

ANNUAL REPORT 2022

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ABOUT THE COMPANY

Established in 1995, MWSC is the pioneer organization in the Maldives to administrate a water production and wastewater management system to counter the issue of water shortages and a lack of an appropriate sewer system in the capital island Male'. MWSC was established with the key objective to design, develop, operate and maintain the public water supply and wastewater disposal system in the Greater Male' Region. Today, our utility services have expanded to include electricity and waste management services under its umbrella. Presently, our operations are established in the Greater Male region, K. Maafushi, HDh. Kulhudhufushi and R. Dhuvaafaru and proudly serves to over 50% of Maldivians. Building around its strong foundation in the field of utility services, MWSC embarked on a diversification journey in 2002 by incorporating Island Beverage Maldives (IBM) as a subsidiary firm specialized in bottled water production and distribution. MWSC became the first pipe producer in Maldives by commencing PE and PVC pipe production in 2015. MWSC's diversification journey has continued till to date and is now a renowned multi-disciplined Engineering and Manufacturing Company. MWSC's four core business units are utility operations; manufacturing operations; engineering solutions; and trading.



OUR VISION

To provide safe water and sewerage services that is sustainable, affordable and environment friendly.



OUR MISSION

To contribute to the continuous development of the Maldivian Society, and improve the quality of life of its people, through the provision of safe water and sewerage services.



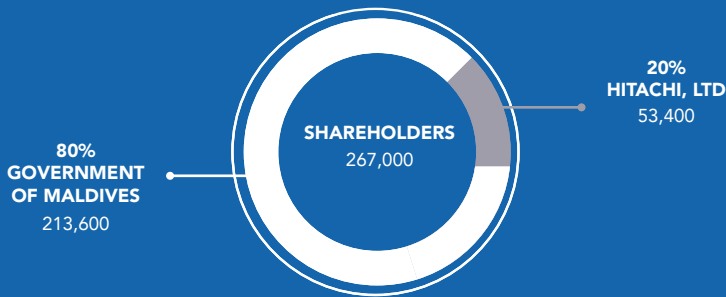
CORE PURPOSE

To help our communities lead a PURE life.

SHAREHOLDERS

Hitachi Ltd holds 20% of MWSC's shares while 80% is owned by the Government of Maldives since 2010. Knowledge transfer and continued assistance from Hitachi Ltd are immensely valued and is considered a prominent strength of MWSC.

The issued share capital of the company as of the balance sheet date was MVR267 million and no option, warrants or conversion right have been granted during the year in respect of the Company's share capital. There has been no change to the shareholding structure of the Company in 2021 and remain as follows as of 31st December 2021.



SUBSIDIARIES

The only subsidiary of MWSC is the joint venture company established for the water bottling operations, Island Beverages Maldives Pvt Ltd. (IBM). Out of the 15,000 shares issued by IBM, MWSC holds 51 percent while Joint Venture Partners Champa Brothers Maldives Pvt. Ltd. holds 49 percent. Island Beverages Maldives Pvt Ltd currently led by its Managing Director, Mr. Ibrahim Anwar, who also represents MWSC on IBM's Board of Directors.

Island Beverages Maldives Pvt Ltd has played a pivotal role in overall corporate strategy, contributing to our growth and expanding our presence in the industry.

Looking ahead, we remain confident in the continued success of Island Beverages Maldives Pvt Ltd. Our strategic focus on innovation, operational excellence and customer satisfaction will enable the subsidiary to thrive in a rapidly evolving market landscape. We will continue to provide the necessary resources and support to foster its growth and capitalize on future opportunities.

BOARD OF DIRECTORS



MR.HASSAN SHAH
MANAGING DIRECTOR

Mr. Hassan Shah was appointed as the Managing Director and Executive Director of the Board of MWSC on 21st January 2020.

Prior to his appointment as Managing Director of MWSC, Mr. Shah held the position of Chief Executive Officer of Maldives Transport and Contracting Company Plc and Chairman of Maldives Post Limited. He has also served at the Ministry of Environment as the Minister of State, as a member of the Elections Commission of the Maldives and as a Director of Water Solutions Private Limited. Mr. Shah is a registered Environmental Impact Assessment (EIA) Consultant.

Mr. Shah holds a Bachelor's Degree in Environmental Science from Yuvaraja's college, University of Mysore, India.

Mr. Shah is an executive, non-independent director of the Board appointed by the Government of Maldives. Mr.Shah is the Chairman of Board Directors of Island Beverages Maldives Pvt. Ltd (IBM) to representing Male' Water & Sewerage Company Pvt. Ltd.



MR.MOHAMED SHAREEF
DEPUTY MANAGING DIRECTOR

Mr. Mohamed Shareef was appointed as the Deputy Managing Director and Executive Director of the Board of MWSC on 28th February 2019.

Mr.Shareef served at different positions within the Government of Maldives and has served as the Branch in-charge Manager of Bank of Maldives Villingili Branch. Mr. Shareef also serves as an Executive Director of Alihavasaa Construction and Carpentry Pvt Ltd.

Mr. Shareef is an executive, non-independent director of the Board appointed by the Government of Maldives. Mr.Shareef also serves as a Board Director of Island Beverages Maldives Pvt. Ltd (IBM) to representing Male' Water & Sewerage Company Pvt. Ltd.



MR.SHU KODAMA
DIRECTOR

Mr. Shu Kodama was appointed as a Director of the Board of MWSC on 18th October 2018.

Mr.Kodama serves as General Manager of Global Strategy/M&A, Corporate Strategy Division, Water & Environment Business Unit at Hitachi Limited and has served at different positions at Hitachi Ltd in Japan and USA.

Mr. Kodama holds a Master of Business Administration (MBA) from Columbia University, New York, USA and Bachelor of Science in Physics from University of Michigan, Ann Arbor, USA.

Mr.Kodama is a non-executive, independent director of the Board appointed by Hitachi Limited.



MS.FATHMATH HANA YOOSUF
DIRECTOR

Ms.Fathmath Hana Yoosuf was appointed as a Director of the Board of MWSC on 06th March 2019.

Ms.Hana is highly experienced HR consultant at H-HR Consultancy providing consultancy in employment law and HR compliance. Mr.Hana held the position of Manager, Human Resources at MWSC from 2014-2015 and has served at several different positions within the Company during her long tenure.

Ms.Hana holds a Bachelor of Business Administration (Hons) Human Resource Management from Multimedia Univeristy, Melaka, Malaysia. Ms.Hana is a non-executive, independent director of the Board appointed by the Government of Maldives.



MR. IBRAHIM ANWAR
DIRECTOR

Mr. Ibrahim Anwar was appointed as a Director of the Board of MWSC on 18th July 2019.

Mr. Anwar has rich academic background and in depth knowledge in accounting, auditing and taxation. Mr. Anwar served as Senior Manager (Accounts and Finance) at Far Horizon Pvt Ltd and Financial Controller at Islanders Group Pvt Ltd. Mr. Anwar is also a part-time lecturer at Islamic University of Maldives.

Mr. Anwar holds Master of Accounting from Monash University, Caulfield, Australia and Bachelor of Accounting (Hons) from International Islamic University Malaysia, Malaysia.

Mr. Anwar is a non-executive, independent director of the Board appointed by the Government of Maldives. Mr. Anwar also serves as a Board Director of Island Beverages Maldives Pvt. Ltd (IBM) representing Male' Water & Sewerage Company Pvt. Ltd. in the Board of Directors of Island Beverages Maldives Pvt. Ltd. (IBM) and is appointed as the Managing Director of Island Beverages Maldives Pvt. Ltd (IBM).



MR. AHMED EVAN ISMAIL
DIRECTOR

Mr. Ahmed Evan Ismail was appointed as a Director of the Board of MWSC on 24th November 2020.

Mr. Evan serves as a Director at Triento Maldives Pvt Ltd, a company assisting in organizational development. Mr. Evan holds a Bachelor of Science (Hons) in Business Information System from University of East London, UK.

Mr. Evan is a non-executive, independent director of the Board appointed by the Government of Maldives.

EXECUTIVE MANAGEMENT

The Board of Directors have delegated the primary authority to implement its policies and achieve strategic objectives to the Executive Management Team (EMT) which is led by the Managing Director. During the year 2021, the Company continued to be successfully managed by the EMT, which consists entirely of local managers. The EMT managed the affairs of the Company within the policy framework and ensured that best practices are followed in dealing with employees, customers, suppliers and the community at large.



Hassan Shah
Managing Director



Mohamed Shareef
Deputy Managing Director



Yoosuf Naleez
General Manager
Human Resource &
Administration



Ali Shaheem
General Manager
Manufacturing



Rusthum Mohamed
General Manager
Operation



Mohamed Imran Adnan
General Manager
Depy Recovery



Ahmed Hunaif
General Manager
ICT



Bushra Hameed
General Manager
Engineering



Mohamed Sameer
General Manager
Business Development

In 2021, the EMT was led by Managing Director Mr. Hassan Shah since his appointment to the position on 21st January 2020. His appointment has been duly filed with the Registrar of Companies.

COMPANY SECRETARY

In 2021 the position of Company Secretary was held by Ms. Fathimath Liusha who continued to hold the position since her appointment on 14th January 2021. Her appointment was also duly filed with the Registrar of Companies.





DIRECTORS REPORT

The Board of Directors take pleasure in presenting their report together with the Audited Annual Financial Statements of Male' Water & Sewerage Company Pvt. Ltd. (MWSC) and the Group for the year ended 31 December 2021.

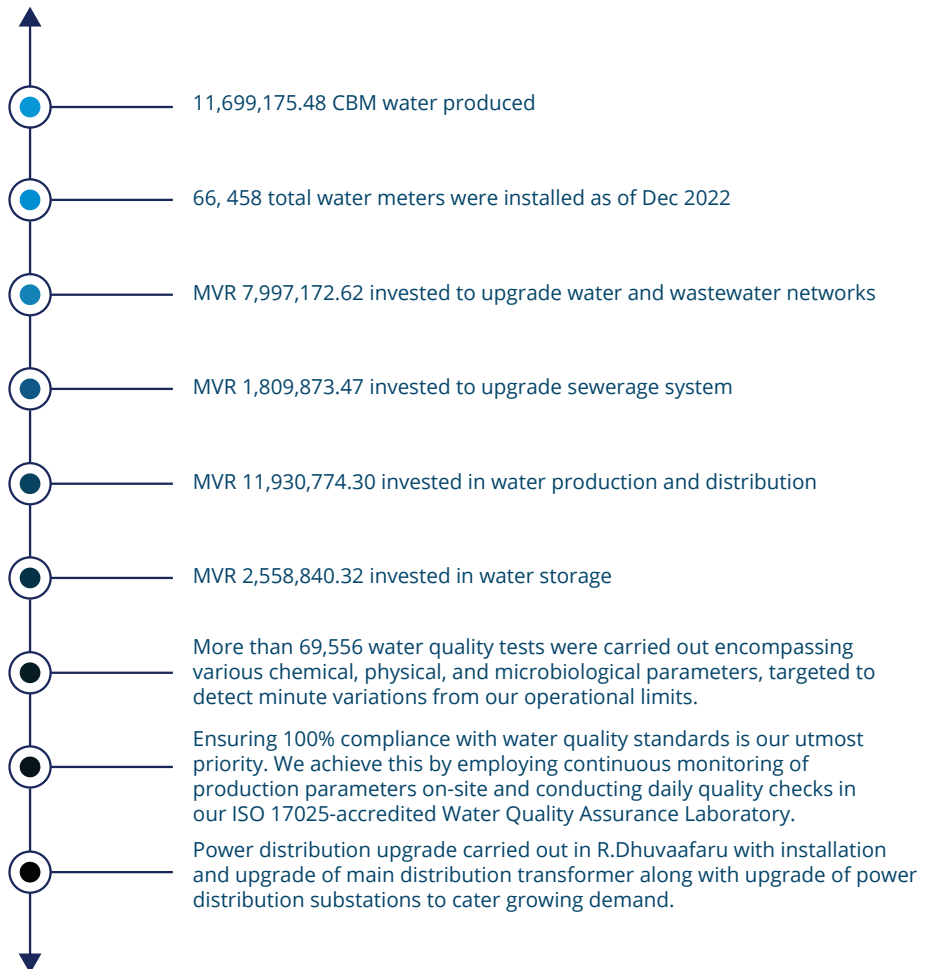
MAJOR ACHIEVEMENTS

UTILITY

Utility Sector has been the core business of MWSC since 1995 and has been successful in delivering its key mandates i.e. provision of water, wastewater in Greater Male' Region, K.Maafushi, Hdh.Kulhudhuffushi. MWSC has also been providing integrated utility service (includes water, wastewater, electricity and waste management services) to the people of R.Dhuvaafaru since 2013.

Maldivian islands have been drastically developing over the past decade and it has been challenging yet a fulfilling privilege for MWSC to provide such a fundamental right to the Maldivian communities.

2022'S KEY HIGHLIGHTS OF UTILITY SECTOR BUSINESSES;



NON UTILITY HIGHLIGHTS

MWSC began its diversification journey in 2004 with the commencement of turnkey water and wastewater projects to outer islands. MWSC has since helped so many island communities to access clean water and sanitation. In 2011, investments were made in Manufacturing business followed by a third investment in Trading business in 2016. We have manufacturing plants in Hulhumale, Gulhifalhu and R.Dhuvaafaru offering a range of products from PET bottles, glass bottles and pipes across Maldives and MWSC's Showroom has been selling MWSC's own brands of the manufactured goods along with imported water and wastewater related products to suit market needs.

It has been a key objective over the years to strengthen non-utility sector businesses i.e., Engineering, Manufacturing and Trading businesses to bring in supplementary economic benefit to the company.

2022'S KEY HIGHLIGHTS OF NON-UTILITY SECTOR BUSINESSES.

ENGINEERING



TRADING & MANUFACTURING



Completed TaZa returnable glass bottling project installation and commissioning at Hulhumale bottling factory.

Began production of Maldives' first ever premium glass-bottled water series named 'Aro'.

Conversion of R. Dhuvaafaru Bottling line to handle lightweight bottles that would reduce plastic raw material consumption by 25%.



QUALITY ASSURANCE

MWSC takes pride in the uncompromising quality services offered that is reflected in international standards obtained such as ISO 9001:2015, ISO 22000: 2005, OHSAS 18001:2007 and HACCP.

MWSC's water testing facility is one of the largest and fully fledged facility in the country conforming with ISO/IEC 17025:2005 which specifies requirement for standardized water testing laboratory.

MWSC values quality assurance as a fundamental prerequisite and is in 24/7 watch to ensure 100% safety to customers.

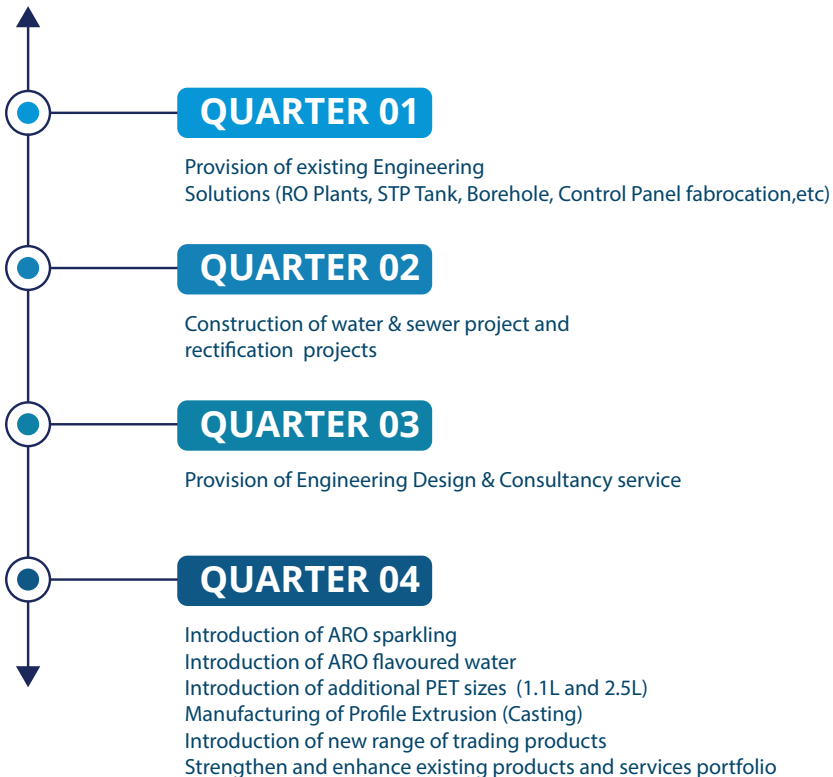


OUTLOOK FOR 2022

Utility businesses are MWSC's core operations, and projects such as water production and storage expansion, water and wastewater network extension/ upgrading and long-term water security are prioritized to ensure the Maldivians we serve are provided continued and reliable service. Utility businesses reiterate MWSC's purpose 'to help communities lead a pure life'. It is a privilege for the Company to offer the best quality and uninterrupted service to Maldivians.

