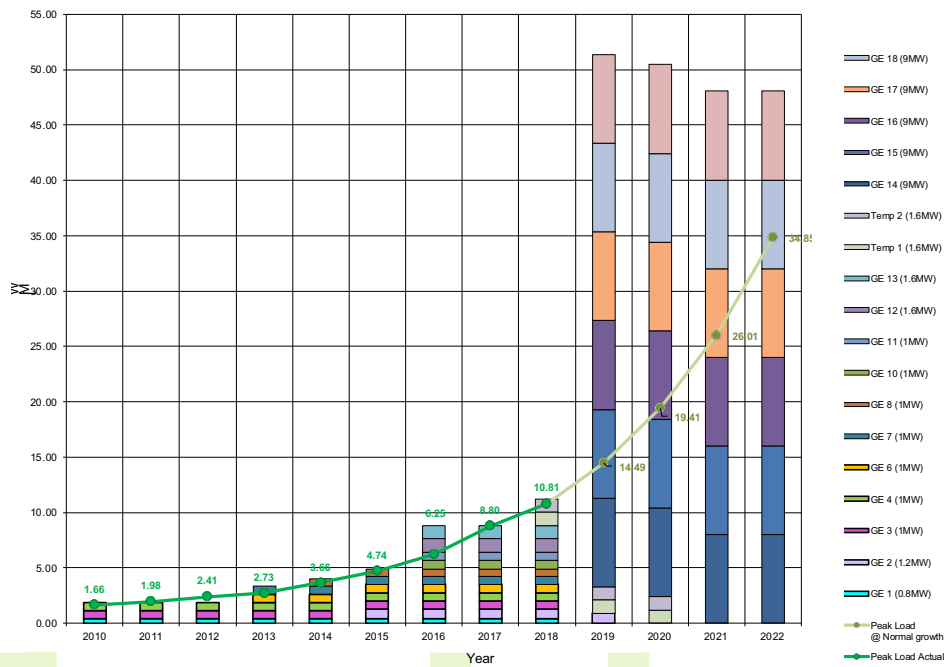
- STELCO has 35 powerhouses as of 2018. Most of these powerhouses were small community-run powerhouse with basic infrastructure. Over the years STELCO has continuously upgraded these powerhouses with an aim to standardize the power systems. Hence in 2018 all powerhouses of STELCO were upgraded with synchronization facilities.



Capacity Increase from 2016



Hulhumale' Load Forecast (MW) - 2010 to 2022



DISTRIBUTION SYSTEM

Electric power distribution is the final stage in the delivery of electric power; it carries electricity from the generation system to individual consumers. With the rapid increase in demand, network planning and upgrading is a key priority area to ensure reliability of the service.

In 2018, the consumption of electricity in Male' increased by 4.16% while the number of customers increased by 2.97%.

The Company's target in 2018 was to minimize the power interruption to the customers in the long run and to restore service as quickly as possible. With this aim, we have achieved a system average availability of 99.97%.

A continuous investment in the distribution network was necessary to cater for the ever-growing demand for electricity. Due to careful planning and execution in the last five years, we have a robust network in all major grids, and are able to match the current needs as well as forecasted growth demand for the near future.

In 2018, additional 11 transformers were added to the distribution system costing in excess of MVR 15.8million. Over 3.33km of cable were laid and

commissioned costing in excess of MVR 12.8million. By the end of 2018, a total of 113 substations were operational. A project was initiated to implement a reliable communication network between the substations to decrease the power restoration time during a power failure as well as monitor the electrical parameters of the distribution system. This will enable much needed remote control and data required by the engineers to be available in real time.

Distribution Highlight 2018

Other than transmission and distribution network maintenance and upgrading works, STELCO also supplied power to major buildings mentioned below:

- MWSC new building.
- MNDF new building.
- MTCC building near Hulhumale' Ferry Terminal.
- Parliament new building.
- Dharumavantha Hospital (25 storey building).



CUSTOMER SERVICE

Our goal is to provide reliable, affordable electric power and water to customers while also communicating, billing, and collecting payment from customers in a courteous, efficient, and proactive manner. With this in mind we identify ways to streamline the operations and implement new strategies to ensure the reliable service.

In the year 2018 we have managed to enhance the overall customer service experience. Two islands, namely K.Gaafaru and K.Thoddoo, were added to the central billing system to standardize our services in these islands. Further, smart devices were introduced to collect data to make data procession more reliable and efficient. STELCO's aim is to harmonize billing process and standardize across all our powerhouses by the end of 2019.

One of the key areas focused in 2018 was the development of Net Metering service to our customers. Net metering service enables customers to install solar PV and feed the grid to offset the energy consumption. The demand for Net Meter service increased up to 50% in 2018 compared to the previous year.

In the year 2018 a total of over 4542 new customers acquired our services

Bill payment was made easier with the introduction of outsourced bill collection services. The following outlets accept STELCO bill payment.

- Majestic Mobiles (Male')
- Smart Phone (Male')
- EII Mobile Maafannu (Male')
- EII Mobile Henveyru (Male')
- EII Mobile Henveyru (Hulhumale')
- Innox Trade & Travel Pvt Ltd (Hulhumale')
- 727 TeleShop (Villingili)

STELCO Application

In 2018 we launched STELCO mobile application which enables our customers to view their billing information, bills, payment details and pay their bills in a convenient manner.

Following other online services can also be used for easy payment:



STELCO e-Pay



Direct Debit



BML BillPay



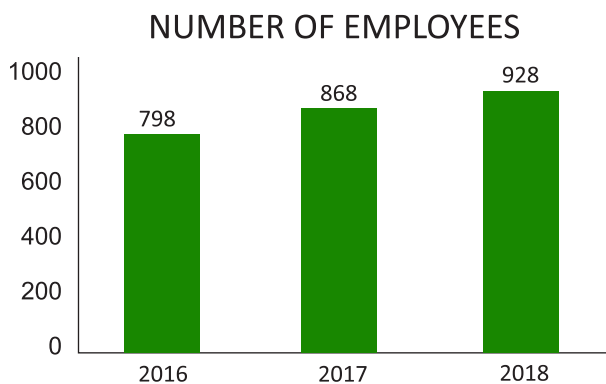
**Ooredoo
m-Faisaa**



HUMAN RESOURCES

STELCO's belief is that our staff are invaluable to our company, and our most valuable asset. STELCO continually invests in the development and advancement of our staff through routine training programs. To that end STELCO's workforce has been the essential element for the company's growth and progression since its incorporation. We believe that our staff are the backbone of our company, and our core most valuable asset responsible for our company's success.

At the end of 2018, there were 928 staff with an addition of 28 interns working in STELCO. This comprises of 156 females and 772 male staff. Emphasis is given to increase the number of female staff especially in technical areas. As such we have 3 female engineers in the workforce in 2018.



Staff Development

To strengthen our human capital, we provide our staff with specialized training in relevant fields. In this regard, 43 staff were provided with the opportunity to attend training and workshops abroad. Our staff also participated in 13 different training programs organized and held by local institutions. In addition to this, a total of 22 staff were studying abroad on scholarships. STELCO also conducts in-house training programmes to continuously upgrade the technical and managerial teams.