The annual revenue goal for 2023 is to achieve MVR 2.1 billion in total revenue of which 52% of income will come from non-utility sector and 48% from utility sector. Annual revenue goal is inspired to strengthen MWSC's non-utility sector to bring in supplementary economic benefit to the company and the Maldivian islands. MWSC's non-utility sector businesses increase economic activity in the communities we operate and contribute to the GDP and overall development of the nation.

KEY NON-UTILITY EXPANSIONS PLANNED FOR 2023;





INTERGRATED SUSTAINABILITY

CORPORATE SOCIAL RESPONSIBILITY

We hold a strong commitment to making a positive impact on communities in the Maldives. Our efforts encompass a wide range of contributions to various institutions, non-governmental organizations, and local communities throughout the country.

— — — — —
MWSC is dedicated to fulfilling its role as a responsible corporate within the communities where we operate, driven by our strong belief in making a positive impact.
— — — — —

PRESERVING THE ENVIRONMENT

Our endeavors to address the issue of plastic waste directly contribute to the government's Strategic Action Plan (SAP) aimed at reducing the usage of single-use plastic throughout the nation.

In the latter half of 2022, MWSC introduced ARO Premium water, a new brand of high-quality water packaged in glass bottles. This innovative concept exemplifies our unwavering dedication to preserving the natural splendor of this small island nation. The novelty of ARO brand is that it promotes and provide an authentic Maldivian product that would reflect the Maldivian beauty, culture, values and its people.

SUPPORTING THE COMMUNITY

MWSC remains committed to supporting community development programs that encompass various areas such as the environment, education, technical fields, health, sports, and the empowerment of youth and women throughout the Maldives. Our allocated budget is utilized to offer both in-kind contributions and financial donations to nonprofit organizations and government entities, with the aim of fostering socio-economic progress within local communities.

In 2022, MWSC entered into an agreement and collaborated with the Ministry of Higher Education to provide sponsorship for local principals. This collaboration aims to address the significant skills shortage in this area, thereby benefiting the nation by fostering skill development.

MWSC also generously funded the establishment of a Dialysis Centre in Lh. Atoll Hospital, prioritizing the well-being of the community and ensuring that patients in need have convenient access to crucial life-saving dialysis treatment within the region.

Moreover, since 2020, MWSC has consistently provided support and funding to the Care Society of Maldives as a testament to our unwavering commitment to empowering individuals with disabilities. Through this initiative, we strive to foster inclusivity, create equal opportunities, and enhance social well-being within the community.





FINANCIAL REVIEW

In 2022, the geopolitical landscape posed substantial challenges and exhibited high levels of volatility, characterized by unprecedented inflationary conditions globally. As a utility and construction organization heavily reliant on energy and material costs, MWSC too was not immune to these challenges and faced significant hurdles throughout the year.

Despite these adversities, MWSC managed to achieve a revenue growth of 27%, primarily driven by increased earnings in the construction and utilities sectors. While achieving revenue growth is a significant objective, the enhancement of profit holds a crucial position in MWSC's value creation strategy. During 2022 our net profit and gross profit was negatively impacted by soaring material and energy costs due to widespread inflation, however due to the strategies implemented by the Management, MWSC demonstrated resilience in navigating this challenging environment and generated a net profit margin for the year 2022 of 12%, and a gross profit margin of 35%. In 2022, the purchasing price of fuel witnessed a twofold increase compared to the year-ended 2021.

In 2022 MWSC's operating profit stood at MVR 258 million. During the year 2022 the company recorded escalated administrative costs attributed to the recruitment of new staff members to support the increase and magnitude in operations.

MVR Millions	2018	2019	2020	2021	2022
Revenue	1,254	1,049	927	1,232	1,564
EBITDA	578	506	416	441	363
Profit After Tax	411	319	255	283	191
Basic EPS (MVR)	1,541	1,157	968	1,077	727
Dividends per Share	925	694	728	503	428
Free Cash Flow	382	216	249	28	(78)
Net Assets	1,441	1,499	1,572	1,666	1,726
Total Assets	2,182	2,469	2,891	2,891	3,444
ROCE	33.06%	24.07%	18.52%	18.52%	11.41%

**EBITDA (Earnings before interest, taxes, depreciation, and amortization) is calculated Revenue Plus Other Income Less Cost of sales, Administrative costs, Sales and marketing costs and adding up Depreciation & amortization.*

**Free cash flow is calculated Profit Before Tax less increase in Working capital and Capital expenditure.*

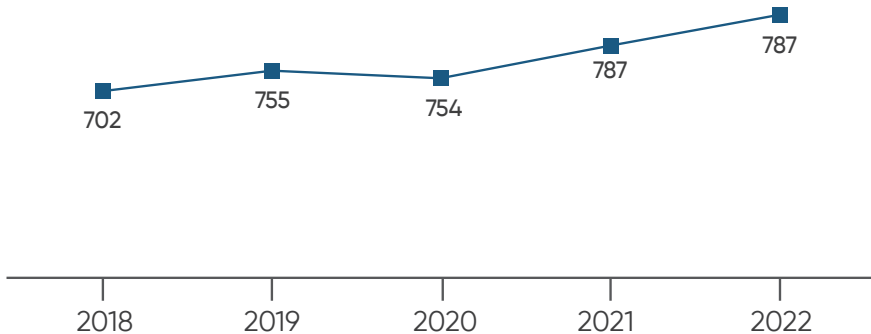
REVENUE

MWSC's revenue primarily consists of income from water revenue, project revenue, and revenue from the sale of bottled water and related products. These sources collectively accounted for 99% of the company's total turnover in FY2022. The total revenue for the year 2022 amounted to MVR 1,564.1million, reflecting a significant 27% growth compared to the previous year (FY2021: 1,232.3 million). The water segment remains the leading contributor to the overall revenue of the company, followed by the projects and manufacturing/trading segments.

UTILITY REVENUE

The revenue generated from the Utility Segment, which includes water sales, electricity sales, and wastewater management, amounted to MVR 854.5 million in FY2022, representing a 9% growth compared to the previous year (FY2021: MVR 786.6 million). This increase in revenue can be attributed to the positive developments witnessed in the Utility sector throughout 2022, primarily driven by a rise in population within the greater Male' region. Notably, the Domestic category emerged as the largest contributor to the revenue growth.

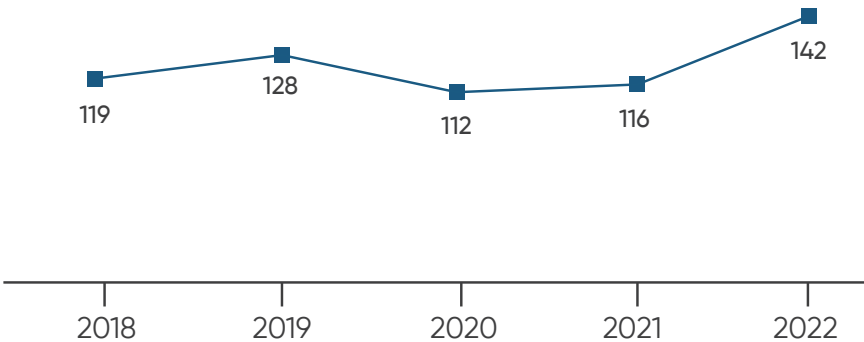
Utility Revenue (MVR in millions)



MANUFACTURING, TRADING AND PROJECTS REVENUE

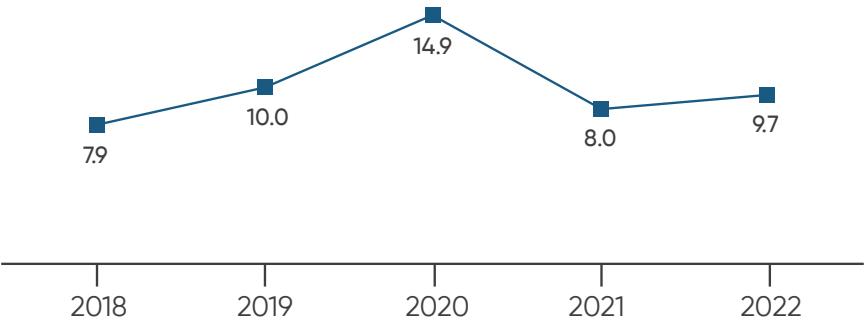
Income from Manufacturing segment includes revenue generated through drinking water bottling operation, (Intercompany sales to our subsidiary company) and Pipe Manufacturing and sales from this segment grew by 23% to reach MVR 142 million (FY2021; MVR 116 million). The biggest contributors to the increased revenue were Bottling which reported double digit growth of 18% and pipe manufacturing revenue which increased by over 600% compared to FY2021. Manufacturing revenue is the third largest contributor to the total revenue of the Company.

Manufacturing Revenue (MVR in millions)



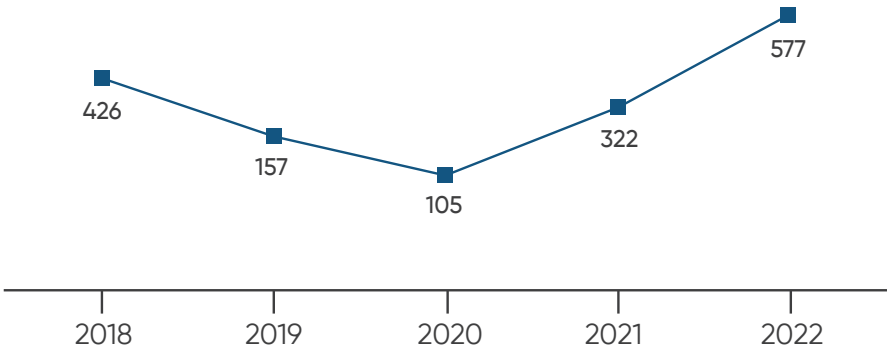
The income from Trading operations amounted to MVR 9.7 million in FY2022 (FY2021: MVR 8.0 million), reflecting a significant increase of 21% compared to the previous year. This income encompasses the sale of equipment and parts related to Water & Sewerage facilities, Water Quality testing, and asset rentals.

Trading Revenue (MVR in millions)



The income from Engineering Operations reached MVR 557 million in FY2022 (FY2021: MVR 322 million), demonstrating an impressive growth of 73% compared to the previous year. This revenue primarily stems from the construction of Water & Sewerage Network projects provided by the Government and carried out across various local islands including the 20 island water and sewerage projects. The year 2022 witnessed a surge in external project revenue due to the substantial progress made in completing these projects. This progress aligns with the Government's initiative to provide sewer and water networks to the public, with the goal of completing these projects before the end of the third quarter of 2023.

Projects Revenue (MVR in millions)

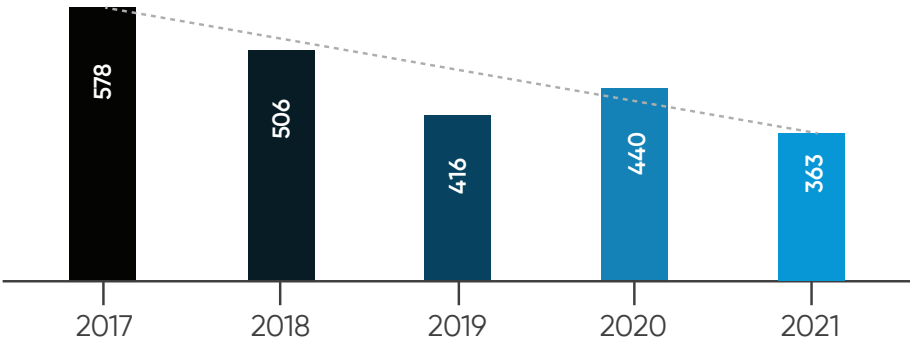


EBITDA

The company experienced a significant decline of 17.7% in Earnings Before Interest, Tax, and Depreciation & Amortization (EBITDA) compared to 2021, resulting in a total EBITDA of MVR 362.5 million. This decline can be primarily attributed to the adverse impact of fuel and cost inflation. Despite achieving a commendable 27% increase in revenue and a notable 29% increase in other income, the company faced challenges due to the higher Cost of Sales to sales ratio in 2022 compared to 2021.

The decline in EBITDA resulted from a substantial increase of MVR 365 million in the Cost of Sales. This increase was influenced by higher global fuel prices resulting from the Russia-Ukraine conflict, as well as an upsurge in depreciation charges due to the capitalization of capital work in progress. The average purchase price of fuel for the Company increased two fold in 2022 compared to that of 2021.

EBITDA (MVR in millions)

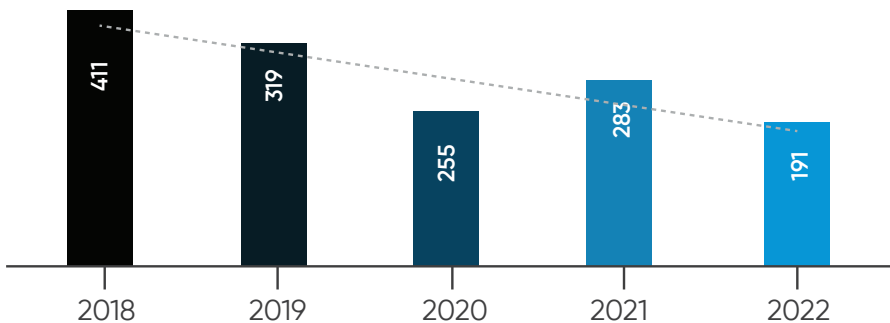


PROFIT AFTER TAX

The Company recorded a net profit of MVR 190.5 million in FY2022 (FY2021: MVR 282.8 million). The Gross Profit Margin in 2022 was 35% and the Net Profit Margin in 2022 was, indicating the adverse impact of rising Cost of Sales and increased other expenses. Despite the increase in expenses, the company was unable to absorb the incremental cost by increasing the selling price of utilities due to the regulatory restrictions placed on utility tariffs. Furthermore, despite the alterations in the business environment and the rise in inflation, the revenue generated from projects could not be augmented due to fixed contractual agreements.

It is to be noted the Company's water operations do not receive any fuel subsidies which would help offset the mounting fuel costs. To cover the incremental impact of the rising costs, two potential strategies could be pursued: either increasing the sales price or obtaining subsidies to cover the escalating fuel expenses. However, the Company was unable to implement either of these options.

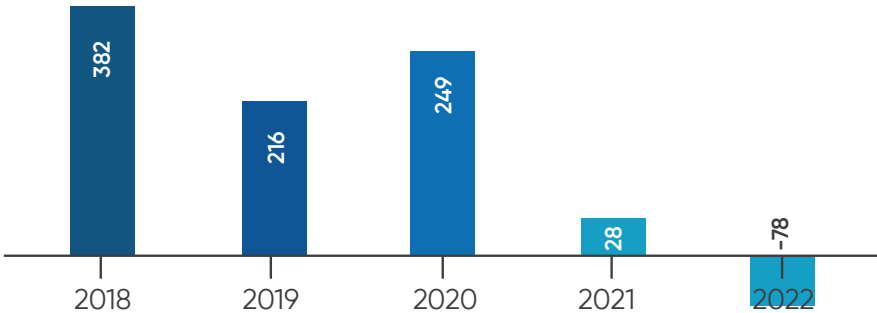
Profit After Tax (MVR in millions)



FREE CASH FLOWS

The Free cash flow* for FY 2022 was negative MVR 78mn. Capital expenditure remained at an elevated level, MVR 40mn above the amount for 2021. The majority of the increase in receivables are attributable to the Engineering segment which show a significant growth in Government project related billings made during the year.

Free Cash flows (MVR in millions)



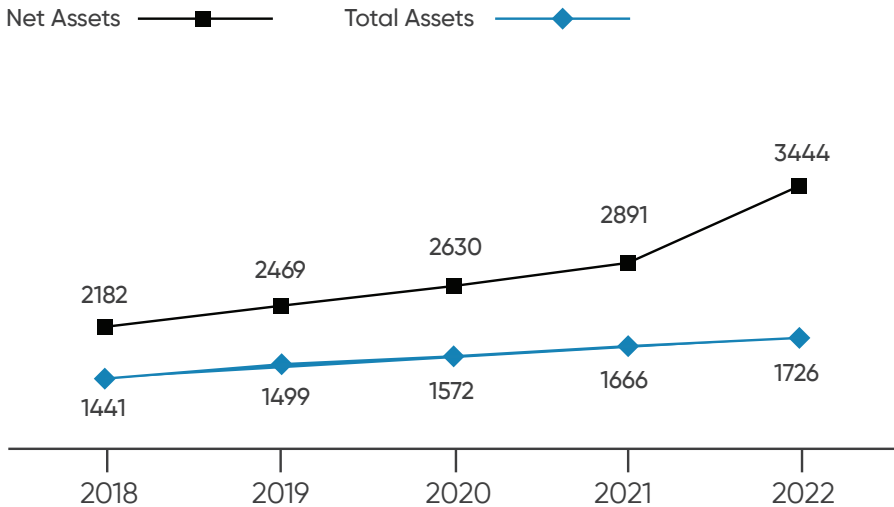
**Free cash flow (FCF) is defined as cash flow from operating activities, less net capital expenditure and net interest payments.*

ASSETS

MWSC has recorded MVR 3.44bn worth of total assets (FY2021; MVR 2.89bn). These are assets largely comprised of Reverse Osmosis (RO) plants, generators, bore-well, control pumps, water network systems, sewerage network systems, buildings and right of use assets.