Women Empowerment

In 2018, a “Basic Electrician Course” was conducted especially to increase participation of women in this field. 146 women successfully completed the course. The main aim of this program is to increase the involvement of women in various technical fields and to empower women in society to pursue fields which were previously recognized as male dominant career paths. The course also paved way for advanced learning in the field for interested individuals.

Industrial Training

Industrial training opportunities are facilitated by the company in order to provide necessary practical experience in the field for students currently studying in the technical area. This is to create employment for the youth and motivate them to join our work force. As such “STELCO Apprenticeship program” was initiated and conducted during the year 2018. A total of 39 youths participated & successfully completed this program. At the same time, we continue our “Dhasvaaru” program to provide opportunities and experience for the participants by gaining knowledge in the corporate job environment with our expert teams.



Staff Wellbeing

STELCO believes in investing in the health and welfare of our employees. At the moment STELCO facilitates an in-house re-imburement scheme to our employees and participating dependents, where a major proportion of medical costs are reimbursed. The main aim of this scheme is to ensure that staff are able to gain access to quality healthcare services from reputed service providers.

Staff Recognition

In order to recognize the dedicated contribution of our hardworking staff and to strengthen the morale and productivity of employees, STELCO annually awards commemorative plaques and certificates to outstanding staff for their invaluable service. To that end, STELCO awarded 89 staff in 2018 with service recognition and awards during the company's Anniversary event.

Hajj and Umra Pilgrimage opportunities were also awarded to 02 staffs, with the company sponsoring the full cost of the pilgrimage.

STAFF RECREATIONAL ACTIVITIES

The Company's Recreation Club "STELCO Recreation Club" for staff organized various activities in year 2018 in order to foster the culture and values to build a friendly working environment. STELCO team developed sports and recreational activities. The main purposes of conducting such recreational activities are to improve employee engagement. STELCO Team participated in several inter office tournaments, with a number of recognized achievements.

Club Activities:

- Club Maldives futsal tournament.
- Maldives Pool Billiards Association billiards competition.
- Ooredoo Mas Race 2018. Ministry of Islamic Affairs Quran competition.
- MTCC Villimale Muvassasaa Cup 2018.
- Metro Finance Group futsal tournament.
- Champions of Badminton Association of Maldives "Sarukaaru Office/Kunfunithakuge Badminton Championship 2018".
- 3rd Place in female Badminton Association Championship.
- Kuda Hussain Sports Academy "Kid's Run" 21.1 km half marathon.
- MS Helping Hand Sports Academy Futsal Tournament.
- Handball Association of Maldives Handball Tournament.



Inhouse Tournaments

- First Handball Tournament 2018
- Futsal Tournament 2018
- Mas Race 2018

CORPORATE SOCIAL RESPONSIBILITY

STELCO being a utility company providing a community focused service, several activities and events that strive to contribute to the social and economic development of the community were carried out. These include contributions in area of community development, recreation, environment and education.

Throughout the year, great emphasis was given on creating awareness among the public to develop a responsible and respectful society. The 'STELCO Maa TV' has played a great role in delivering awareness information's to public. In collaboration with Maldives Police Service, STELCO has been displaying video clips regarding Road safety on 'STELCO Maa TV'. Furthermore, important information from Election Commission of Maldives regarding Electoral process and other important information regarding the election was delivered to the public through Maa TV'.

The company has continued to support 'STELCO Fen maa' and 'Muiveyo Maizaan', by providing maintenance services and technical support.

The program to include and educate children in the energy sector is of utmost importance. In this regard, STELCO has arranged tours of our facilities for more than 600 school students during last year. These tours will educate the students in the area of Power generation and distribution process with practical demonstrations and information's from our Engineering team.



MAJOR PROJECTS 2018

Major projects which are strategically important were executed last year. The major projects conducted last year from STELCO are:

STELCO Fifth Power Development Project

Under stelco's strategic plan to develop power on a holistic scale, the STELCO Fifth Power Development Project was designed to cater for the power demand of the greater Male' Region. The Project consist of installation of 6x9MW's diesel generator sets, fuel farm and water desalination facilities. This power plant located in Hulhumale' was inaugurated on 27th December 2016 and commissioned on 30th May 2019. The total Value of the project is \$79 Million.



Greater Male' Grid Connection Phase 1

The Greater Male' Grid Connection Phase 1 project was formulated to provide from the Fifth Power Development Project to Male' and Hulhule. This is the beginning of a unified power grid network for the Greater Male' Region. This project also includes automation and data collection features inline with STELCO's vision to establish a smart grid system. This project commenced on 22nd October 2018 with a value of \$44 Million.

BUSINESS DIVERSIFICATION

STELCO Sales Centre

Sales Centre was established with the aim of providing quality electrical connection supplies and other peripherals to our customers. Apart from establishment of sales centre as a service, it is also considered as a profit oriented business unit.

Major products sold at the Sales Centre include cables, electrical accessories and tested kWh meters. With the aim and desire to contribute towards a greener future, Solar PV products been included to our product range.

A dedicated solar centre is established which caters for sale and installation of solar PV.



FINANCIAL OVERVIEW

Despite of the financial instability experience in the past few years, the company is able to manage the operational expenses by implementing some crucial measures to mitigate the loss, the company started earning profit since 2017. (2017 – MVR 52 million; 2018– Profit after tax MVR 110million, Profit before tax MVR 71 million)

The measures taken in 2017 to improve the financial status was maintained in 2018 with even better results. These include:

- Identifying areas of excessive inefficiencies, and reforming our engineering and business practices to rectify this.
- Updated human resources regulations to effectively regulate staff expenses.
- Strategic procurement practices to reduce inventory costs

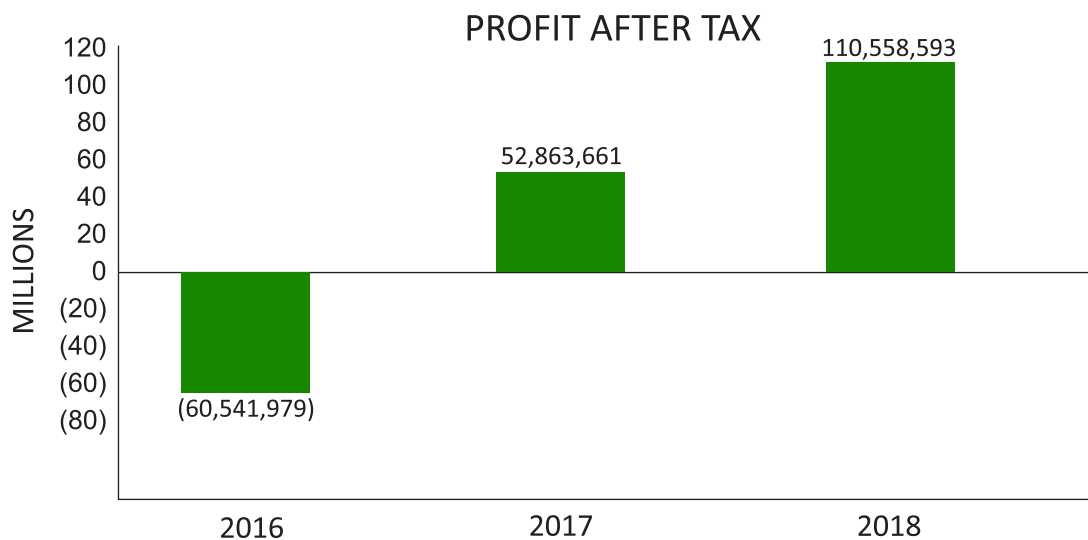
Financial Highlights

	2016	2017	2018	GROWTH % 2018
REVENUE	1,448,451,154	1,698,587,180	1,767,428,440	4%
TOTAL EXPENSES	1,508,993,133	1,645,723,519	1,695,889,562	3%
PROFIT BEFORE TAX	(65,431,055)	59,701,784	71,538,879	20%
PROFIT AFTER TAX	(60,541,979)	52,863,661	110,558,594 <small>(Tax adjustment +39 million)</small>	109%
TOTAL ASSETS	2,155,050,519	2,836,512,258	3,821,473,543	34%
TOTAL LIABILITIES	1,660,170,668	2,298,374,232	3,186,072,645	39%