The Return on Capital Employed (ROCE) declined to 11.4% in FY2022 compared to 18.5% in FY 2021. The tangible and intangible assets of the Company are secured by insurance.

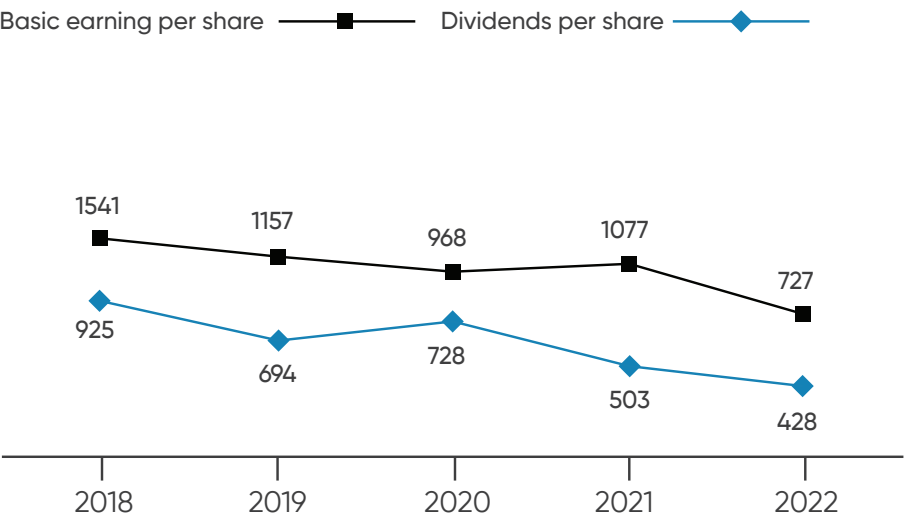
Fixed Assets (MVR in millions)



SHAREHOLDER'S VALUE

The year 2022 financials shows, the basic earnings per share is MVR 727 / share (FY2021; MVR1077 / share). The Company will maintain the dividend payout ratio same as the previous year. For the financial year 2022, the amount proposed to be paid to shareholders is MVR 114.3 million (FY2021; MVR 134.2 million), contributing to FY 2022: MVR 428/ share (FY21: MVR 503 / share).

Shareholder's Value (MVR in millions)



SUBSIDIARY PERFORMANCE

The subsidiary company established for the water bottling operations, Island Beverages Maldives Pvt Ltd. (IBM), recorded a net profit of MVR 7.4 million in 2022 compared to a net profit of MVR 6.1 million in 2021. Out of the 15,000 shares issued by IBM, MWSC has 51% shareholdings and Champa Brothers Maldives Pvt. Ltd. has 49% shareholdings.

In the fiscal year ending on December 31, 2022, IBM achieved a record-breaking sales volume of 4.12 million cases of TaZa bottled water. This outstanding performance can primarily be attributed to the establishment of the Hulhumale Sales center, strategically positioned to cater to the growing populations in various Hulhumale districts.

The introduction of 5G and glass bottles in August 2022 marked a significant milestone for the TaZa product line, with the TaZa 5G sales positively increasing and expected to reach the projected numbers by the end of 2023.

IBM's partnership agreement with MIFCO also played a crucial role in the company's success. Moreover, the decision to diversify the product portfolio by including Pepsi products served as a pivotal step towards IBM's strategic direction.

MVR Millions	2018	2019	2020	2021	2022
Revenue	170	182	151	175	209
EBITDA	19	16	4	23	26
Profit After Tax	10	1	(11)	6	7
Basic EPS (MVR)	642	65	(724)	406	498
Dividends per Share	242	26	-	-	-
Free Cash Flow	(12)	9	1	(9)	4
Net Assets	53	50	39	45	50
Total Assets	131	145	135	124	138
ROCE	17%	6%	-24%	15%	15%

**EBITDA (Earnings before interest, taxes, depreciation, and amortization) is calculated Revenue plus Other Income less Cost of sales, Administrative costs, Sales and marketing costs and adding up Depreciation & amortization.*

**Free cash flow is calculated Profit Before Tax less increase in Working capital and Capital expenditure.*

NET PROFIT DISTRIBUTION

In accordance with the dividend policy of the Company, the Directors recommended to declare 60 percent of the net profit of the Company for the year 2022 as dividend to the shareholders, and the balance 40 percent will be retained in the Company.

STAFF BONUS

Ever since the Company started making profit, it has been customary for the Board of Directors to declare a bonus to the staff which is based on a percentage of the net profit. The Bonus is distributed to all deserving staff that is determined through the annual staff appraisal system. The bonus is distributed pro-rata to the basic salary. With reference to a circular issued from the Ministry of Finance to SOE's, it has been decided that bonus should not exceed 3% of the dividend declared for the year. As such, the Board of Director's declared 3% percent of dividend as bonus to the staff.

EVENTS AFTER THE BALANCE SHEET DATE

Since 31st December 2022 to the date of this report, no matter or circumstances have arisen that, in the opinion of the Directors, has significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years, which would require any adjustments or disclosures to the Financial Statements

GOING STATE OF AFFAIRS

There were no other significant developments in the state of affairs of the Company during the year ended 31 December 2022 not otherwise disclosed in this report or the Audited Financial Statements of the Company.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE STATEMENT

We are pleased to present the Corporate Governance Report as part of our Annual Report for the fiscal year 2022.

The Board of Directors of Male' Water and Sewerage Company Pvt Ltd ("MWSC") considers good corporate governance to be the foundation of a well-managed institution. The Board is fully committed to integrity and fair dealing in all its activities and has adopted best practices of corporate governance in all areas of its business towards enhancing business prosperity and corporate accountability with the ultimate objective of safeguarding the interests of all stakeholders and enhancing shareholders' value.

MWSC's approach to corporate governance practices is founded on its own Corporate Governance Code and seeks to apply the principles and recommendations set out in Code of Corporate Governance for State Owned Institutions ("CG Code for SOE") developed by the Privatization and Corporatization Board of Ministry of Finance.

BOARD OF DIRECTORS

Our Board of Directors plays a pivotal role in overseeing the Company's strategic direction and decision making processes. Comprising experienced and diverse individuals, the Board brings a wealth of knowledge and expertise to guide the organization.

Within a robust corporate governance framework, the Board of Directors of MWSC are collectively responsible for leading the company in enhancing shareholder value and fulfilling its social responsibilities by fostering a culture of compliance that values personal and highest standards of corporate integrity, accountability and continuous improvement.

Assuming stewardship of the Company, the provides strategic direction, counsel and oversight to the management of the Company in the interest of and for the benefit of the Company and its shareholders.

THE BOARD'S KEY RESPONSIBILITIES INCLUDE, BUT ARE NOT LIMITED TO, THE FOLLOWING:

Strategy and Management Oversight: The Board engages in constructive dialogue with senior management of the Company on their short and long-term business and financial strategies, and reviews and evaluates management performance and progress in delivering on MWSC's strategic goals for long-term shareholder value creation. The Board recognizes that creating long-term value for the Company's shareholders require consideration of the concerns of other stakeholders including customers, employees and the communities in which MWSC operates.

Establish Effective Internal Controls: The Board has ultimate responsibility for implementing effective systems for internal controls and have oversight of MWSC's risk management activities. The Board's Audit and Remuneration Committee assists the Board in overseeing management's risk assessment and risk management activities within the areas delegated to it.

Protecting Integrity of MWSC's Accounting and Financial Reporting Systems: In ensuring the integrity of the essential reporting and monitoring systems the Board sets and enforce clear lines of responsibility and accountability throughout MWSC. The Board also ensures that there is appropriate oversight of senior management through the internal audit system that reports to the Board within the areas delegated to it.

BOARD COMPOSITON

MWSC's Board of Directors have vast knowledge, experience and insight into the financial, business, human resource, operational as well as commercial aspects and opportunities in various business models and are therefore able to exercise objective judgement on corporate affairs independently from management.

The Board presently consists of seven members of which six Directors are appointed Government of Maldives and one Director is appointed by Hitachi Ltd. Out of the seven Directors, four are Non-Executive & Independent Directors.

MWSC considers a strong element of independence on the Board vital for good corporate governance and it performs an annual review of the independence of the Directors. An Independent Director is defined as a Director who is independent of management and free from any business or other relationship, which could interfere with the exercise of independent judgement or the ability to act in the best interest of MWSC.

Independent Non-Executive Directors of MWSC exercise independent judgement and participate in the deliberations of the Board objectively with no individual or small group of individuals dominate the Board's decision-making process

The current composition of the Board is shown below and there were no changes to the Board of Directors in 2022.



Hassan Shah
Managing Director, Executive
Appointment Date: 21 Jan 2020



Mohamed Shareef
Director, Executive
Appointment Date: 28 Feb 2019



Shu kodama
Director, Non-Executive
Appointment Date: 10 Oct 2018



Ahmed Evan Ismail
Director, Non-Executive
Appointment Date: 24 Nov 2020



Fathimath Hana Yoosuf
Director, Non-Executive
Appointment Date: 06 Mar 2019



Ibrahim Anwar
Director, Non-Executive
Appointment Date: 18 Jul 2019

ROLE OF CHAIRPERSON AND MANAGING DIRECTORS

The role of the Chairman and the CEO/Managing Director are distinct and separate; the Chairman, being non-executive, is not involved in the day-to-day operations of MWSC. He plays a crucial role in ensuring the smooth functioning of the Board and encourages healthy debates on strategic and critical issues. He chairs Board meetings and arranges separate sessions with the Non-Executive Directors to review Management's performance.

The Managing Director oversees the development and execution of MWSC's corporate and business strategy and is ultimately responsible for managing MWSC's day-to-day operations.

NON-EXECUTIVE DIRECTORS

The number of Non-Executive Directors on the Board of MWSC exceeds the minimum ½ requirement laid down in CG Code for SOE Guidelines.

BOARD MEETINGS

During the past year, in addition to the regular reviews of significant policies, business and other proposals which require the Board's approval, the board also held monthly meetings to review reports on MWSC's financial performance, internal and external projects and investments. Furthermore, ad-hoc Board meetings were sometimes called to deliberate and assess corporate proposals or business issues that require the Board's immediate consideration. When exigencies prevent a Board member from attending meeting in person, he can participate by telephone-conferencing or appointment of a proxy as permissible under MWSC's Articles of Association. Board's approval for urgent matters may be obtained through written resolutions approved by circulation.

All Directors are supplied with information on a timely manner. The agenda for each Board meeting, together with detailed reports and proposal papers to be tabled, are circulated to the Directors for their perusal in advance of the date of the Board meeting. When necessary, senior staff are invited to attend Board meetings to provide the Board with detailed explanations and clarifications on proposals tabled to enable the Board to make an informed decision.

During the year ended 31 December 2022, a total of eleven (11) Board meetings were held. The details of attendance of each Board member are as follows

During the year ended 31 December 2022, a total of eleven (11) Board meetings were held. The details of attendance of each Board member are as follows

Name	Position	Attendance	Appointed Date	End of Tenure
Mr. Ahmed Mausoom	Chairperson, Non-Executive	11/11	06 - Feb - 2019	28 - May - 2023
Mr. Hassan Shah	Managing Director, Executive	11/11	21 - Jan - 2020	-
Mr. Mohamed Shareef	Director, Executive	11/11	28 - Feb - 2019	-
Mr. Shu Kodama	Director, Non-Executive	05/11	10 - Oct - 2018	-
Ms. Fathimath Hana	Director, Non-Executive	11/11	06 - Mar - 2019	-
Mr. Ibrahim Anwar	Director, Non-Executive	11/11	18 - July - 2019	-
Mr. Ahmed Evan ismail	Director, Non-Executive	11/11	24 - Nov - 2020	-

MAJOR KEY DECISIONS TAKEN BY THE BOARD OF DIRECTORS DURING THE YEAR

To enhance its effectiveness in discharging its fiduciary duties, the Board has established the Audit and Remuneration Committee of the Board which operates within specific delegated authority and functions to complement the Board in the execution of its responsibilities.

REVIEW AND APPROVAL OF FINANCIAL REPORTS

Approved the Audited Financial Accounts for the year 2021
Approved to declare dividend for the year 2021, to be proposed for shareholder approval at the Annual General Meeting 2021
Approved the business plan proposed for year 2023 and continued to review monthly and quarterly financial performance
Approved the financial statements and Directors' report of 2021, to be proposed for shareholder approval at the Annual General Meeting 2021
Approved the Appointment of External Auditor PWC for the year 2022 to be submitted for EGM
Approved the quarterly reports of 2022

STRATEGIC DECISIONS

Approved to Amend the MOA of the Company to be proposed for shareholder approval at the Annual General Meeting 2021
Reviewed the recommendations presented by Audit and Remuneration Committee based on internal audit reports and approved to implement the recommendations
Reviewed all business segments and projects undertaken by MWSC, offered guidance and recommendations to the management on improving business performance and profitability

MATTERS RELATED TO GOVERNANCE

Approved Compensation and Remuneration (Project Fixed Term Contract Remunerations) Policy
Approved Compensation and Remuneration (Expatriate Employees) Policy
Approved Social Media Policy
Approved Team Building and Engagement Activities Policy
Approved revision to Policy on career advancement & growth & Policy on employee compensation and remuneration - Local employees
Approved Water Leak Adjustment Policy
Approved appointment to representing Director to Board of Directors of IBM

BOARD COMMITTEES

To enhance its effectiveness in discharging its fiduciary duties, the Board has established the Audit and Remuneration Committee of the Board which operates within specific delegated authority and functions to complement the Board in the execution of its responsibilities.

The Audit and Remuneration Committee has its Terms of Reference which set forth the responsibilities of the Committee. The Committee ensures that MWSC has an effective and independent internal audit function covering financial as well as management audits and recommends appropriate remedial action on a regular basis. The Committee meets frequently as and when required.

BOARD PERFORMANCE

The Board has implemented an annual performance evaluation process, carried out by the Board Directors, to assess the effectiveness of the Board as a whole.

Each Director evaluates the performance of the Board by way of a Self-Assessment Questionnaire completed by Individual Board Members. The assessments are made against the pre-established criteria in the following areas: Board Composition/Structure, Board Process, Board Governance and Major Responsibilities of the Board

Results are compiled for the Board's deliberation and the results of the performance evaluation are reviewed and discussed for improvements among Board Members. In the annual assessment of the Board performance for 2022, the Board was satisfied with its current size and composition as well as its mix of skills which is made up of individuals of high credibility and necessary skills and qualifications to enable the Board to discharge its responsibility effectively.

CODE OF ETHICS

The current Code of Ethics adhered to by Company was adopted by its Board of Directors in 2009 and has served the Company well in ensuring its affairs are conducted with. As of 2022, the Board of Directors are in the process of reviewing and approving a more comprehensive, improved Code of Ethics, expected to be adopted by the board and implemented across the Company in 2023.

RELATED PARTY TRANSACTIONS

While the Company currently does not have a separate policy governing related party transactions, its Code of Ethics currently regulates how such transactions might be dealt with and approved. In 2022, developing a more comprehensive Related Parties Policy which is aimed at further strengthening our Corporate Governance Practices and ensuring transparency and fairness in our dealings with related parties was carried out.

DIRECTOR'S INTERESTS

The Directors of the company have no direct or indirect interest in contracts or any other transaction of the company except as disclosed in the accounts. In accordance with the Corporate Governance Code of the Company, a register of Director's Interests is maintained and updated by the Company Secretary.

KEY MANAGEMENT REMUNERATION

The Audit and Remuneration Committee of the Board reviews and recommends to the Board, the remuneration for Board Directors and Key Executives of the Company in accordance with the company's Remuneration Policy.

As the remuneration for board directors of SOE's including the CEO's are now fixed by the PCB, the Audit and Remuneration Committee is no longer able directly ensure that Directors remuneration is tied to performance and in the long-term interests of the Company. However, the Remuneration Policy of the Company envisions that the remuneration for key executives are determined based on scope of work, and measurable performance goals and other relevant factors. Total remuneration paid to Directors and key executives in 2022 are MVR 1,065,310 and MVR 5,820,381.00 respectively.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognize the importance of effective risk management and internal controls in safeguarding the Company's assets and ensuring business continuity. The Board of Directors remain committed to continuous improvement in shaping the Company's approach to managing risks and to ensure that a strong, integrated risk and compliance culture is sustained.. The Company's risk management approach centers on continued assessment, monitoring and reporting of risks which may impact the progress of delivering our strategic priorities.

The overall responsibility for the system of internal control, designed to ensure the reliability of the financial information and compliance with reporting obligations, lies with the Board of Directors. The Board has approved policies, procedures and frameworks for effective internal control including procedures for the delegation of authorities for significant matters, to ensure approval is sought at the appropriate level. Our risk management framework identifies, assesses, and mitigates risks across all levels of the organization.

The Company's controlling processes are maintained so that management at all levels receives updates on projects and financial information in a timely manner. The actual performance against business plans, budgets and performance indicators, financial risks are monitored and presented to the Board through regular and frequent reporting.

An independent Internal Audit Function that reports to the Board of Directors carries out annual audits, based on an Internal Audit Charter that is approved and reviewed closely by the Audit and Remuneration Committee of the Board. Risks, together with their controls and treatment are regularly reported to the Audit and Remuneration Committee which assists the Board in its oversight function. The Committee provides regular reports to the Board.

GOVERNANCE POLICY FRAMEWORK

The Board has ultimate authority over, and oversight of the Company and regards corporate governance as a critical element in achieving its strategic objectives. The Board strives to ensure that the Company meets high standards of safety, performance and governance in recognition of its responsibilities towards its shareholders, customers, employees and suppliers as well as to the communities in which it operates

The Company has a comprehensive governance framework established and strengthened over the years of by its Board, in close cooperation with the Company's executive management. Governance objectives are guided by the Company's Corporate Governance Code, Code of Ethics and adherence to the principles contained in the guidelines for Corporate Governance Code for State Owned Entities published by the Privatization and Corporatization Board of the Ministry of Finance and Treasury. The core elements that make up our governance framework include the Company's organizational structure, policies and standards developed by the Board which are evaluated and updated on a regular basis and the international standards that the company adheres to.

Policies introduced in 2021 to improve the governance of the company include revision to debt recovery policy, amendments to Procurement Policy and Procedure, seal use policy and procedure, write off and accounts receivable policy and procedure and revision to Document Management and Retention Policy.

LEGAL AND REGULATORY COMPLIANCE

The Company's legal and regulatory compliance is continuously ensured by a dedicated team of inhouse lawyers along with its external counsel. The Company ensures that its operations are carried out in accordance with the Company's Act (Law No. 10/96) and operational license requirement and has established procedures that ensure continued compliance.

AUDITORS

The external Auditor for all the State-Owned enterprises are Auditor Generals' Office of the Maldives. The Financial accounts for the year have been audited by PWC for an audit fee of MVR 471,967.00

DIRECTORS STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

This Statement on Risk Management & Internal Control is made pursuant PCB guidelines contained in the Corporate Governance Code for State Owned Companies which requires the Board of Directors to include in its Annual Report a statement about the state of its internal control.

Accordingly, the Board is pleased to provide the Statement on Risk Management & Internal Control that was prepared in accordance with the guidelines provided by PCB in the CG Code for SOE's. This statement outlines the processes adopted by Company in reviewing the adequacy and effectiveness of the risk management and internal control system of the Company.

RESPONSIBILITY

The Board acknowledges its overall responsibility in establishing a sound risk management framework and internal control system as well as reviewing its adequacy and effectiveness. The Board is of the view that the risk management framework and internal control system are designed to manage the Company's risks within the acceptable risk appetite, rather than to eliminate the risk of failure to achieve the business goals and objectives. It can therefore only provide reasonable, rather than absolute assurance against material misstatement, fraud or loss.

The Board has established appropriate control structure and process for identifying, evaluating, monitoring, managing and responding to significant risks faced by the Company in its achievement of the business goals and objectives.

The control structure and processes are reviewed and updated from time to time in response to the changes in the business environment, and this on-going process has been in place for the whole financial year under review and up to the date of approval of the Statement on Risk Management & Internal Control for inclusion in the Annual Report.

THE ROLE OF MANAGEMENT INCLUDES:

- Identifying and evaluating the risks faced, and the achievement of business objectives and strategies;
- Formulating relevant policies and procedures to manage these risks;
- Designing, implementing and monitoring the effective implementation of risk management framework and internal control system;
- Implementing the policies approved by the Board; and
- Reporting in a timely manner to the Board any changes to the risks and the corrective actions taken

INTERNAL CONTROL STRUCTURE

The key processes that the Board has established in reviewing the adequacy and effectiveness of the risk management framework and internal control system include the following

- Established an organization structure with clearly defined lines of responsibility, authority limits, and accountability aligned to business and operations requirements which support the maintenance of a strong control environment.
- Extended the responsibilities of the Audit and Remuneration Committee of the Board to include the assessment of internal controls through the Internal Audit function that reports to the Board
- Acquired international standard certifications or accreditations relevant to the core business of the company, strengthening the processes there by providing quality services and products consistently to the customers/stakeholders' satisfaction. The Quality Management Systems (QMS) of the company include,
 - ISO9001 certification strengthens and improves the quality of our core processes through efficient document management and risk mitigation.
 - OHSAS18001 enhances the work environment by making it safe for stakeholders, especially our employees.
 - ISO22000/HACCP certification for our bottling factories ensure that bottled water produce by the company is free from food safety hazards
 - ISO17025 accreditation of our Water Quality Assurance laboratory ensures that the quality of water provided to the households is monitored properly and results produced by the laboratory are recognized worldwide.

- Policies, procedures and practices are updated regularly to ensure relevance and compliance with current and applicable laws and regulations.
- Strengthening the internal audit function, which provides independent assurance of the effectiveness of the risk management approach.

INTERNAL AUDIT FUNCTION

The Internal Audit function undertakes regular reviews of the Company's operations and the systems of internal control to examine and evaluate the adequacy and efficiency of financial and operating controls. Significant risks and non-compliance impacting the Company are highlighted and where applicable, recommendations are provided to improve on the effectiveness of risk management, internal control system and governance processes. Reviews by Internal Audit are carried out on units that are identified using risk-based approach taking into consideration input from Management, the Audit and Remuneration Committee and the Board. Management follows through and reviews the status of actions on recommendations made by the internal auditors and takes appropriate action required to resolve issues covering all aspects of business and operations.

The Audit and Remuneration Committee meets on a scheduled basis to review issues identified in audit reports prepared by Internal Audit. Where required, representatives from the parties being audited are requested to attend the Audit and Remuneration Committee meeting to enable more detailed deliberation and speedy resolution of the matter at hand. The Committee also follows through on the actions required.

The Committee has active oversight on Internal Audit's independence, scope of work and resources and evaluates the effectiveness and adequacy of the internal control system. It reviews the Internal Audit function, the scope of the annual audit plan and frequency of the internal audit activities. The Audit and Remuneration Committee regularly reports to the Board and tables an annual report to Board. The details of the activities undertaken by the Audit and Remuneration Committee are highlighted in the Audit Committee Report.

ADEQUACY OF RISK MANAGEMENT AND INTERNAL CONTROL STRUCTURE

The Board is dedicated to operating a sound system of risk management and internal controls and recognizes that the system must continuously evolve to support the progressive business growth of the Company. The Board is of the view that the risk management and internal control system is sound and adequate to safeguard the Company's operations and assets at the existing level of operations.

No material weakness or reported shortfall in the risk management and internal control system has resulted and/or give rise to any material loss, contingency and/or uncertainty during the financial year under review.

The Board, with the assurance received from the Managing Director and Deputy Managing Director, concludes that the Company's risk management and internal control system are operating adequately and effectively, in all material aspects. This statement does not include the state of internal control in associate companies and is made in accordance with a resolution of the Board of Directors dated 19th July 2023.



MS.FATHMATH HANA YOOSUF
INTERIM CHAIRPERSON



MR.IBRAHIM ANWAR
AUDIT AND REMUNERATION COMMITTEE

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 2022

MANAGEMENT STATEMENT ON FINANCIAL STATEMENTS

We, Hassan Shah - CEO & Managing Director and Ajith Lanka Garunayaka Hitihamilage, Chief Financial Officer of Male' Water and Sewerage Company Pvt Ltd, to the best of our knowledge and belief, certify that we have reviewed financial statements for the year ended December 31, 2022 and to the best of our knowledge, information and belief:

- a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- b) These statements together present, in all material respects, a true and fair view of the Company's affairs, the financial condition and results of operations and are in compliance with IFRS accounting standards.



HASSAN SHAH
MANAGING DIRECTOR



**AJITH LANKA GARUNAYAKA
HITIHAMILAGE**
CHIEF FINANCIAL OFFICER

DIRECTORS DECLARATION

In the opinion of the Directors of the Male' Water and Sewerage Company Pvt Ltd ("the Company") the consolidated financial statements and notes are in accordance with the Law No Company's Act and give a true and fair view of the Company's financial position as at 31st December 2022 and of its performance, for the financial year ended on that date.

Signed in accordance with a resolution of the Directors:



MS.FATHMATH HANA YOOSUF
INTERIM CHAIRPERSON



HASSAN SHAH
MANAGING DIRECTOR

19th July 2023
Male', Maldives

AUDIT AND REMUNERATION COMMITTEE REPORT

The Audit and Remuneration Committee through its Terms of Reference which set forth the responsibilities of the Committee ensures that MWSC has an effective and independent internal audit function covering financial as well as management audits and recommends appropriate remedial action on a regular basis.

During the year 2021, the composition of the Audit and Remuneration Committee made up of the following members, all of whom are non-executive and independent Directors with a combined knowledge and experience in the area of accounting and finance, and Human Resources. The constitution of the committee complies with guideline SOE Corporate Governance Code and MWSC's Corporate Governance Code.

Audit and Remuneration Committee members as of 31 December 2021 are as follows;

Name	Position	Attendance
Ms. Mr.Ibrahim Anwar	Chairperson	25th November 2020
Mr. Shu Kodama	Member	10th October 2018
Ms. Fathmath Hana	Member	15th July 2019
Mr.Ahmed Evan	Member	25th November 2020

During the year ended 31 December 2022, a total of fourteen (8) Committee meetings were held. The details of attendance of each member are as follows;

Member	Meeting Attended	Remarks
Fathmath Hana	8	25th November 2020
Shu Kodama	0	Director based in Japan however reviewed all audits and committees reports and send in comment and recommendation as and when required.
Ibrahim Anwar	8	15th July 2019
Ahmed Evan Ismail	8	25th November 2020

The Audit and Remuneration Committee is required to report to the Board in writing detailing the meetings that took place in the year and to contribute its report within the company's annual report for the benefit of all the shareholders.

During the year 2022, 08 meetings of the Audit & Remuneration Committee were held with the other members of the board and the committee invites the management to attend the meetings as and when required. These meetings were carried out with relevant head of departments to obtain information and at times to further clarify matters raised in the audit reports, departmental operations and challenges. This has facilitated deeper understanding of the work and risks encountered across different areas of the Company. The Audit Committee continues to benefit from holding its meetings as and when required.

INTERNAL AUDIT

MWSC has its own Internal Audit Department which directly reports to Audit and Remuneration Committee. As per the guidelines from PCB, a qualified Chief Internal Auditor was recruited during the year to head the Internal Audit Function. During the year, the Audit and Remuneration committee reviewed a total of 07 audit reports undertaken by company's Internal Audit Department. The Committee Endorsed Internal Audit Plan for 2022, revised the functional structure and approved the Internal Audit Departments Framework.

The main focus of the Committees in the year was to review and provide opinions to the Board on the adequacy and effectiveness of Company's internal controls which includes, risk management, compliance controls and governance, financial, Management and quality assurance of data submitted to the stakeholders.

Identifying and investigating alleged cases of fraud and corruption within the organization was also prioritized and carried out through the Internal Audit Department. For the purpose, a comprehensive Whistleblower Policy was implemented with the approval from the Board. During the year a total of 13 whistleblower cases were received, where 4 were proceeded for investigation. The Committee reviewed the investigation reports and recommendations were given to the Board and management for further action.

Overall, the Audit & Remuneration Committee is satisfied with the aforementioned changes brought and the audit functions carried out by the Internal Audit Department during the year 2022.

EXTERNAL AUDIT- FINANCIAL STATEMENT FOR THE YEAR END 31, DECEMBER 2022

The Committee reviewed Audited Financial Statement for the year ended 31 December 2022, and is satisfied that appropriate measures were put in place by PWC and MWSC to ensure the independence and objective of the external auditors. The audit was conducted in accordance with International Standards on Accounting (ISAs) and in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). External Auditor for the year 2022 was PricewaterhouseCoopers (PWC) and was appointed for a period of two years in year 2021.

DIRECTOR REMUNERATION

Audit & Remuneration Committee is also responsible for determination of the remuneration of the Board of Directors, which must be approved by the General Meeting of the Board before a specific agreement on incentive pay is entered into.

The remuneration package of the Board of Directors is set as per the requirements implemented by the government on SOE's Directors allowances.



MR. IBRAHIM ANWAR
AUDIT AND REMUNERATION COMMITTEE

19TH JULY 2023

MALE' WATER & SEWERAGE COMPANY PVT LTD

Financial Statements –31 December 2022

Independent auditor's report

To the Shareholders of Male` Water & Sewerage Company Pvt Ltd

Our opinion

In our opinion, the accompanying financial statements of Male` Water & Sewerage Company Pvt Ltd ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") give a true and fair view of the financial position of the Company and the Group as at 31 December 2022, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The financial statements of the Company and the consolidated financial statements of the Group, which comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers, H. Thandiraimage, 3rd Floor, Roshanee Magu, Malé, Republic of Maldives

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Partners D.T.S.H. Mudalige FCA, C.S. Manoharan FCA, T.U. Jayasinghe FCA

Resident Partner Jatindra Bhattray FCA

PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity

Key audit matter	How our audit addressed the Key audit matter
<p>The Company: Construction contract revenue</p> <p>Refer to the significant accounting policy Note 2.5.5 (b) and Note 3.1 to the financial statements.</p> <p>Revenue recorded during the year include revenue from construction project contracts amounting MVR 557,397,688.</p> <p>Revenue from construction project contracts are recognised over time. The Company uses the input method to determine the amount of revenue to be recognised in a given period and the stage of completion is measured by reference to total cost incurred relative to total estimated cost.</p> <p>We focused on this area due to the significance of the revenue recognized during the year from construction project contracts, and because the percentage completion of ongoing contracts involved estimation of future costs for each of those contracts. Any error in judgment or intent while estimating future costs could result in an over/understatement of revenue.</p>	<p>Specific work that we performed on the estimated contract costs for completion used to calculate percentage completion of construction project contracts determined by the management in the input method of revenue recognition included the following:</p> <ul style="list-style-type: none"> - We understood the budgetary process for individual contracts, the inbuilt controls and checked the effectiveness of the relevant controls, over the process. - Checked the accuracy of the budgeted costs of the projects completed subsequent to the reporting dates, by comparing the actual costs of those projects with the respective budgets. - Checked the approved summary of contract budgets on a sample basis with reference to the detailed bills of quantity (BOQ), estimated labour hours and related costs and other overhead costs.
<p>Impairment of trade receivables, receivables from related parties, contract assets and other receivables</p> <p>Refer to significant accounting policy Notes 2.5.10 (V), and 29.3, Notes 16 and 17 to the financial statements.</p> <p>As at 31 December 2022 the Company's trade receivables, receivables from related parties, contract assets and other receivables amounted to MVR 901,857,243 before provision for impairment. An impairment provision is recognised to adjust the receivable balances to the present value based on the estimated future cash flows. The provision for impairment of trade receivables, receivables from related parties, contract assets and other receivables amounted to MVR 136,536,298 as at 31 December 2022.</p>	<p>Our audit procedures on this matter included the following:</p> <ul style="list-style-type: none"> - Tested the accuracy and completeness of the trade receivables, receivables from related parties, contract assets and other receivables considered in the impairment provision calculation by checking the arithmetical accuracy of the listing obtained and matching the outstanding balances with the general ledger. - Checked the accuracy of the data considering individual contract assets, other receivables, receivables from related parties and trade receivables balances and the aging of such balances on a sample basis, to determine whether management's identification of assets requiring impairment provision was appropriate.

Key audit matter

How our audit addressed the Key audit matter

Impairment provision is calculated using statistical methods and historical collection trends adjusted for forward looking information. Significant estimates and assumptions used by the management in such calculations and the basis for impairment is disclosed in accounting policy Note 29.3.

- We tested the key underlying assumptions used in the calculation of the impairment provision by evaluating the process by which those were drawn up and their sources. We also checked the sensitivity of the forward-looking information used in calculation of expected credit losses.

We considered the calculation of impairment provision as a key audit matter as it is a complex area requiring management judgement on significant estimates and assumptions made on customer payment behaviors and since the amount of impairment provision recognized in the financial statements is material.

- We checked the appropriateness of the methodology applied in the determination of impairment provision calculation by referring the requirements of *IFRS 9, Financial instruments; recognition and measurement*, and tested the worksheet formulas and logic including mathematical accuracy of management's model used to calculate the impairment provision.