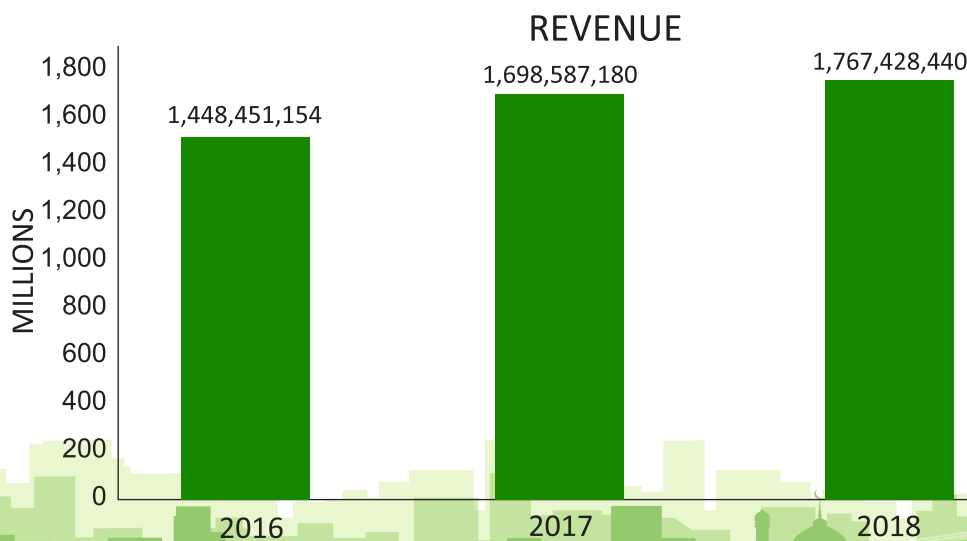
Profitability

By increasing efficiency of power generation and distribution together with the cost-cutting measures implemented in 2017 and 2018, STELCO achieved an increase in profits. An increase of 109% profit after tax adjustment compared to 2017 has been achieved and STELCO posted a profit after tax of MVR 110,558,593 in 2018. (According to BPT Act section 13, losses incurred from 2013-2016 can be carried forward to 5 subsequent tax years. Hence, based on estimated profits from upcoming tax calculations, MVR 39.01million is carried forward to reflect in 2018 financials.)



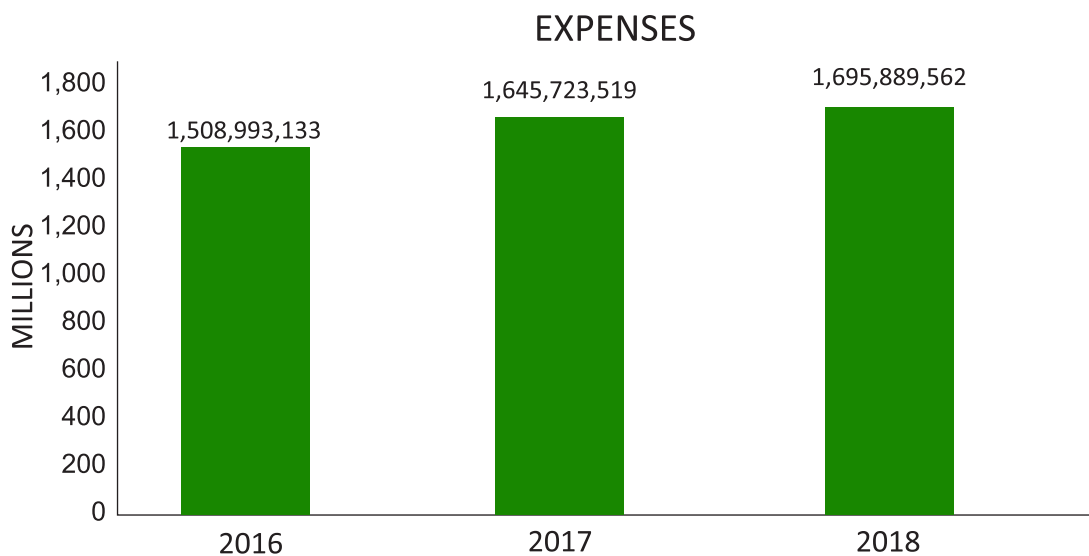
Revenue

STELCO posted revenue of MVR1,767 million at the end of the fiscal year on 31st December 2018, recording an increase of MVR 68.8 million, which represents a 4% growth compared to previous year. This growth is due to increase in the Company's customer base coupled with increase in demand for electricity especially from commercial customers, despite a downward revision of energy tariffs by the government in March 2018.



Expenses

STELCO has continued the cost-cutting measures from 2017. STELCO posted an increase in costs of 3% despite an increase of 12% in energy supply. This was achieved by increased production efficiency, enabling us to maintain 20% gross margin in 2018.

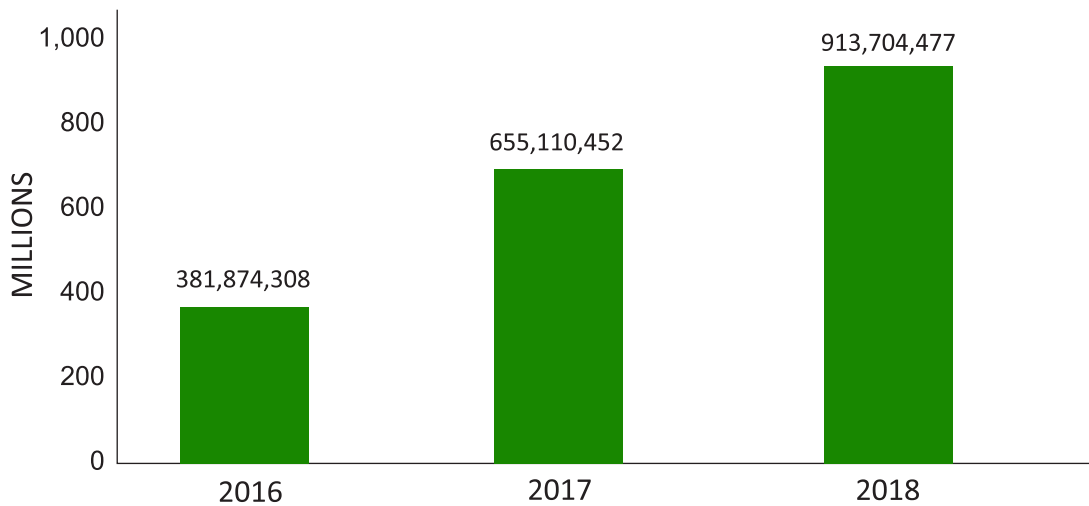


Capital Investments

Provision of reliable electricity service continuously requires expansion and upgrading of power generation, transmission & distribution. Hence, capital investments on improving and expanding the electricity infrastructure have always been our utmost priority. In this endeavor, a total of MVR913million was invested in 2018 for the improvement and expansion of electricity infrastructure, which is an increase of 39% compared to previous year. The largest proportion is the MVR828million invested in fifth power development project in Hulhumale' to cater for energy demand of Greater Male' area.