The Group: Revenue recognition of the subsidiary Company

Refer to the significant accounting policies Note 2.5.5 (c) and Note 3.1 to the financial statements.

Our audit approach included both control testing and substantive procedures performed as follows:

The subsidiary Company manufactures and sells bottled drinking water to its customers across Maldives, mainly through its own distribution network.

- Understood and evaluated the design, implementation and operating effectiveness of key controls over initiating, recording, processing and reporting of revenue transactions.

That Company recognised revenue from sale of bottled drinking water amounting to MVR 208,516,819 during the year ended 31 December 2022.

- Tested the general IT controls environment and key IT application controls relating to IT application layers to the revenue recognition.

We considered revenue recognition as a key audit matter due to the following:

- Tested significant revenue transactions on a sample basis during the year, to ensure that revenue had been recognised in accordance with the contractual terms in the correct accounting period and the requirements of the relevant accounting standard.

- There is a potential risk that the revenue is subject to overstate.

- Tested significant revenue generated from related party sales on a sample basis during the year to ensure that revenue had been recognized in accordance IFRS 15.

- Tested on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying goods delivery orders to assess whether the related revenue had been recognized in the correct financial period.

- Performed inquiries of management and appropriate analytical procedures to understand and assess the reasonableness of reported revenues.

Other information

Management is responsible for the other information. The other information comprises the Annual Report for the year ended 31 December 2022 but does not include the financial statements and our auditor's report thereon which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management 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 of the Company and the consolidated financial statements of the Group, management is responsible for assessing the Company and the Group'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 management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

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 auditor's 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 scepticism 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 and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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/Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of Company and the consolidated financial statements of the Group 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 auditor's report. However, future events or conditions may cause the Company and the Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with the ethical requirements in accordance with IESBA Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.


From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mohamed Siraj Muneer.

MALE`

19 June 2023.

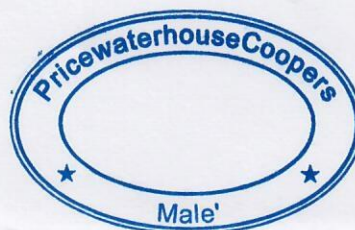
For PRICEWATERHOUSECOOPERS


Mohamed Siraj Muneer
Associate Partner

Male' Water and Sewerage Company Pvt Ltd
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2022

	Note	GROUP		COMPANY	
		Year ended 31-12-2022	Year ended 31-12-2021	Year ended 31-12-2022	Year ended 31-12-2021
		MVR	MVR	MVR	MVR
Revenue	3	1,630,617,671	1,281,992,479	1,564,132,262	1,232,378,579
Cost of sales		(1,037,629,309)	(663,223,596)	(1,020,995,237)	(656,241,149)
Gross profit		592,988,361	618,768,883	543,137,025	576,137,430
Other income	4	100,483,662	77,570,805	102,770,742	79,365,412
Administrative expenses		(367,056,967)	(292,630,044)	(337,997,603)	(266,487,212)
Selling and marketing expenses		(31,135,016)	(18,363,177)	(22,523,598)	(11,553,843)
Impairment of loss on financial assets		(26,997,662)	(24,693,308)	(27,033,093)	(25,032,327)
Operating profit	5	268,282,378	360,653,159	258,353,473	352,429,460
Finance income		161,345	596,371	161,345	596,371
Finance cost		(36,401,643)	(20,112,916)	(35,254,634)	(18,588,599)
Net finance cost	6	(36,240,298)	(19,516,545)	(35,093,289)	(17,992,228)
Profit before tax from continuing operations		232,042,080	341,136,614	223,260,184	334,437,232
Income tax expense	7	(34,033,301)	(52,254,335)	(32,727,052)	(51,631,249)
Profit for the year		198,008,779	288,882,279	190,533,132	282,805,983
Other comprehensive income :					
<i>Items that will not be reclassified to profit or loss</i>					
Re-measurement of retirement benefit obligations		4,197,834	5,644,885	4,197,834	5,644,885
Related tax		(629,675)	(846,733)	(629,675)	(846,733)
Other comprehensive income for the year, net of tax		3,568,159	4,798,152	3,568,159	4,798,152
Total comprehensive income		201,576,938	293,680,432	194,101,290	287,604,135
Attributable to:					
Equity holders of the parent		197,913,870	290,699,519	194,101,290	287,604,135
Non-controlling interest	21	3,663,068	2,980,912	-	-
		201,576,938	293,680,432	194,101,290	287,604,135
Earnings per share	8	741	1,089	727	1,077

The accounting policies and notes on pages 11 through 59 form an integral part of the financial statements.



Male' Water and Sewerage Company Pvt Ltd
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Note	GROUP		COMPANY	
		As at 31-12-2022 MVR	As at 31-12-2021 MVR	As at 31-12-2022 MVR	As at 31-12-2021 MVR
Assets					
Non-current assets					
Property, plant and equipment	9	1,023,697,265	985,429,544	946,482,921	917,068,224
Capital work-in-progress	10	525,176,206	508,831,431	506,746,749	483,338,825
Right-of-use assets	23.3	254,663,417	110,084,788	242,962,802	104,870,515
Intangible assets	11	2,465,014	3,898,407	1,719,272	2,987,602
Investment in subsidiary	12	-	-	7,650,000	7,650,000
Investment property	13	17,596,949	18,201,509	17,596,949	18,201,509
Deferred tax assets	7.4	3,457,010	3,640,638	4,177,677	3,216,101
		1,827,055,861	1,630,086,317	1,727,336,370	1,537,332,776
Current assets					
Inventories	14	693,296,278	452,762,246	683,829,227	444,301,521
External project work-in progress	15	13,781	14,081	13,781	14,081
Contract assets	16	336,428,603	220,493,870	336,428,603	220,493,870
Trade and other receivables	17	528,681,982	481,300,346	573,622,830	529,939,593
Cash and cash equivalents	18	126,874,058	162,828,987	123,136,845	159,390,814
		1,685,294,702	1,317,399,530	1,717,031,286	1,354,139,879
Total assets		3,512,350,563	2,947,485,847	3,444,367,656	2,891,472,655
Equity and liabilities					
Share capital	19	267,000,000	267,000,000	267,000,000	267,000,000
Share allotment gain	20	3,042	3,042	3,042	3,042
General reserve		1,233,705,470	1,120,583,077	1,233,705,470	1,120,583,077
Retained earnings		242,961,928	293,596,711	224,941,410	278,147,740
Equity attributable to the equity holders of the company		1,743,670,440	1,681,182,830	1,725,649,922	1,665,733,859
Non-controlling interest	21	24,368,245	21,897,542	-	-
Total equity		1,768,038,685	1,703,080,372	1,725,649,922	1,665,733,859
Non-current liabilities					
Interest-bearing borrowings	22	274,943,218	116,934,471	274,943,218	116,934,471
Lease liabilities	23.5	268,855,744	122,615,294	254,025,358	109,195,854
Government grants	24	10,157,716	11,086,000	10,157,716	11,086,000
		553,956,678	250,635,765	539,126,292	237,216,325
Current liabilities					
Interest-bearing borrowings	22	73,900,523	38,206,416	73,900,523	38,206,416
Lease liabilities	23.5	9,120,591	4,008,102	410,109	925,456
Government grants	24	928,284	928,284	928,284	928,284
Contract liabilities	25	56,931,831	40,460,560	56,931,831	40,460,560
Trade and other payables	26	1,045,338,355	889,091,534	1,041,870,836	885,471,019
Income tax liability	7.3	4,135,616	21,074,814	5,549,859	22,530,737
		1,190,355,200	993,769,710	1,179,591,442	988,522,472
Total equity and liabilities		3,512,350,563	2,947,485,847	3,444,367,656	2,891,472,655

The Board of Directors is responsible for these financial statements.

Signed for and on behalf of the Board by,

Name of the Director

- 1) HASSAN SHAM
- 2) AHMED EVAN ISMAIL

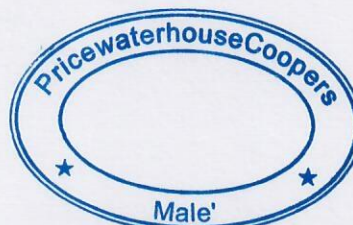
Signature

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The accounting policies and notes on pages 11 through 59 form an integral part of the financial statements.

19 June 2023

Male'



Male' Water and Sewerage Company Pvt Ltd
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2022

	Note	GROUP						
		Share capital MVR	Share allotment gain MVR	Assets replacement reserve MVR	General reserve MVR	Retained earnings MVR	Non-Controlling Interest MVR	Total equity MVR
Balance as at 01 January 2021		267,000,000	3,042	123,121,290	894,068,205	297,301,172	18,916,630	1,600,410,339
Restatement		-	-	-	-	3,292,176	-	3,292,176
- As restated		267,000,000	3,042	123,121,290	894,068,205	300,593,348	18,916,630	1,603,702,515
Profit for the year		-	-	-	-	285,901,367	2,980,912	288,882,279
Other comprehensive income		-	-	-	-	4,798,152	-	4,798,152
Total comprehensive income		-	-	-	-	290,699,519	2,980,912	293,680,431
Transferred to reserves		-	-	-	103,393,582	(103,393,582)	-	-
Asset replacement resserve transfer		-	-	(123,121,290)	123,121,290	-	-	-
Dividends for year 2020	8.3	-	-	-	-	(194,302,574)	-	(194,302,574)
Balance as at 31 December 2021		267,000,000	3,042	-	1,120,583,077	293,596,711	21,897,542	1,703,080,372
Balance as at 01 January 2022		267,000,000	3,042	-	1,120,583,077	293,596,711	21,897,542	1,703,080,372
Profit for the year		-	-	-	-	194,345,712	3,663,068	198,008,779
Other comprehensive income		-	-	-	-	3,568,159	-	3,568,159
Total comprehensive income		-	-	-	-	197,913,870	3,663,068	201,576,938
Transferred to reserves		-	-	-	113,122,393	(113,122,393)	-	-
Dividends for year 2021	8.3	-	-	-	-	(135,426,260)	(1,192,365)	(136,618,625)
Balance as at 31 December 2022		267,000,000	3,042	-	1,233,705,470	242,961,928	24,368,245	1,768,038,685

The accounting policies and notes on pages 11 through 59 form an integral part of the financial statements.



Male' Water and Sewerage Company Pvt Ltd
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2022

COMPANY

	Share capital MVR	Share allotment gain MVR	Assets replacement reserve MVR	General reserve MVR	Retained earnings MVR	Total equity MVR
Note						
Balance as at 01 January 2021	267,000,000	3,042	123,121,290	894,068,205	288,239,761	1,572,432,298
Profit for the year	-	-	-	-	282,805,983	282,805,983
Other comprehensive income	-	-	-	-	4,798,152	4,798,152
Total comprehensive income	-	-	-	-	287,604,135	287,604,135
Transferred to reserves	-	-	-	103,393,582	(103,393,582)	-
Asset replacement reserve transfer	-	-	(123,121,290)	123,121,290	-	-
Dividends for year 2020	-	-	-	-	(194,302,574)	(194,302,574)
8.3						
Balance as at 31 December 2021	267,000,000	3,042	-	1,120,583,077	278,147,740	1,665,733,859
Balance as at 01 January 2022	267,000,000	3,042	-	1,120,583,077	278,147,740	1,665,733,859
Profit for the year	-	-	-	-	190,533,132	190,533,132
Other comprehensive income	-	-	-	-	3,568,159	3,568,159
Total comprehensive income	-	-	-	-	194,101,290	194,101,290
Transferred to reserves	-	-	-	113,122,393	(113,122,393)	-
Dividends for year 2021	-	-	-	-	(134,185,227)	(134,185,227)
8.3						
Balance as at 31 December 2022	267,000,000	3,042	-	1,233,705,470	224,941,410	1,725,649,922

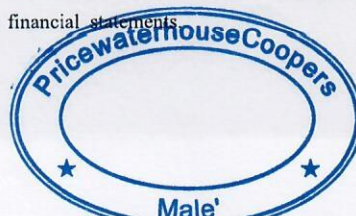
The accounting policies and notes on pages 11 through 59 form an integral part of the financial statements.



Male' Water and Sewerage Company Pvt Ltd
CONSOLIDATED STATEMENT OF CASH FLOW
Year ended 31 December 2022

	Note	GROUP		COMPANY	
		Year ended 31-12-2022 MVR	Year ended 31-12-2021 MVR	Year ended 31-12-2022 MVR	Year ended 31-12-2021 MVR
Operating activities					
Profit before tax from continuing operation		232,042,080	341,136,614	223,260,184	334,437,232
Adjustments to reconcile profit before tax to net cash flows					
Non-cash:					
Depreciation of property plant and equipment	9.4	104,958,470	90,208,848	95,007,269	81,041,963
Amortisation of intangible assets	11	1,722,422	1,760,408	1,493,547	1,549,359
Depreciation of investment properties	13	1,456,170	1,392,678	1,456,170	1,392,678
Depreciation of right of use assets	23.3	9,743,960	7,411,373	6,237,495	4,307,510
Gratuity provision	26.4	18,951,891	14,286,493	18,951,891	14,286,493
Loss on disposal of property, plant and equipment		327,725	2,500,911	327,725	2,500,911
Gain on termination of right of use assets	4.0	(43,297)	-	(43,297)	-
Finance income	6.1	(161,345)	(596,371)	(161,345)	(596,371)
Finance cost	6.2	35,746,053	17,672,176	34,608,350	17,826,048
Provision for impairment of receivables	17.6	26,997,662	24,693,308	27,033,093	25,032,327
Reversal of lease liabilities		-	(244,488)	-	-
Provision/(Reversal) for impairment of slow and non moving inventories	14	6,344,864	(801,681)	6,344,864	(801,681)
Dividend income	4	-	-	(1,241,033)	-
Inventory written off		-	231,138	464,949	231,138
Expenses transferred from CWIP	10	14,807,680	-	14,807,680	-
Provision for capital work in progress	10	-	2,601,023	-	2,601,023
Miscellaneous expenses		115,149	-	-	-
Release of government grant	24	(928,284)	(928,284)	(928,284)	(928,284)
		452,081,200	501,324,145	427,619,258	482,880,346
Working capital adjustments:					
Increase in inventories	14	(246,878,886)	(66,301,721)	(246,337,509)	(66,238,497)
Increase in contract assets	16	(115,934,733)	(205,048,822)	(115,934,733)	(205,048,822)
Increase in trade and other receivables	17	(74,186,629)	(73,387,557)	(70,716,346)	(133,138,143)
Increase in contract liabilities	25	16,471,271	26,758,540	16,471,271	26,758,540
Increase/(decrease) in trade and other payables	26	96,781,135	(23,423,641)	97,361,331	44,868,926
External project work in progress	15	300	79,549	300	79,549
Cash flows from operating activities		128,333,657	160,000,493	108,463,572	150,161,900
Interest received	6.1	161,345	596,371	161,345	596,371
Interest paid	6.2	(11,404,193)	(9,102,858)	(11,404,193)	(8,984,358)
Gratuity payment	26.4	(470,538)	(1,148,803)	(470,538)	(1,148,803)
Income tax paid	7.3	(51,299,181)	(65,146,287)	(51,299,181)	(65,146,287)
Net cash flows from operating activities		65,321,090	85,198,916	45,451,005	75,478,823
Investing activities					
Purchases and construction of property, plant and equipment	9	(13,518,416)	(56,862,580)	(9,585,719)	(52,165,833)
Purchases of intangible assets	11	(289,026)	(1,995,610)	(225,217)	(1,526,550)
Dividend income	4	-	-	1,241,033	-
Proceeds from sales of asset held for sale		-	4,000,370	-	-
Cost incurred on construction of capital work-in-progress	10	(162,039,564)	(56,548,316)	(154,231,186)	(55,350,788)
Net cash used in investing activities		(175,847,006)	(111,406,136)	(162,801,088)	(109,043,171)
Financing activities					
Proceeds from borrowings	22	237,626,627	55,512,000	237,626,627	55,512,000
Proceeds from lease	23	-	8,000,001	-	-
Repayment of borrowings	22	(43,923,771)	(42,787,606)	(43,923,771)	(42,787,606)
Payment of principal portion of lease liabilities	23.5	(27,268,213)	(24,050,328)	(23,176,485)	(9,907,009)
Dividends paid to equity holder of the parent		(91,863,656)	(105,049,952)	(89,430,258)	(105,049,952)
Net cash generated from/(used in) financing activities		74,570,987	(108,375,885)	81,096,113	(102,232,567)
Net decrease in cash and cash equivalents		(35,954,929)	(134,583,105)	(36,253,969)	(135,796,915)
Cash and cash equivalents at 1 January		162,828,987	297,412,092	159,390,814	295,187,729
Cash and cash equivalents at 31 December	18	126,874,058	162,828,987	123,136,845	159,390,814

The accounting policies and notes on pages 11 through 59 form an integral part of the financial statements.



MALE' WATER AND SEWERAGE COMPANY PVT LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

1. Corporate information

Male' Water and Sewerage Company Pvt Ltd (the "Company") is a limited liability Company incorporated and domiciled in Republic of Maldives since 1st April 1995. The Company is engaged in the treatment and distribution of water, providing sewerage facilities and water related construction contracts in the Maldives including supplying electricity facility in Dhavaafaru Island. The registered office of the Company is located at 20-04, Ameene Magu, Machchangolhi, Male', Republic of Maldives.

The Government of Maldives (GOM) has a controlling interest in the shares of the Company.

The Group consists of the Company's interest in a subsidiary undertaking, Island Beverage Maldives Private Limited, a limited liability company incorporated and domiciled in the Republic of Maldives, which produces, supplies and sells bottled mineral water in the Republic of Maldives. The Company owns 51% of issued and paid up share capital of the subsidiary.

1.1 Compliance with IFRS

The consolidated financial statements of the Male' Water and Sewerage Company Pvt Ltd and its subsidiary, (collectively, the Group) have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

1.2 Historical cost convention

The consolidated and separate financial statements have been prepared on the historical cost basis. All the assets and financial assets are measured at historical cost and amortised cost basis and no assets are measured at fair value.

The preparation of consolidated financial statement in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumption and estimates are significant are set out. No adjustments are made for inflationary factors affecting these consolidated financial statements. The consolidated financial statements are presented in Maldivian Rufiyaa (MVR) and all the values are rounded to nearest integral, except when otherwise indicated.

The consolidated financial statements of Male' Water and Sewerage Company Pvt Ltd for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the board of directors.

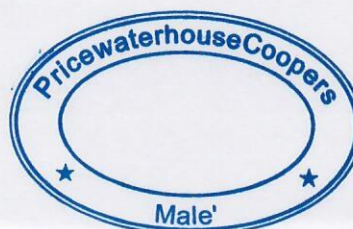
1.3 Use of estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving significant estimates or judgements are:

- Loss allowance for expected credit losses - note 2.6 and note 31.3.
- Estimated useful life of property plant and equipment - note 2.6 and note 2.5.7.
- Estimated useful life of intangible asset - note 2.6 and note 2.5.8.



MALE' WATER AND SEWERAGE COMPANY PVT LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

1.3 Use of estimates and judgements (Continued)

- Estimation uncertainties and judgements made in relation to lease accounting – note 2.6 and note 23
- Estimation of fair values of investment property – note 2.6 and note 13.
- Estimation of defined benefit pension obligation - note 2.6 and note 26.4.
- Estimation of recognition of revenue relating to construction revenue stream - note 2.6 and note 3.1.
- Estimation of Net realizable value of inventory – note 2.6 and note 14

1.4 New and amended standards adopted by the group– applicable for the first time for periods commencing 1 January 2022

The group has applied the following standards and amendments for the first time for their annual reporting periods commencing 1 January 2022

i. Amendment to IAS 16, Property, Plant and Equipment

Proceeds before intended use –this amendment prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities

ii. Amendments to IFRS 3, Reference to the Conceptual Framework

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

iii. Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

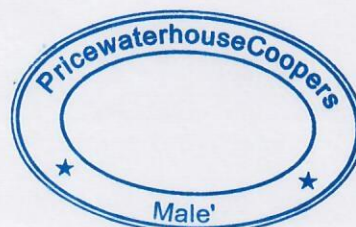
iv. Annual improvements to IFRS standards 2018- 2020

1.5 New standards and amendments issued but not effective or early adopted in 2022

The following standards and interpretations had been issued by IASB but not mandatory for annual reporting periods ending 31 December 2022. Further, the group has not early adopted these new standards and/or amendments.

i. Classification of Liabilities as Current or Non-current – Amendments to IAS 1

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.



MALE' WATER AND SEWERAGE COMPANY PVT LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

1.5 New standards and amendments issued but not effective or early adopted in 2022 (Continued)

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

ii. Disclosure Initiative: Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 1 will be effective for annual reporting periods beginning on or after 1 January 2023.

iii. Definition of Accounting Estimates (Amendments to IAS 8)

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after 1 January 2023.

iv. Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction

IAS 12 Income Taxes specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

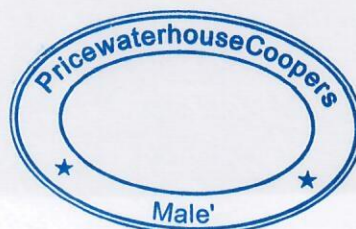
2. Significant Accounting Policies

2.1 Basis of preparation

The consolidated financial statements of the Male' Water and Sewerage Company Pvt Ltd and its subsidiary collectively, group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standard Board (IASB). The Consolidated financial statements are prepared on a historical cost basis.

The preparation of consolidated financial statement in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumption and estimates are significant are set out. No adjustments are made for inflationary factors affecting these consolidated financial statements. The consolidated financial statements are presented in Maldivian Rufiyaa (MVR) and all the values are rounded to nearest integral, except when otherwise indicated.

The consolidated financial statements of Male' Water and Sewerage Company Pvt Ltd for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the board of directors.



MALE' WATER AND SEWERAGE COMPANY PVT LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

2. Significant Accounting Policies (Continued)

2.2 Going concern

The Board of Directors is satisfied that the Group has adequate resources to continue its operations in the foreseeable future. The Directors have concluded that the going concern basis of accounting is appropriate for the year 2022 and they do not intend either to liquidate or cease trading.

Furthermore, In the going concern assessment the management have taken into consideration the existing and anticipated effects of the Covid-19 outbreak on the entity's business activities. Since the Group has made profit for the past few years, the financial statements are prepared on the going concern basis.

Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.3 Comparative information

Comparative information including quantitative, narrative, and descriptive information as relevant is disclosed in respect of previous period in the Financial Statements.

The presentation and classification of the financial statement of the previous year has been amended, where relevant for better presentation and to be comparable with these of the current year.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2021. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if, and only if, the group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

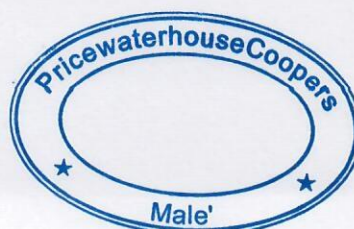
Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The group's voting rights and potential voting rights

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the group gains control until the date the group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with the group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.



MALE' WATER AND SEWERAGE COMPANY PVT LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

2. Significant Accounting Policies (Continued)

2.4 Basis of consolidation (Continued)

If the group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Accounting under separate financial statement

Investment in subsidiary is measured at cost less accumulated impairment in the separate financial statements.

2.4.1 Subsidiaries

Subsidiaries and their controlling percentage of the group, which have been consolidated are as follows,

Subsidiary	Effective Holding		Principle activity
	2022	2021	
Island Beverages Maldives Private Limited	51%	51%	Manufacturing, distributing, and selling of a bottled water called "TaZa" in the Republic of Maldives.

2.5 Summary of Significant Accounting Policies

2.5.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

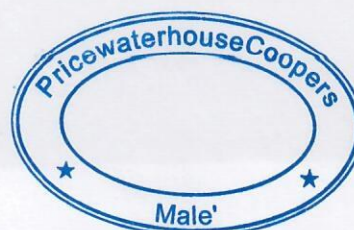
The group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs.

The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without Significant cost, effort, or delay in the ability to continue producing output.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the



MALE' WATER AND SEWERAGE COMPANY PVT LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

2. Significant Accounting Policies (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.1 Business combinations and goodwill (Continued)

acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.5.2 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting date

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability at least twelve months after the reporting date.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

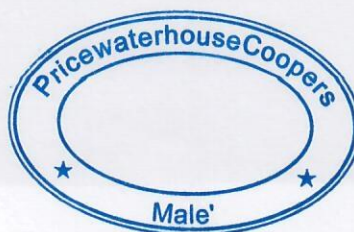
The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.5.3 Conversion of foreign currencies

The Group's financial statements are presented in Maldivian Rufiyaa (MVR) which is the Group's functional and presentation currency.

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.



MALE' WATER AND SEWERAGE COMPANY PVT LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

2. Significant Accounting Policies (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.4 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

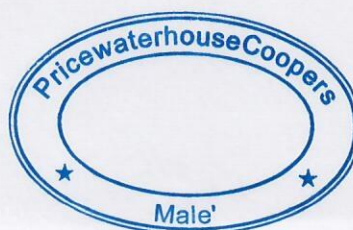
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.



MALE' WATER AND SEWERAGE COMPANY PVT LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

2. Significant Accounting Policies (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.5 Revenue from contracts with customers

The Group is largely in the business of sale of water, electricity and, Contracting of water and sewerage projects on behalf of the government. Revenue from contracts with customers is recognised when the control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

a) Sale of water and Electricity

Revenue from Sale of water and electricity are recognised over the time since they are supplied as series of services that the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs and measured based on output method of units supplied. The normal credit term is 30 days upon billing.

b) Construction projects – Water and sewerage

The Group carries out water & sewerage construction projects under long-term contracts with government. Such contracts are entered into before construction of such projects begins. Under the terms of the contracts, the Group is contractually restricted from redirecting the properties to another customer and has an enforceable right to payment for work done. Revenue from water & sewerage construction projects are therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Management considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

Revenue from construction-related contracts is recognised upon satisfaction of a performance obligation agreed in the contract. At contract inception, the Group determines whether it satisfies the performance obligation over time or at a point in time. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer. For each performance obligation satisfied over time, the Group recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

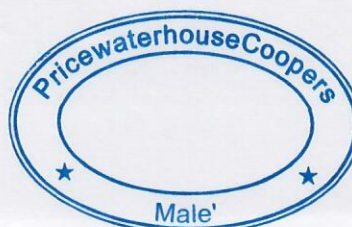
Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

On the statement of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognized profits (less recognized losses) exceed progress billings; a contract represents a liability where the opposite is the case.

In determining cost incurred up to year end, any costs relating to future activity on a contract are excluded and shown as contract work in progress. The aggregate of the cost incurred and the profit/loss recognized on each contract is compared against the progress billings up to the year end. Where the sum of the costs incurred and recognized profit or loss exceeds the progress billings, the balance is shown under receivables and prepayments as due from customers on contracts.

Critical accounting estimates and judgements

The Group uses the percentage-of-completion method in accounting for its fixed price contracts to deliver design services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed.



MALE' WATER AND SEWERAGE COMPANY PVT LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

2. Significant Accounting Policies (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.5 Revenue from contracts with customers (Continued)

Where the proportion of services performed to total services to be performed to differ by 1% from management's estimates, the amount of revenue recognised in the year would be increased by MVR 14,077,322 if the percentage-of-completion is increased by 1% and the amount of revenue recognised in the year would be decreased by MVR 14,077,322 if the percentage-of-completion is decreased by 1%.

Financing components

The duration of the construction projects at times goes beyond one year and in such case the Company realises the sales proceeds after raising milestone based billing during the project duration and significant advances are not received and the duration from the receipt of advances till the next billing date do not exceed one year.

The Company does not have a practice of charging different price depending upon the payment term or there is no cash selling price as a business practice/nature of the business and therefore, there is no significant financing component included in the transaction price mentioned in the agreement.

Therefore, the transaction price in the revenue agreements do not have a significant financing component that need to be separated from/ added to contract price when recognizing the revenue.

c) Sale of goods – Water bottles, pipes and other water related item

The group sells water bottles, pipes and other water related items directly to customers.

For sale of water bottles, pipes and other water related items to customers, revenue is recognised by the group at a point in time when control of the goods has transferred to customer.

2.5.6 Government grant

Government grants are recognised when there is a reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.5.7 Property, plant and equipment

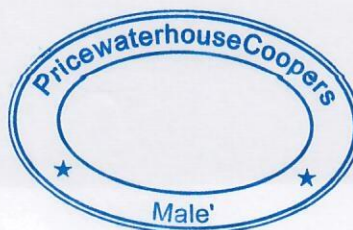
All property, plant and equipment, which are initially recorded at historical cost, is stated at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method, over their estimated useful lives or, in the case buildings constructed on leasehold land and improvements made to the leasehold premises, the shorter of lease term as follows:

Public rainwater scheme and new water scheme	- 40 years
Sewerage system	- 20 years
Reverse Osmosis (RO) plant, generator, bore well and machinery	- 15 years

2. Significant Accounting Policies (Continued)



MALE' WATER AND SEWERAGE COMPANY PVT LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

2.5 Summary of Significant Accounting Policies (Continued)

2.5.7 Property, plant and equipment (Continued)

Motor vehicles	- 04 years
Office equipment	- 04 years
Other equipment	- 05 years
Furniture and fittings	- 08 years
Computer hardware	- 03 years
Desalination building and fuel farm	- 20 years
Buildings	- 20 years
Vessels	- 20 years

The Group reviews the estimated residual values and expected useful lives of assets at least annually. In particular, the Group considers the impact of health, safety and environmental legislation in its assessment of expected useful lives and estimated residual values.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

The assets residual value and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

2.5.8 Intangible asset

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

a) Brand name

Brand name is shown at historical cost. Brand name has a finite useful life and are carried at cost less accumulated amortisation.

b) Computer software

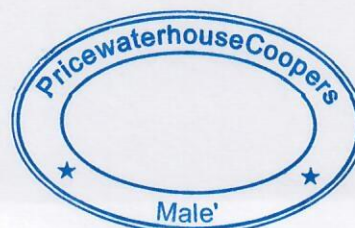
Cost associated with maintaining computer software programmed are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognized as intangible assets when the required criteria are met. Computer software development/ acquisition cost recognised as assets are amortized over their estimated useful lives, which does not exceed five years.

2.5.9 Investment properties

Investment properties are measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Cost of the investment property is amortised over the useful life of the property.

Buildings	20 years
Other Equipment	4 years

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference



MALE' WATER AND SEWERAGE COMPANY PVT LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

2. Significant Accounting Policies (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.9 Investment properties (Continued)

between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of changes in use.

2.5.10 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets

I. Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

II. Financial instruments – recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership

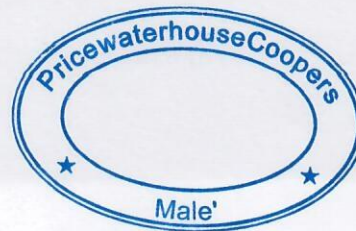
III. Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt Instruments

Subsequent measurement of financial instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its financial instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or



MALE' WATER AND SEWERAGE COMPANY PVT LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

2. Significant Accounting Policies (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

2.5.10 Financial instruments – initial recognition and subsequent measurement (Continued)

loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment
- gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/ (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value

Financial assets at fair value through profit or loss

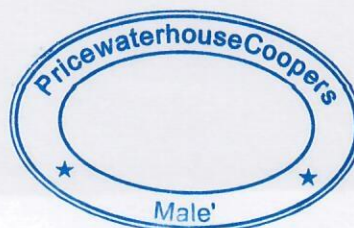
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of comprehensive income when the right of payment has been established.



MALE' WATER AND SEWERAGE COMPANY PVT LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

2. Significant Accounting Policies (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.10 Financial instruments – initial recognition and subsequent measurement (Continued)

IV. Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

The rights to receive cash flows from the asset have expired

Or

When the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

V. Impairment of financial assets

The Group applies a simplified approach in calculating ECLs for trade receivables and contract assets. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b) Financial liabilities

I. Initial recognition and measurement

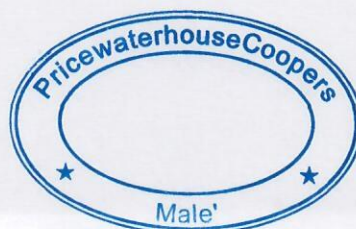
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

II. Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:



MALE' WATER AND SEWERAGE COMPANY PVT LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

2. Significant Accounting Policies (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.10 Financial instruments – initial recognition and subsequent measurement (Continued)

III. Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit or loss and comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income. This category generally applies to interest-bearing loans and borrowings.

IV. De-recognition

Financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

2.5.11 Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

2.5.12 Inventories

Inventories are stated at the lower cost and net realized value. Cost is determined using the weighted average cost method. Cost of inventory includes purchases, transport and handling costs. Net realizable value is the estimated selling price in the ordinary courses of business, less the costs of completion and variable selling expenses. Where necessary, provision is made in the financial statements for obsolete, slow-moving and defective inventory.

2.5.13 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise of cash at banks and cash in hand.

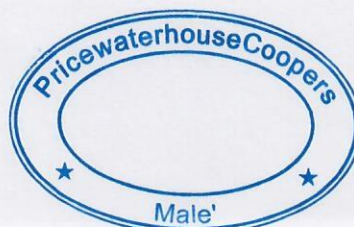
Cash flow statement is prepared in "indirect method".

2.5.14 Other Liabilities and provisions

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

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

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.