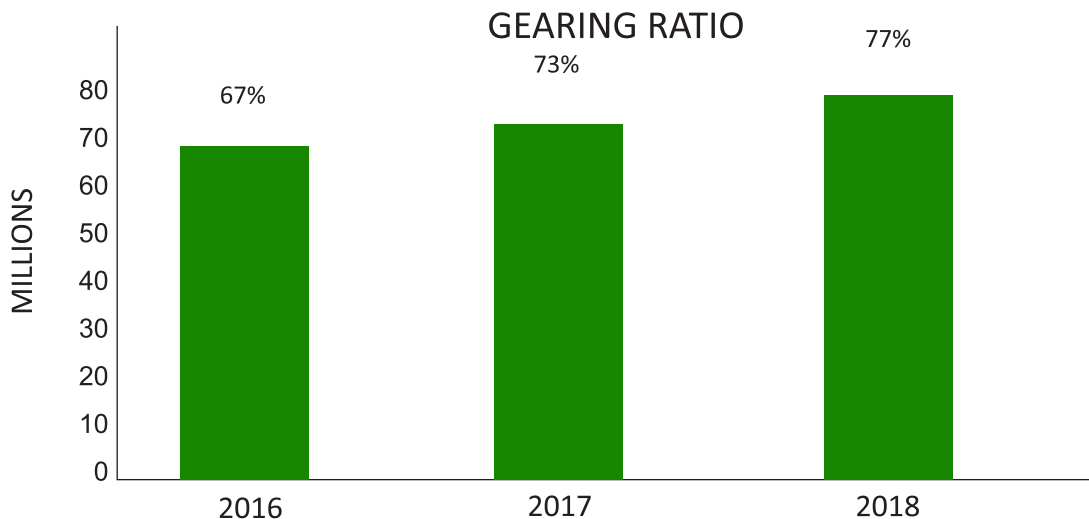
To meet the growing demand for electricity consumption, the Company has been investing in the expansion and upgrading of power projects through loan financing obtained from the government of Maldives in the form of subsidiary loans. Since the Company has not been able to repay these loans, the gearing ratio has increased significantly over the last decade. Therefore, a more sustainable and economically viable capital financing mechanism is required for the company to maintain a reasonable level of debt ratio & gearing ratio. One such mechanism would be to have a cost reflective tariff which would enable the company to pay its debt.

CAPITAL INVESTMENT



Financial Challenges

The year 2018 ended on a positive note, with a profit of MVR 110,558,593 after tax adjustment. This is a 109% increase compared to 2017. Despite making a profit, the gearing ratio of the company is on an increasing trend due to the heavy loan commitments. In year 2017 the gearing ratio was 73% and it has increased to 77% in year 2018.

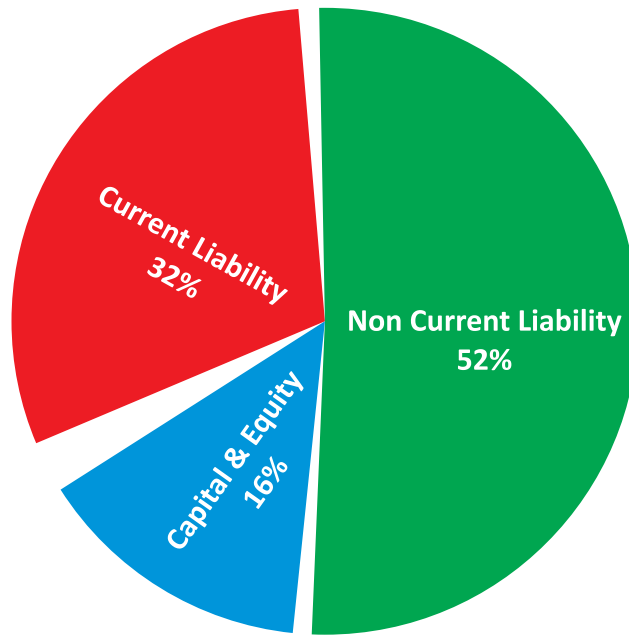


STELCO has an urgent need to address the increasing gearing ratio. STELCO owes the state MVR 2.1 billion, and negotiations with Ministry of Finance are ongoing to restructure the balance sheet by converting all loans for completed projects to equity amounting to MVR 1.5 billion. This would reduce the gearing ratio to 37%.

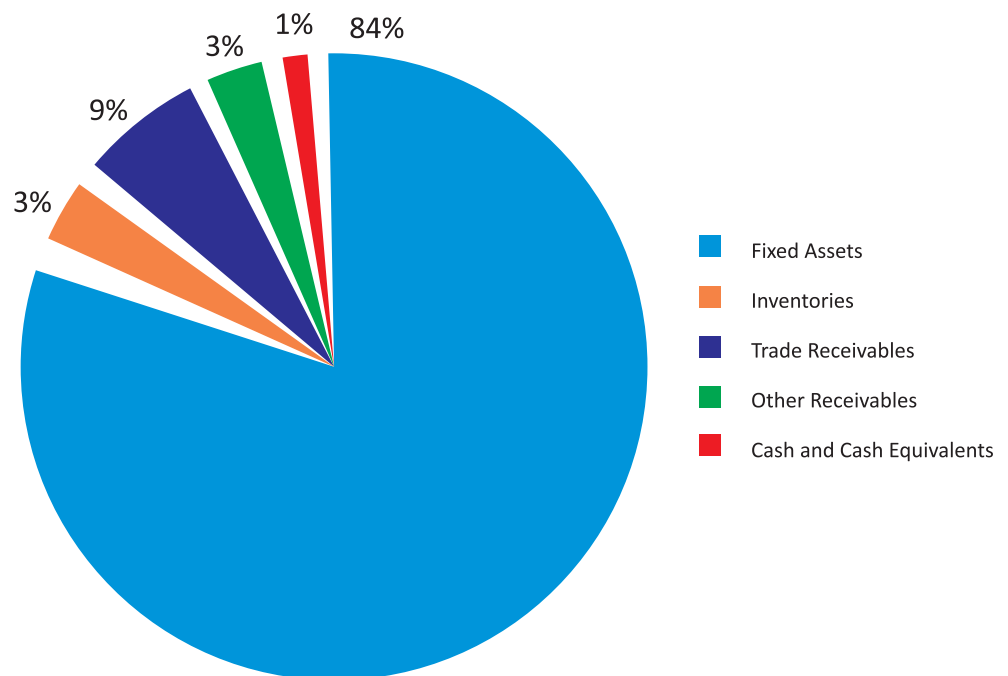
STELCO has started projects to cater for the growing energy demands of the customer base, and in the year 2019 and 2020, additional loan commitments of MVR 2.5 billion is forecasted. Hence the company needs to post a profit more than 350 million per year to be sustainable. STELCO needs to venture into alternative revenue streams and cost reduction measures as well as increased investment in renewable energy.



LIABILITY - 2018



ASSETS - 2018



INVESTING IN FUTURE

Throughout the history of the company, STELCO continuously strive to maintain a high standard of service of its customers. And thus the company is able to acquire the trust and loyalty of the vast majority of the population. In future, the company will take further strides to improve the quality and reliability of the service offered. The company is committed to assist the policies of the government with regard to supply of electricity and energy. Furthermore, in reverting the production of electricity to modern and sustainable sources thus focusing more on renewable energy.

Sustainability

In order to minimize the vulnerability of energy supplies and reduce the cost of production, increasing renewable energy for energy generation is vital. Hybrid battery-solar-diesel systems has been tested at our powerhouses, with a plan to expand it to all of STELCO's powerhouses.

STELCO will develop and deploy more solar energy projects, decreasing the impact on the environment and increasing the energy reliability at the same time.

The Solar Centre will also be the primary point for research and statistical analysis for renewable energy, and the point of contact for STELCO to coordinate with academic research on RE.

Major Planned Projects

- Industrial Village HV Substation: This will enable STELCO to expand the HV grid to Villingili, Gulhifalhu and Thilafushi.
- Fifth Power Development Project- Phase II (50MW).
- Development of Distribution Network in Hulhumale Phase 2 (Substations, DBs HV and LV cables, SCADA system and HV substation).
- Male' distribution Network upgrading and Automation.
- Gulhifalhu New Powerhouse (16MW) and Distribution Network (depends on Governments plan to shift Harbour, light industries, warehouses etc to Gulhifalhu).
- ERP System to improve efficiency within the company



Unified Grid

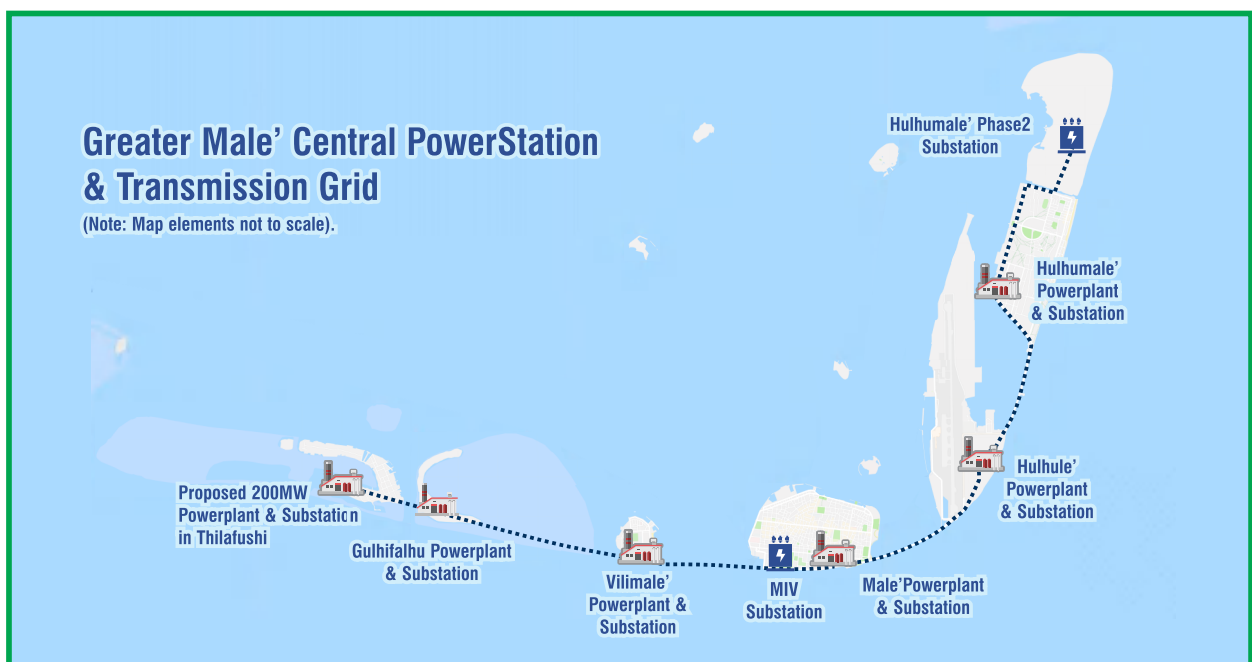
STELCO Greater Male' Interconnection phase 1 will be completed by mid 2020. Under this project 3 substations will be established in Male', Hulhumale' and Hulhule. The prime power fed to this grid will be from newly established Fifth Power Development Project at Male' Power Plant. Completion of this high voltage grid will also enable STELCO to add more renewable energy into the grid.

Additional 50MW's will be installed in Hulhumale' to increase the power generating capacity.

Further more Greater Male' Grid Connection Phase 2 is designed to utilize the connectivity of Greater Male' Region all the way to Thilafushi with the establishment of a 200MW Power Plant in Thilafushi for long term power security of the region.

The company regards the Fifth Power Project as an important milestone in the development of the country's power sector. The Fifth Power Project is the largest power project conducted in Maldives.

The USD 79 million project initiated by STELCO in Hulhumale' is contracted to Dongfang Electric International Corporation. STELCO aims to assure electricity coverage for the next 10 to 20 years, upon completion of the project. The project is funded by a loan arranged from the Exim Bank of China.



FUTURE OUTLOOK

Looking forward the company believes and strives to contribute to continued journey towards increased customer base and improving its service. STELCO is also tasked with water and sewerage services in the islands we serve, and advanced products and technologies are key areas the company will explore to deliver these services.

Renewable energy expansion is of utmost importance, and with the experience gained with the first floating sea-based solar system in the country in V.Keyodhoo, STELCO will work on increasing the solar penetration with larger floating PV systems.

Accountability, efficiency and good governance will play a key role in STELCO's service delivery. The Enterprise Resource Planning system project scheduled for 2019, aims to integrate the different applications and record keeping systems into one umbrella system to increase the overall efficiency. STELCO will also introduce industry best practices and standards to achieve ISO 9001 for our sites and services.

Staff training will be an important area of focus. STELCO will link up with the technical institutes in the country, and open an avenue for the technical students to gain the much needed experience in a structured environment. STELCO staff will play an important role in this endeavor, both re-educating themselves as well as educators and mentors.

The Greater Male' Interconnection Project when complete will provide the infrastructure to support smart metering, peak load shifting with energy storage system and increase solar PV penetration.

Our aim is to become an industry leader in service delivery and Quality of Service (QoS) in Energy Management System.



Greater Male' Grid Connection Phase 1 Ground Breaking

AUDITED FINANCIALS 2018





ދިވެހިރާއްޖޭގެ ސަރުކާރު
AUDITOR GENERAL'S OFFICE



AUDITOR GENERAL'S REPORT

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

Opinion

We have audited the accompanying financial statements of State Electric Company Limited (the "Company"), which comprise the statement of financial position as at 31st December 2018, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information set out in pages 4 to 34.