MALE' WATER AND SEWERAGE COMPANY PVT LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

2. Significant Accounting Policies (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.14 Other Liabilities and provisions (Continued)

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

2.5.15 Contract liabilities

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

2.5.16 The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

Retirement gratuity benefit

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. However, in Maldives there is no deep market in such bonds and therefore market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the statement of profit or loss.

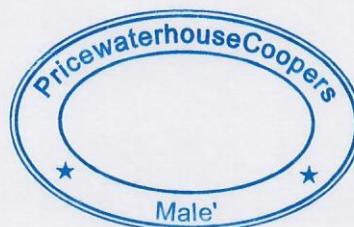
Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

Defined contribution plan - pension contribution

The Group is liable to enrol the employees in the Retirement Pension Scheme with effect from 1 May 2011 based on the Regulation on Maldives Retirement Pension Scheme published by Government of Maldives and shall make contributions at a rate of 7% from the employee's pensionable wages on behalf of the employees of age between 16 and 65 years to the pension office. The Group's contribution to retirement pension scheme is at the rate of 7% on pensionable wages.

Contributions to retirement pension scheme is recognized as an employee benefit expense in the statement of comprehensive income.



MALE' WATER AND SEWERAGE COMPANY PVT LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

2. Significant Accounting Policies (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.17 Expenditure recognition

Expenses are recognised in the consolidated statements of comprehensive income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant, and equipment in a state of efficiency has been charged to income in arriving at the profit 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.

2.5.18 Taxation

a) Current tax

Provision for income tax is based on the elements of income and expenditure as reported in the consolidated financial statements and is computed in accordance with the provisions of the relevant tax statutes.

b) Deferred tax

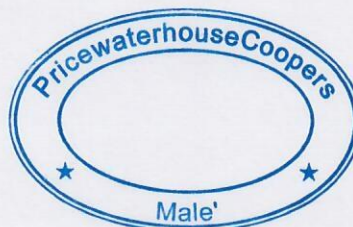
Deferred taxation is the tax attributable to the temporary differences that arise when taxation authorities recognise and measure assets and liabilities with rules that differ from those of the consolidated financial statements. Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, unused tax credits and tax losses carried forward to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the unused tax credits and tax losses carried forward can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised, or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

c) Sales tax

Revenue, expenses assets are recognised net of the amount of sales tax. Receivable and payables that are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.



MALE' WATER AND SEWERAGE COMPANY PVT LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

2. Significant Accounting Policies (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.19 Leases

I. The Company's leasing activities and how these are accounted for:

The Group has several contracts for the use of Land and building in its operations. The Group's obligations under its leases are secured by the lessors' title to the leased assets. Currently, there are 14 no of land lease agreements which were entered by the Company with following parties:

- The Government of Republic of Maldives (GoM)
- Housing Development Corporation (HDC)
- Thilafusi Corporation
- Secretarial of Dhuvaafaru Council
- Secretarial of Khuldhufushi Council
- Ministry of Housing and Infrastructure

The buildings and certain other fixed assets were erected on land leased to the Company from the Government of Maldives for 20 years in accordance with Clause 17 of the Agreement and the Assets Transfer Agreement dated 30 March 1995 and 9 September 1995 respectively. The leasehold rights to the land were derived from the said Joint Venture Agreement and Assets Transfer Agreement. The Company has received an extension of lease terms for a further 50 years from the Government of Maldives on 14th March 2010. During the year the balance has transferred to right of use assets.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

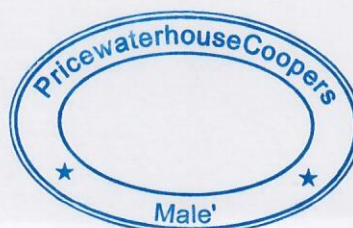
Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Where possible lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. As such, since the implicit rates were not available for the leases the Company has considered the incremental borrowing rate for secured loans at which the Company can borrow for a period similar to lease period for an amount equal to right-of-use of the respective leases.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.



MALE' WATER AND SEWERAGE COMPANY PVT LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

2. Significant accounting policies (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

2.5.19 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of vessels and houses are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Extension and termination options are included in a number of leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in group operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

2.6 Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements requires the application of certain critical judgements, estimates and assumptions relative to the future. Further, it requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making assumptions and selecting the inputs to the impairment calculation, based on the Group's past history and existing market conditions, as well as forward looking estimates at the end of each reporting period.

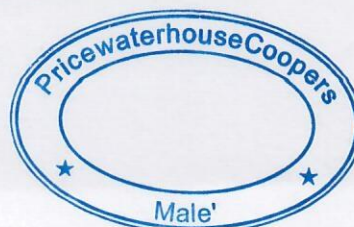
b) Estimated Useful lifetime of the Property, Plant and Equipment and intangible assets

The Group reviews annually the estimated useful lives of PPE and intangible assets based on factors such as business plans and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated lives of PPE and intangible assets would increase the recorded depreciation and amortization charge and decrease the carrying value.

c) Depreciation of property, plant and equipment

The Group assigns useful lives and residual values to property, plant and equipment based on periodic studies of actual asset lives and the intended use for those assets. Changes in circumstances such as technological advances, prospective economic utilisation and physical condition of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

Where the Company determines that the useful life of property, plant and equipment should be shortened or residual value reduced, it depreciates the net carrying amount in excess of the residual value over the revised remaining useful life, thereby increasing depreciation expense. Any change in an asset's life or residual value is reflected in the Company's financial statements when the change in estimate is determined.



MALE' WATER AND SEWERAGE COMPANY PVT LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

2. Significant accounting policies (Continued)

2.6 Significant accounting judgements, estimates and assumptions (Continued)

d) Tax

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income.

Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as differing interpretations of tax regulations by the Group and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the Maldives.

e) Recognition of deferred income tax assets

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. This involves judgement regarding future financial performance of a particular entity in which the deferred income tax asset has been recognised.

f) Recognition of revenue relating to construction revenue stream

Significant accounting judgements, estimates and assumptions with respect to the recognition of revenue relating to construction revenue stream is explained in Note 2.5.5

g) Estimation uncertainties and judgements made in relation to lease accounting

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension option (or periods after termination option) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the lessee. Estimation uncertainties and judgements made in relation to lease accounting is explained in Note 2.5.19

h) Capitalization of property, plant and equipment and projects under construction

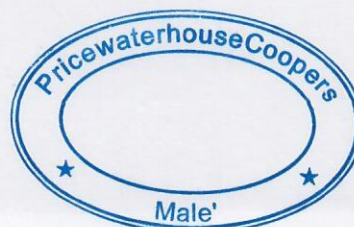
Assets are transferred to Property, Plant and equipment from assets under construction when they are ready for its intended use. The complex nature of the assets is such that judgment is required as to when that point is reached. Also, judgment is required to determine whether the costs incurred on those assets can be capitalized or can be recognized as an expense in profit or loss.

i) Inventory-NRV

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

j) Estimation of defined benefit pension obligation

Estimation uncertainties of defined benefit pension obligation is explained in Note 2.5.17



Male' Water and Sewerage Company Pvt Ltd
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2022

3 Revenue from contract with customers

3.1 Disaggregated revenue information

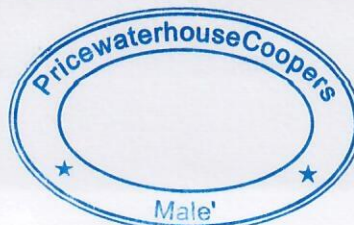
Segment	Group				
	For the year ended 31 December 2022				
	Water, electricity and sewerage	Construction project	Bottled water and flake Ice	Pipe & other water related items	Total
Type of goods or services	MVR	MVR	MVR	MVR	MVR
Supply of utilities	854,549,665	-	-	-	854,549,665
Construction revenue	-	557,397,688	-	-	557,397,688
Sale of bottled water & flake Ice	-	-	208,938,849	-	208,938,849
Sale of pipe and other water related items	-	-	-	9,731,469	9,731,469
Total revenue from contracts with customers	854,549,665	557,397,688	208,938,849	9,731,469	1,630,617,671
Timing of revenue recognition					
Over time	854,549,665	557,397,688	-	-	1,411,947,353
Point in time	-	-	208,938,849	9,731,469	218,670,318
Total revenue from contracts with customers	854,549,665	557,397,688	208,938,849	9,731,469	1,630,617,671

Segment	Group				
	For the year ended 31 December 2021				
	Water, electricity and sewerage	Construction project	Bottled water and flake Ice	Pipe & other water related items	Total
Type of goods or services	MVR	MVR	MVR	MVR	MVR
Supply of utilities	786,640,359	-	-	-	786,640,359
Construction revenue	-	321,848,124	-	-	321,848,124
Sale of bottled water & flake Ice	-	-	165,465,017	-	165,465,017
Sale of pipe and other water related items	-	-	-	8,038,979	8,038,979
Total revenue from contracts with customers	786,640,359	321,848,124	165,465,017	8,038,979	1,281,992,479
Timing of revenue recognition					
Over time	786,640,359	321,848,124	-	-	1,108,488,483
Point in time	-	-	165,465,017	8,038,979	173,503,996
Total revenue from contracts with customers	786,640,359	321,848,124	165,465,017	8,038,979	1,281,992,479

Set out below is the disaggregation of the Group's revenue from contract with customers,

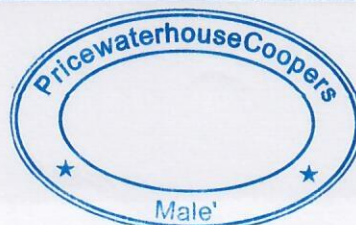
Segment	COMPANY				
	For the year ended 31 December 2022				
	Water, electricity and sewerage	Construction project	Bottled water and flake Ice	Pipe & other water related items	Total
Type of goods or services	MVR	MVR	MVR	MVR	MVR
Supply of utilities	854,549,665	-	-	-	854,549,665
Construction revenue	-	557,397,688	-	-	557,397,688
Sale of bottled water & flake Ice	-	-	142,453,440	-	142,453,440
Sale of pipe and other water related items	-	-	-	9,731,469	9,731,469
Total revenue from contracts with customers	854,549,665	557,397,688	142,453,440	9,731,469	1,564,132,262
Timing of revenue recognition					
Over time	854,549,665	557,397,688	-	-	1,411,947,353
Performance-related milestones	-	-	-	-	-
Point in time	-	-	142,453,440	9,731,469	152,184,909
Total revenue from contracts with customers	854,549,665	557,397,688	142,453,440	9,731,469	1,564,132,262

Segment	COMPANY				
	For the year ended 31 December 2021				
	Water, electricity and sewerage	Construction project	Bottled water and flake Ice	Pipe & other water related items	Total
Type of goods or services	MVR	MVR	MVR	MVR	MVR
Supply of utilities	786,640,359	-	-	-	786,640,359
Construction revenue	-	321,848,124	-	-	321,848,124
Sale of bottled water & flake Ice	-	-	115,851,117	-	115,851,117
Sale of pipe and other water related items	-	-	-	8,038,979	8,038,979
Total revenue from contracts with customers	786,640,359	321,848,124	115,851,117	8,038,979	1,232,378,579
Timing of revenue recognition					
Over time	786,640,359	321,848,124	-	-	1,108,488,483
Performance-related milestones	-	-	-	-	-
Point in time	-	-	115,851,117	8,038,979	123,890,096
Total revenue from contracts with customers	786,640,359	321,848,124	115,851,117	8,038,979	1,232,378,579



Male' Water and Sewerage Company Pvt Ltd
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2022

	GROUP		COMPANY	
	Year ended 31-12-2022	Year ended 31-12-2021	Year ended 31-12-2022	Year ended 31-12-2021
	MVR	MVR	MVR	MVR
4 Other income				
Fixed monthly charges	22,938,455	19,934,051	22,938,455	19,934,051
Operational income	44,665,473	19,296,013	44,665,473	19,296,013
Rental and management income	10,539,685	5,022,531	12,939,685	7,062,531
Penalties, surcharges and fines (Note 4.1)	(8,274,245)	12,640,319	(8,274,245)	12,640,319
Income from disconnection/ reconnection/relocation/termination	28,288,760	18,702,533	28,288,760	18,702,533
Government grant	928,284	928,284	928,284	928,284
Miscellaneous income	112,920	245,393	-	-
Dividend income	1,241,033	-	1,241,033	-
Gain on termination of right of use assets (Provision)/Reversal for impairment of slow and non moving inventories	43,297	-	43,297	-
	-	801,681	-	801,681
	100,483,662	77,570,805	102,770,742	79,365,412
4.1	This account mainly consists of surcharges billed to customers against overdue utility bills. It was a management decision to waive off the surcharge income during the year against the income recognized previous year.			
5 Profit from operating activities				
stated after charging,				
Staff costs (Note 5.1)	195,400,357	156,676,345	180,643,739	144,537,618
Directors' fees	1,566,600	1,569,310	1,062,600	1,065,310
Depreciation on property plant and equipments (Note 9)	104,958,470	90,208,848	95,007,269	81,041,963
Bank service charges and commission	17,588,789	16,856,438	17,563,167	16,843,595
Import duty and freight charges	15,510,624	5,313,492	15,510,624	5,313,386
Repair and maintenance	22,147,783	20,786,632	21,842,005	20,417,422
Transport and travelling expenses	720,735	1,034,337	362,912	482,448
Land and office rentals	-	(20,880)	-	-
Insurance expense	3,131,998	5,851,604	2,586,826	5,307,607
Water expense	4,098,477	5,974,016	3,785,929	5,536,606
Electricity expense	13,398,674	6,341,720	12,921,331	6,028,455
Fuel expense	2,241,698	1,100,078	2,241,698	1,100,078
Telephone and postage expense	3,570,283	3,573,397	3,023,140	3,036,101
Printing and stationary expense	1,445,390	1,319,331	1,011,706	1,008,071
Board meeting expenses	46,778	50,953	46,778	50,953
Entertainment expense	2,488,889	2,284,610	934,868	950,035
Donations expense	5,754,633	1,997,385	5,754,633	1,997,385
Legal expenses	1,217	115,189	1,217	1,200
5.1 Staff costs				
Salaries and wages	69,427,796	64,598,937	62,645,726	59,112,714
Staff bonus	4,436,027	26,257	3,827,677	26,257
Allowances expense	67,735,053	55,856,663	67,735,053	55,856,663
Overtime expense	6,643,916	5,792,607	6,643,916	5,792,607
Overseas training expenses	12,040,677	4,125,011	12,040,677	4,125,011
Staff welfare expense	8,401,254	5,862,420	2,528,786	7,395
Local training expenses	1,275,407	630,184	1,275,407	630,184
Staff provident fund	4,821,867	4,609,035	4,266,727	4,099,244
Retirement gratuity benefit	18,951,891	14,286,493	18,951,891	14,286,493
Staff recruitment and work permit expenses	1,666,469	888,738	727,879	601,050
	195,400,357	156,676,344	180,643,739	144,537,618



Male' Water and Sewerage Company Pvt Ltd
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2022

6 Net finance cost

6.1 Finance income

- Interest income on short term deposits	161,345	596,371	161,345	596,371
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6.2 Finance expenses

- Interest expense on borrowings	11,404,193	9,243,341	11,404,193	9,243,341
- Net foreign exchange loss	655,590	622,068	646,284	503,568
- Interest expense on lease liabilities	24,341,860	10,247,507	23,204,157	8,841,690
	36,401,643	20,112,916	35,254,634	18,588,599
Net finance cost	36,240,298	19,516,545	35,093,289	17,992,228

7 Income tax expenses

Items recognized in profit or loss

7.1 Current tax expense

Current tax expense (Note 7.2)	34,479,348	54,434,347	34,318,303	54,434,347
	34,479,348	54,434,347	34,318,303	54,434,347
Deferred tax adjustments				
Deferred tax asset recognized (Note 7.4)	(1,512,711)	(3,641,271)	(2,668,684)	(3,053,589)
Deferred tax liability recognized (Note 7.5)	1,066,664	1,461,259	1,077,433	250,491
	(446,047)	(2,180,012)	(1,591,251)	(2,803,098)
Income tax expense	34,033,301	52,254,335	32,727,052	51,631,249

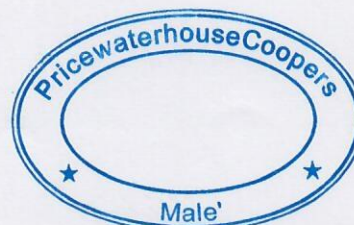
7.2 Reconciliation between accounting profit and taxable income:

	GROUP		COMPANY	
	Year ended 31-12-2022 MVR	Year ended 31-12-2021 MVR	Year ended 31-12-2022 MVR	Year ended 31-12-2021 MVR
Profit before tax	232,042,080	341,136,614	223,260,184	334,437,233
Loss of subsidiary which is not subject to tax	-	4,256,909	-	-
	232,042,080	345,393,523	223,260,184	334,437,233
Tax calculated at the rate of 15%	34,806,312	51,809,029	33,489,028	50,165,585
Add: tax on non-deductible expenses	27,780,975	24,300,937	25,648,520	22,464,743
Less: tax on deductible expenses	(28,032,939)	(21,638,118)	(24,781,745)	(18,158,481)
Less: Tax free allowance	(75,000)	(37,500)	(37,500)	(37,500)
Income tax on taxable profit at 15%	34,479,348	54,434,347	34,318,303	54,434,347