In our opinion, except the possible effects of the matters described in the Basis of Qualified Opinion paragraphs, the financial statements give a true and fair view of the financial position of the Company as at 31st December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

1. The property, plant and equipment of the Company were revalued by an independent external valuer during the year 2011. Accordingly, the assets having the net book value of MVR 434,455,893/- as at 31st December 2011 were revalued for MVR 847,932,997/- and a revaluations surplus of MVR 413,477,104/- were recognized in the financial statements. However, the revaluation report excluded assets having a net book value of MVR 26,661,392/- as at 31st December 2011 and the Company continued to account these assets at their respective netbook values based on historical cost. International Accounting Standard - 16 Property, Plant and Equipment require the entire class of property, plant and equipment to be revalued, when a particular item of property, plant and equipment is revalued. In addition, International Accounting Standard 16 – "Property, Plant and Equipment" require a further revaluation to be carried out when the fair value of a revalued asset differs materially from its carrying amount. However, the Company has not carried out a revaluation subsequent to the valuation carried out in 2011. Due to these conditions, we were unable to determine whether any adjustment might be required to amounts of Property, Plant and Equipment and Revaluation Reserve recognized in the financial statements as at 31st December 2018.
2. The internal policies of the Company states that the Company is liable to pay a lump sum payment to its employees at the retirement under the mandatory retirement scheme. Based on the recognition and measurement criteria of International Accounting Standard 19 – "Employee Benefits" this policy is required to be measured using the projected unit credit method and the resulting actuarial gains or losses are required to be recognized in other comprehensive income for the year. However, the Company has not carried out an to determine whether any adjustment might be required to the financial statements due non-availability of such assessment as at 31st December 2018.



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

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

Responsibilities of the Board of Directors for the Financial Statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Boards' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial



statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate to the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

26th June 2019



Hassan Ziyath
Auditor General



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

FOR THE YEAR ENDED 31ST DECEMBER

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

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Company set out on pages 7 to 34. The Report of the Independent Auditors is given in pages 1 and 2.



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

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

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Company set out on pages 7 to 34. The Report of the Independent Auditors is given in pages 1 and 2.

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

Name of the Director

Signature



Mr. Mohamed Rasheed
Board Chairman



Mr. Hassan Mughnee
Managing Director



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



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

FOR THE YEAR ENDED 31ST DECEMBER 2018

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

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Company set out on pages 7 to 34. The Report of the Independent Auditors is given in pages 1 and 2.



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

FOR THE YEAR ENDED 31ST DECEMBER		2018	2017
	Note	MVR	MVR
Cash Flows From Operating Activities			
Profit Before Tax		71,538,879	59,701,784
<i>Adjustments for:</i>			
Depreciation on Property, Plant and Equipment	13	105,243,257	99,475,489
Loss on disposal of Property, Plant and Equipment	13	289,848	261,579
Interest Income	9	(155,023)	(3,159)
Provision / (Reversal) for Impairment Loss on Trade Receivables	15.1	6,290,534	(7,011,778)
Provision / (Reversal) for Impairment Loss Related Parties	16.1	3,916,558	(9,284,308)
Provision for Slow moving Inventories	14.1	16,254,015	12,686,423
Deferred Income Recognized in Profit and Loss for the Year	21	(1,691,827)	(1,691,823)
Interest Expense	9	89,133,135	81,895,623
Operating Profit Before Working Capital Changes		<u>290,819,376</u>	<u>236,029,830</u>
Working Capital Changes			
Change in Inventories		(15,048,251)	(55,030,567)
Change in Trade and Other Receivables		(276,849,047)	23,561,000
Change in Trade and Other Payables		108,827,528	40,777,242
Change in Amounts Due From Related Parties		24,243,384	115,312
Change in Amounts Due to Related Parties		(73,097,412)	27,104,722
Cash Generated From Operating Activities		<u>58,895,578</u>	<u>272,557,539</u>
Interest Received		155,023	3,159
Income Tax Paid		-	-
Net Cash Generated From Operating Activities		<u>59,050,601</u>	<u>272,560,698</u>
Cash Flows From Investing Activities			
Purchase and Construction of Property, Plant and Equipment	13	(10,473,846)	(20,662,076)
Proceeds from disposal of Property, Plant and Equipment	10	-	6,934
Cost Incurred on Capital work-in Progress	13.1	(903,230,631)	(634,448,376)
Net Cash Used in Investing Activities		<u>(913,704,477)</u>	<u>(655,103,518)</u>
Cash Flows From Financing Activities			
Loans and Borrowings Obtained	20	695,870,852	390,936,504
Repayments of Borrowings	20	(9,356,568)	-
Capital Grant Received	21	103,736,857	95,369,248
Net Cash Generated From Financing Activities		<u>790,251,141</u>	<u>486,305,752</u>
Net (Decrease)/ Increase in Cash and Cash Equivalents		<u>(64,402,735)</u>	<u>103,762,932</u>
Cash and Cash Equivalents at Beginning of the Year		<u>133,526,639</u>	<u>29,763,707</u>
Cash and Cash Equivalents at the End of the Year	17	<u>69,123,904</u>	<u>133,526,639</u>

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Company set out on pages 7 to 34. The Report of the Independent Auditors is given in pages 1 and 2.



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

1. REPORTING ENTITY

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

This is the first set of Company's financial statements in which *IFRS 9 – "Financial instruments"* and *IFRS 15 – "Revenue from Customers"* have been applied. Changes to the significant accounting policies are described in respective notes to the financial statements.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

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



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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Foreign currency

(i) Transactions in foreign currencies

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

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

3.2 Financial instruments

3.2.1 Financial Assets (Non-derivative)

Accounting Policy applied before 1st January 2018

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

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

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

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

Loans and receivables

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

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



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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial Instruments (Continued)

3.2.1 Financial Assets (Non-derivative) (Continued)

Cash and Cash Equivalents

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

Accounting Policy applied after 1st January 2018

(i) Recognition and Initial Measurement

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

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

(ii) Classification

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

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

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

• Business Model Assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to the management. Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.



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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial Instruments (Continued)

3.2.1 Financial Assets (Non-derivative) (Continued)

▪ **Assessment Whether the Cash Flows are Solely Payment of Principal and Interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(iii) Subsequent Measurement

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

(iv) De-recognition

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

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

3.2.2 Financial Liabilities

Accounting Policy applied before 1st January 2018

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

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



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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial Instruments (Continued)

3.2.2 Financial Liabilities

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

Accounting Policy applied after 1st January 2018

(i) Recognition and Initial Measurement

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

(ii) Classification and Measurement

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

(iii) De-recognition

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

3.3 Share capital

Ordinary shares

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



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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent Costs

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

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. The estimated useful lives for the current and comparative periods are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The charge for the depreciation commences from the month in which the property, plant and equipment is commissioned for commercial operation.



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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (continued)

(iv) Capital work- in -progress

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

3.5 Intangible assets

(i) Recognition and measurement

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

Computer software	3 Years
-------------------	---------

3.6 Inventories

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

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



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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment

(i) Financial assets (including receivables)

Accounting Policy applied before 1st January 2018

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

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

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

Accounting Policy applied after 1st January 2018

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

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

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

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

(ii) Non-financial Assets

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



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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment (Continued)

(i) Non-financial Assets (Continued)

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

3.8 Employee benefits

(a) Defined contribution plans

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

(b) Short-term benefits

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

3.9 Revenue

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

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



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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Revenue (Continued)

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

Contract balances

Contract assets

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

Contract liabilities

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

3.10 Operating expenses

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

3.11 Finance income and finance costs

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

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



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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Borrowing costs

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

3.13 Tax expense

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

Current tax

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

Deferred tax

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

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

Tax loss

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

3.14 Lease payments

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

Determining whether an arrangement contains a lease

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

3.15 Events Occurring After the Reporting Date

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



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

4. DETERMINATION OF FAIR VALUES

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

(i) Trade and other receivables

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

(ii) Financial liabilities (non-derivative)

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

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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

(i) IFRS 15 Revenue from contracts with customers

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

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

(ii) IFRS 9 Financial Instruments

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

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



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

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) IFRS 9 Financial Instruments (Continued)

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

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

Classification and measurement of financial assets and financial liabilities

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

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

Impairment of financial assets

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

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

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

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



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

6. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

(i) IFRS 16 - Leases

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

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

(ii) Other standards

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

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



STATE ELECTRIC COMPANY LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER

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



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

FOR THE YEAR ENDED 31ST DECEMBER 2018

10 PROFIT BEFORE TAX (CONTINUED)

10.1 Personnel Costs	2018 MVR	2017 MVR
Staff Salaries and Wages	81,474,648	73,210,075
Staff Allowances	75,479,894	73,578,889
Overtime Expenses	39,515,413	43,086,907
Employer's Contribution to Government Pension Fund	5,661,135	5,097,038
Staff Medical Expenses	2,313,880	4,069,320
Employee Retirement Benefits	350,000	168,805
Other Staff Expenses	1,726,214	2,541,845
	<u>206,521,184</u>	<u>201,752,879</u>
11 TAX EXPENSE / (REVERSAL)	2018 MVR	2017 MVR
11.1 Current Tax Expense		
Current Tax Expense (Note 11.2)	-	-
11.2 Deferred Tax Reversal		
Deferred Tax Asset Reversed/ (Recognized) (Note 11.6)	(23,694,552)	-
Deferred Tax Liability (Reversed)/ Recognized (Note 11.9)	<u>(15,325,163)</u>	<u>6,838,123</u>
	<u>(39,019,715)</u>	<u>6,838,123</u>
Total Tax (Reversal) / Expense	<u>(39,019,715)</u>	<u>6,838,123</u>
11.3 Reconciliation Between Accounting Profit and Taxable Income	2018 MVR	2017 MVR
Profit Before Tax	71,538,879	59,701,784
Aggregate Disallowable Items	229,617,228	201,194,298
Aggregate Allowable Items	(289,057,378)	(235,636,401)
Tax Loss Utilized during the Year	<u>(12,098,729)</u>	<u>(25,259,681)</u>
Taxable Income for the Year	<u>-</u>	<u>-</u>
Business Profit Tax @ 15%	<u>-</u>	<u>-</u>
In accordance with the provisions of the Business Profit Tax act No. 5 of 2011, relevant regulations and subsequent amendments thereto, the Company is liable for Business Profit Tax on its taxable profit at the rate of 15%.		
11.4 Accumulated Tax Losses	31/12/2018 MVR	31/12/2017 MVR
As at 1st January	187,367,367	212,627,048
Tax Loss Utilized During the Year	<u>(12,098,729)</u>	<u>(25,259,681)</u>
As at 31st December	<u>175,268,638</u>	<u>187,367,367</u>



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

FOR THE YEAR ENDED 31ST DECEMBER 2018

11 TAX EXPENSE (CONTINUED)

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

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

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

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

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

11.9 Deferred Tax Liability:

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

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

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

12 BASIC AND DILUTED EARNINGS PER SHARE

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

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



STATE ELECTRIC COMPANY LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2018

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



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

FOR THE YEAR ENDED 31ST DECEMBER 2018

17 CASH AND CASH EQUIVALENTS	31/12/2018 MVR	31/12/2017 MVR
Favorable Balances		
Cash in Hand	11,023,280	13,459,605
Balances at Banks	58,100,624	121,740,093
	<u>69,123,904</u>	<u>135,199,698</u>
Unfavorable Balances		
Bank Overdrafts (Note 17.1)	-	(1,673,059)
Cash and Cash Equivalents	<u>69,123,904</u>	<u>133,526,639</u>
17.1 Bank Overdrafts		
The Company's bank overdrafts are secured by the mortgage of leasehold rights of plot no 347 and plot no 349 for overdraft limit of MVR 50,000,000/-. This overdraft facility is granted to finance the working capital requirements of the Company at an interest rate of 8.5% per annum.		
18 SHARE CAPITAL		
18.1 Authorized Share Capital		
The authorized share capital comprises of 150 (2017: 150) ordinary shares with a par value of MVR 1,000,000/- per share.		
18.2 Issued and Fully Paid Share Capital		
The issued and fully paid share capital comprises of 150 (2017:150) ordinary shares of MVR.1,000,000/- each.		
18.3 Dividends and voting rights		
The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote per share at the shareholders' meetings of the Company.		
19 REVALUATION RESERVE	31/12/2018 MVR	31/12/2017 MVR
Balance as at 1st January	230,024,580	244,318,010
Transfer of Revaluation Surplus to Retained Earnings	(16,815,610)	(16,815,610)
Deferred Tax on Revaluation Reserve for the Year	2,522,180	2,522,180
Balance as at 31st December	<u>215,731,150</u>	<u>230,024,580</u>
19.1 The Company's property, plant and equipment was revalued on 31st December 2011 by the professional values, Kanti Karamsey & Co. of No.412, Marker Chambers, Nariman point, Mumbai, India based on the open Market Value of the properties. The firm is Government registered firm, Fellow of Institution of Engineers (F.I.E- India), Member of the Practicing Valuers Association (P.V.A- India) and Fellow of Institution of Valuers, New Delhi (F.I.V).		
19.2 Transfer of Revaluation Surplus to Retained Earnings		
Revaluation surplus is realized to retained earnings on the basis of utilization of the asset. An amount equal to the difference between the depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's original cost is transferred from revaluation surplus (net of deferred tax) to retained earnings on an annual basis.		
20 LOANS AND BORROWINGS	31/12/2018 MVR	31/12/2017 MVR
As at 1st January	1,426,231,468	1,035,294,964
Loans Obtained During the Year	695,870,852	390,936,504
Repayments During the Year	(9,356,568)	-
As at 31st December	<u>2,112,745,752</u>	<u>1,426,231,468</u>
20.1 Non - Current Liabilities		
Loans and Borrowings	<u>1,832,055,671</u>	<u>1,152,473,998</u>
20.2 Current Liabilities		
Loans and Borrowings	<u>280,690,081</u>	<u>273,757,470</u>





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

FOR THE YEAR ENDED 31ST DECEMBER 2018

20 LOANS AND BORROWINGS (CONTINUED)

20.3 Terms and Repayment Schedule

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

20.4 The Ministry of Finance and Treasury ("MOFT") through its letter dated on 4th February 2019, has taken over the settlement of these loans and instructed the Company to transfer the loan balances (including accrued interest) as a capital contribution.



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

FOR THE YEAR ENDED 31ST DECEMBER 2018

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

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

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

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

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



**STATE ELECTRIC COMPANY LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2018**

24 CAPITAL MANAGEMENT

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

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

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

25 COMMITMENTS

25.1 Capital Commitments

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

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

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

25.2 Operating Leases

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

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

26 CONTINGENT LIABILITIES

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



**STATE ELECTRIC COMPANY LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2018**

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(i) Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

(ii) Risk Management Framework

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

(iii) Credit Risk

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

Comparative information under IAS 39

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

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

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

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

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

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

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

Expected credit loss assessment under IFRS 9

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

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

Measurement of ECL

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

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



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

FOR THE YEAR ENDED 31ST DECEMBER 2018

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iii) Credit risk (Continued)

Measurement of ECL (Continued)

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

31st December 2018

	Weighted Average Loss Rate	Gross Carrying Amount MVR	Loss Allowance MVR
1-30 days past due	1.0%	111,778,796	1,130,985
31-60 days past due	2.7%	28,400,058	758,768
61-90 days past due	9.2%	8,301,667	767,644
91-180 days past due	32.8%	6,028,978	1,980,151
181-360 days past due	79.5%	4,137,463	3,287,750
More than 360 days past due	100.0%	17,049,878	17,049,878
		<u>175,696,840</u>	<u>24,975,177</u>

1st January 2018

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

Gross carrying amount and loss allowance comprise the trade receivables.

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

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

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

The movements of allowance for impairment in respect of trade receivables and Related party receivables during the year is presented in Note 15.1 and 16.1 respectively to the financial statements. The comparative amounts in 2017 represents the allowance account for impairment losses under IAS 39.

Balances with Banks

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



STATE ELECTRIC COMPANY LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2018

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iv) Liquidity Risk (Continued)

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

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

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

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

*Loans and borrowings are excluding the interest payable.

(v) Market risk

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

(a) Interest rate risk

Profile

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

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

Cash Flow Sensitivity analysis for variable - rate instruments

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

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



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

FOR THE YEAR ENDED 31ST DECEMBER 2018

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(b) Currency Risk

Exposure to currency risk

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

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

The following significant exchange rate were applied during the year:

	Average Rate		Reporting date spot rate	
	2018	2017	31/12/2018	31/12/2017
1 US\$: MVR	15.42	15.42	15.42	15.42

In respect of the monetary assets and liabilities denominated in US\$, the Company does not have a limited currency risk exposure on such balances since the Maldivian Rufiyaa is pegged to the US Dollar within a band to fluctuate within ± 20% of the mid-point of exchange rate.

28 EVENTS AFTER THE REPORTING DATE

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

29 DIRECTOR'S RESPONSIBILITY

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

30 RELATED PARTY TRANSACTIONS

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

30.1 Transactions with Key Management Personnel

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

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



Corporate Information

Phone: 332 0982
Fax: 332 0736
Email: admin@stelco.com.mv
Website: www.stelco.com.mv
Customer Services: 331 4949
Fault Reports: 104

K. Villingili Powerhouse
Contact: 339-0688
E-mail Address: k.villingili@stelco.com.mv

K. Gulhifalhu Powerhouse
Contact: 799 3042
E-mail Address: k.gulhifalhu@stelco.com.mv

K. Thilafushi Powerhouse
Contact: 790 0178
E-mail Address: k.thilafushi@stelco.com.mv

K. Dhiffushi Powerhouse
Contact: 790 6641
E-mail Address: k.dhiffushi@stelco.com.mv

K. Gaafaru Powerhouse
Contact: 779-9150
E-mail Address: k.gaafaru@stelco.com.mv

K. Gulhi Powerhouse
Contact: 779-9154
E-mail Address: k.gulhi@stelco.com.mv

K. Guraidhoo Powerhouse
Contact: 664-4235
E-mail Address: k.guraidhoo@stelco.com.mv

K. Himmafushi Powerhouse
Contact: 664-0311
E-mail Address: k.himmafushi@stelco.com.mv

K. Kaashidhoo Powerhouse
Contact: 664-0141
E-mail Address: k.kaashidhoo@stelco.com.mv

K. Maafushi Powerhouse
Contact: 664-0002 / 664-0002
E-mail Address: k.maafushi@stelco.com.mv

K. Thulusdhoo Powerhouse
Contact: 664-0029
E-mail Address: k.thulusdhoo@stelco.com.mv

AA. Ukulhas Powerhouse
Contact: 799-3048
E-mail Address: aa.ukulhas@stelco.com.mv

AA. Bodufohludhoo Powerhouse
Contact: 798-6749
E-mail Address: aa.bodufohludhoo@stelco.com.mv

AA. Mathiveri Powerhouse
Contact: 795-0236
E-mail Address: aa.mathiveri@stelco.com.mv

AA. Himandhoo Powerhouse
Contact: 795-2348
E-mail Address: aa.himandhoo@stelco.com.mv

AA. Thoddoo Powerhouse
Contact: 911-8490
E-mail Address: aa.thoddoo@stelco.com.mv

AA. Feridhoo Powerhouse
Contact: 797-8046
E-mail Address: aa.feridhoo@stelco.com.mv

AA. Maalhos Powerhouse
Contact: 779-9145
E-mail Address: aa.maalhos@stelco.com.mv

AA. Rasdhoo Powerhouse
Contact: 979-0405
E-mail Address: aa.rasdhoo@stelco.com.mv

ADH. Omadhoo Powerhouse
Contact: 796-0280
E-mail Address: ad.omadhoo@stelco.com.mv

ADH. Kumburudhoo Powerhouse
Contact: 790 6643
E-mail Address: ad.kumburudhoo@stelco.com.mv

ADH. Dhigurah Powerhouse
Contact: 790 6640
E-mail Address: ad.dhigurah@stelco.com.mv

ADH. Dhidhdhoo Powerhouse
Contact: 796-0433
E-mail Address: ad.dhidhdhoo@stelco.com.mv

ADH. Fenfushi Powerhouse
Contact: 793-0127
E-mail Address: ad.fenfushi@stelco.com.mv

ADH. Hangnameedhoo Powerhouse
Contact: 966-8660
E-mail Address: ad.hangnameedhoo@stelco.com.mv

AA. Bodufohludhoo Powerhouse
Contact: 798-6749
E-mail Address: aa.bodufohludhoo@stelco.com.mv

ADH. Mahibadhoo Powerhouse
Contact: 966-7796
E-mail Address: ad.mahibadhoo@stelco.com.mv

ADH. Dhangethi Powerhouse
Contact: 797 1141 | 797 1142
E-mail Address: ad.dhangethi@stelco.com.mv

ADH. Mandhoo Powerhouse
Contact: 792-0407
E-mail Address: ad.mandhoo@stelco.com.mv





STATE ELECTRIC COMPANY LIMITED

Ameenee Magu, P.O Box 2184, Male', 20349, Republic of Maldives

Tel: (960) 332 0982, Fax: (960) 332 7036 Email: admin@stelco.com.mv

web: www.stelco.com.mv