Income tax has been calculated at 15% on the taxable profit for the year ended in accordance with the Income Tax Act No. 25/2019. A reconciliation between tax expense and the product of accounting profit multiplied by Maldives's domestic tax rate for the year ended 31 December is as follows:

7.3 Income tax payable/ (refund)

As at 1 January	21,074,814	31,786,754	22,530,737	33,242,677
Tax charge for the year	34,479,348	54,434,347	34,318,303	54,434,347
Paid during the year	(51,418,546)	(65,146,287)	(51,299,181)	(65,146,287)
As at 31 December	4,135,616	21,074,814	5,549,859	22,530,737



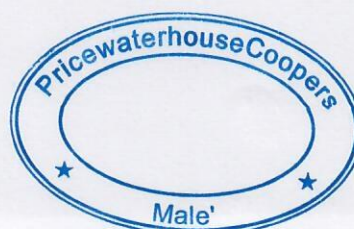
Male' Water and Sewerage Company Pvt Ltd
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2022

	GROUP		COMPANY	
	Year ended 31-12-2022	Year ended 31-12-2021	Year ended 31-12-2022	Year ended 31-12-2021
	MVR	MVR	MVR	MVR
7.4 Deferred tax asset				
As at 1st January	31,437,870	27,796,600	30,072,155	27,018,566
Deferred tax asset recognized during the year	1,512,711	3,641,271	2,668,684	3,053,589
As at 31st December	32,950,581	31,437,870	32,740,839	30,072,155
7.5 Deferred tax liability				
As at 1st January	27,797,232	25,489,241	26,856,054	25,758,830
Deferred tax liability recognized during the year	1,066,664	1,461,259	1,077,433	250,491
Deferred tax liability recognized in other comprehensive income	629,675	846,733	629,675	846,733
As at 31st December	29,493,571	27,797,232	28,563,162	26,856,054
Net Deferred tax asset	3,457,010	3,640,638	4,177,677	3,216,101
	GROUP		COMPANY	
	As at 31-12-2022	As at 31-12-2021	As at 31-12-2022	As at 31-12-2021
	MVR	MVR	MVR	MVR
7.6 Deferred tax				
Temporary difference,				
On property, plant and equipment	(196,623,805)	(185,314,883)	(190,421,079)	(179,040,357)
On debtors general provision	132,123,055	134,995,631	130,724,772	133,561,918
On stock general provision	23,844,456	17,499,602	23,844,456	17,499,602
On employee reitirement benefit provision	63,703,030	49,419,511	63,703,030	49,419,511
	23,046,736	24,270,918	27,851,179	21,440,674
Tax rate	15%	15%	15%	15%
Deferred tax liability as at 31st December	(29,493,571)	(27,797,232)	(28,563,162)	(26,856,054)
Deferred tax Assets as at 31st December	32,950,581	31,437,870	32,740,839	30,072,155
Net Deferred tax asset	3,457,010	3,640,638	4,177,677	3,216,101

Deferred tax liabilities are calculated on all temporary differences under the liability method using the effective tax rate of 15%. Deferred income tax liabilities/assets for the Group and the Company are arising from accelerated tax depreciation and the provision for bad debt. The net movement on the deferred income tax is as follows:

8 Earnings per share

- 8.1** Earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.



Male' Water and Sewerage Company Pvt Ltd
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8 Earnings per share (continue)

8.2 The following reflects the income and share data used in the basic earnings per share computation.

	GROUP		COMPANY	
	Year ended 31-12-2022 MVR	Year ended 31-12-2021 MVR	Year ended 31-12-2022 MVR	Year ended 31-12-2021 MVR
Profit attributable to equity holders	197,913,870	290,699,519	194,101,290	287,604,135
Weighted average number of - ordinary shares in issue	267,000	267,000	267,000	267,000
Basic earnings per share	741	1,089	727	1,077

8.3 Dividends per share

At the 30th annual general meeting held on 05th September 2022, a final dividend in respect of the financial year 2021 of MVR 503/- per share (2020: MVR 728/- per share) amounting to a total of 2022: MVR 134,185,227/- (2021: MVR 194,302,574/-) was declared. These financial statements reflects this dividend, which has been accounted under statement of changes in equity as an appropriation of retained earnings during the year.

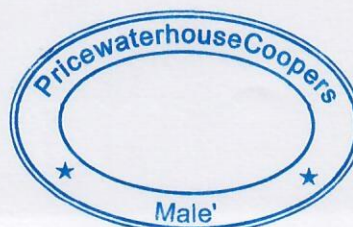
9 Property, plant and equipment

9.1 Gross carrying amounts

Gross carrying amounts	Group					
	Balance as at 01.01.2022	Additions	Transfers to investment property	Transfers from CWIP	Disposal	Balance as at 31.12.2022
	MVR	MVR	MVR	MVR	MVR	MVR
Buildings, desalination plant and fuel farm	363,965,000	-	(1,409,560)	8,524,228	-	371,079,668
Public rain water and new water supply scheme	219,024,876	-	-	9,971,495	-	228,996,371
Sewerage system	161,653,337	-	-	4,275,168	-	165,928,505
Shrink film blowing machine and preform system	206,960,610	3,954	-	81,937,740	(6,742,061)	282,160,242
Reverse osmosis (RO) plants, generator, borewell and control pumps	658,986,916	509,186	-	17,662,215	(1,340,693)	675,817,624
Motor vehicles	125,651,231	2,413,363	-	2,870,307	(7,776,679)	123,158,222
Office and other equipment	81,211,585	6,017,671	-	3,553,798	(164,647)	90,618,407
Furniture and fittings	19,554,413	1,005,126	-	-	-	20,559,539
Computer hardware	48,316,246	3,569,117	-	2,092,158	(507,218)	53,470,303
Vessels	53,243,734	-	-	-	-	53,243,734
	1,938,567,949	13,518,416	(1,409,560)	130,887,108	(16,531,298)	2,065,032,616

9.2 Accumulated Depreciation

	Balance as at 01.01.2022 MVR	Charge for the year MVR	Transfers to investment property MVR	Disposal MVR	Balance as at 31.12.2022 MVR
Buildings, desalination plant and fuel farm	110,278,886	16,312,026	(557,951)	-	126,032,961
Public rain water and new water supply scheme	93,439,007	5,429,223	-	-	98,868,230
Sewerage system	103,784,990	4,613,252	-	-	108,398,242
Shrink film blowing machine and preform system	69,842,901	19,227,954	-	(6,742,061)	82,328,794
Reverse osmosis (RO) plants, generator, borewell and control pumps	351,501,235	32,250,479	-	(1,012,968)	382,738,746
Motor vehicles	93,874,111	10,119,812	-	(7,776,679)	96,217,244
Office and other equipment	64,135,447	7,699,635	-	(164,647)	71,670,435
Furniture and fittings	15,801,975	1,146,509	-	-	16,948,484
Computer hardware	39,903,106	5,497,392	-	(507,218)	44,893,280
Vessels	10,576,747	2,662,187	-	-	13,238,934
	953,138,405	104,958,470	(557,951)	(16,203,573)	1,041,335,351
	985,429,544				1,023,697,265



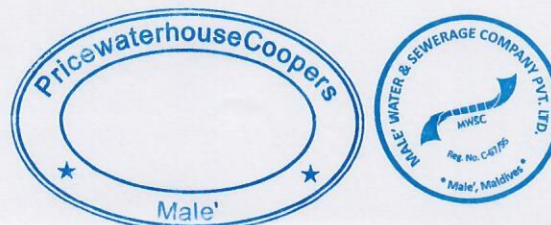
Male' Water and Sewerage Company Pvt Ltd
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2022

9 Property, plant and equipment (Continued)

		COMPANY					
		Balance as at 01.01.2022	Additions	Transfers to investment property	Transfers from CWIP	Disposal	Balance as at 31.12.2022
9.3	Cost	MVR	MVR	MVR	MVR	MVR	MVR
	Buildings, desalination plant and fuel farm	287,573,074	-	(1,409,560)	7,863,480	-	294,026,994
	Public rain water and new water supply scheme	219,024,876	-	1,452,628	9,971,495	-	230,448,999
	Sewerage system	161,653,337	-	-	4,275,168	-	165,928,505
	Shrink film blowing machine and preform system	205,348,237	3,954	-	67,726,961	-	273,079,151
	Reverse osmosis (RO) plants, generator, borewell and control pumps	633,950,752	509,186	(1,452,628)	17,662,215	(1,340,693)	649,328,832
	Motor vehicles	107,255,328	-	-	2,870,307	(7,776,679)	102,348,956
	Office and other equipment	78,574,116	5,498,883	-	3,553,798	(164,647)	87,462,150
	Furniture and fittings	13,497,894	104,643	-	-	-	13,602,537
	Computer hardware	43,962,717	3,469,054	-	2,092,158	(507,218)	49,016,711
	Vessels	53,243,734	-	-	-	-	53,243,734
		1,804,084,065	9,585,719	(1,409,560)	116,015,581	(9,789,237)	1,918,486,569
			Balance as at 01.01.2022	Charge for the year	Transfers to investment property	Disposal	Balance as at 31.12.2022
9.4	Accumulated Depreciation		MVR	MVR	MVR	MVR	MVR
	Buildings, desalination plant and fuel farm		86,487,168	15,491,341	(557,951)	-	101,420,558
	Public rain water and new water supply scheme		93,439,007	5,429,223	-	-	99,622,400
	Sewerage system		103,784,990	4,613,252	-	-	108,398,243
	Shrink film blowing machine and preform system		65,056,328	14,073,221	-	-	79,129,548
	Reverse osmosis (RO) plants, generator, borewell and control pumps		335,743,837	32,250,479	-	(1,012,968)	366,227,178
	Motor vehicles		82,063,905	7,710,838	-	(7,776,679)	81,998,064
	Office and other equipment		62,346,807	7,147,743	-	(164,647)	69,329,903
	Furniture and fittings		11,972,729	570,234	-	-	12,542,964
	Computer hardware		35,544,324	5,058,751	-	(507,218)	40,095,857
	Vessels		10,576,746	2,662,187	-	-	13,238,933
			887,015,841	95,007,269	(557,951)	(9,461,512)	972,003,648
	Total carrying amount of property plant and equipment		917,068,224				946,482,921

9.5 The value of fully depreciated property, plant and equipment at the reporting date amounted to MVR 228,715,424/- (2021: MVR 287,921,624/-) of the Group and MVR 228,715,424/- (2021: MVR 287,921,624/-) of the Company.

9.6 Depreciation expenses of MVR 73,355,946/- and MVR 68,141,862/- (2021: MVR 62,500,575/- and MVR 57,714,002/-) have been charged in cost of sales and MVR 31,602,524/- and MVR 26,865,407/- (2021: MVR 27,708,273/- and MVR 23,327,961/-) in administrative expenses of the Group and Company respectively.



Male' Water and Sewerage Company Pvt Ltd
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2022

9 Property, plant and equipment (Continued)

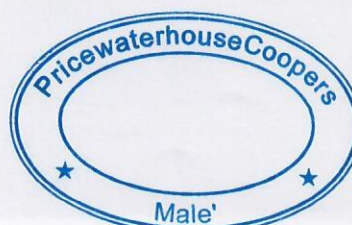
	GROUP		COMPANY	
	NBV	NBV	NBV	NBV
	as at	as at	as at	as at
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
	MVR	MVR	MVR	MVR
9.7 Net Book Value				
Buildings, desalination plant and fuel farm	245,046,707	253,686,114	192,606,436	201,085,906
Public rain water and new water supply scheme	130,128,141	125,585,869	130,826,599	125,585,869
Sewerage system	57,530,262	57,868,347	57,530,262	57,868,347
Shrink film blowing machine and preform system	199,831,448	137,117,709	193,949,603	140,291,909
Reverse osmosis (RO) plants, generator, borewell and control pumps	293,078,878	307,485,681	283,101,654	298,206,915
Motor vehicles	26,940,979	31,777,121	20,350,892	25,191,423
Office and other equipment	18,947,972	17,076,138	18,132,247	16,227,309
Furniture and fittings	3,611,055	3,752,438	1,059,573	1,525,165
Computer hardware	8,577,023	8,413,139	8,920,854	8,418,393
Vessels	40,004,800	42,666,987	40,004,801	42,666,988
	1,023,697,265	985,429,544	946,482,921	917,068,224

9.8 Company's assets pledged as security for loans and borrowings

	Bank / Lender	Currency	Facility amount	NBV as at
				31-12-2022
Property, plant and equipment				MVR
Preform machine (Husky) PM02	HBL	MVR	77,100,000	20,067,944
Second bottling plant 12,000 BPH	HBL	MVR	77,100,000	35,830,345
3000m3/day RO plant	Mitsubishi HC Capital	USD	1,277,913	20,389,069
1.8MW Generator set	Mitsubishi HC Capital	USD	741,470	12,394,221
Sewerage network and pumpstation	Mitsubishi HC Capital	USD	3,988,107	2,309,974
Customer service building	HSBC	MVR	154,200,000	38,109,994
Fen building	HSBC	MVR	154,200,000	3,717,465
Dhuvaafaru-PPE	MIB	USD	4,378,506	15,889,000
Maafushi-PPE	MIB	USD	4,378,506	57,197,071
Glass Water Bottling Plant with and related assets / machineries	MFLC	USD	1,600,000	50,918,463
Total				256,823,545

10 Capital work-in-progress

	GROUP		COMPANY	
	As at	As at	As at	As at
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
	MVR	MVR	MVR	MVR
At 1 January	508,831,431	677,416,213	483,338,825	651,854,004
Additions	162,039,564	56,548,316	154,231,186	55,350,788
Capitalised during the year to property, plant and equipment	(130,887,109)	(221,264,944)	(116,015,582)	(221,264,944)
Transfers to expenses	(14,807,680)	-	(14,807,680)	-
Provision on Capital Work in Progress	-	(2,601,023)	-	(2,601,023)
Reclassification to Prepayment	-	(1,267,131)	-	-
At 31 December	525,176,206	508,831,431	506,746,749	483,338,825



Male' Water and Sewerage Company Pvt Ltd
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2022

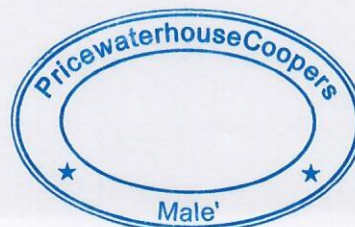
10.1 In the course of construction

Land Acquisition at Gulhifalhu	195,866,751	195,866,751	195,866,751	195,866,751
Construction of Pipe Manufacturing Stores	3,553,321	3,559,344	3,553,321	3,559,344
Gulhifalhu Fuel Storage Tank 50T	933,804	743,176	933,804	743,176
Gulhifalhu Rainwater system	-	136,248	-	136,248
Male Installation of 5000TPD RO Plant	-	422,454	-	422,454
Supply & Install Storage Tanks	11,396,090	7,324,900	11,396,090	7,324,900
Hmale - Water & Sewer Newtork Ph2	111,878,643	87,210,131	111,878,643	87,210,131
Operation control building - Male'	23,272,018	15,578,551	23,272,018	15,578,551
Construction of Pipeline via bridge	46,067,757	39,089,512	46,067,757	39,089,512
Gfalhu - Facility Building	8,593,603	8,355,617	8,593,603	8,355,617
Power Production Expansion Gulhifalhu	2,927,951	2,927,951	2,927,951	2,927,951
Water Production, Storage & Distribution	2,855,873	2,855,873	2,855,873	2,855,873
GF Manufacturing building storage deck	1,193,721	1,193,721	1,193,721	1,193,721
Gfalhu - Port Construction 2016	-	387,585	-	387,585
Premium Water Manufacturing - HML	6,803,587	9,877,565	6,803,587	9,877,565
Construction of Preform Building at Gulhifalhu	10,506,274	10,306,266	10,506,274	10,306,266
Construction of Warehouse - Gfalhu	17,150,124	16,804,365	17,150,124	16,804,365
Construction of Water & Sewer Network (Thilafusl)	123,982	123,982	123,982	123,982
Supply, install & Commision Bottling line	6,246,367	5,622,179	6,246,367	5,622,179
Hmale - Ventilation system Bottling	931,021	931,021	931,021	931,021
VAf Pre-filtration system	3,135,117	3,085,136	3,135,117	3,085,136
CIP cleaning system for 3000TPD	-	2,621,739	-	2,621,739
Flushing vehicle	53,416	53,416	53,416	53,416
Construction of Production Facility - phase2	544,636	544,636	544,636	544,636
Preform light weighteing project	-	13,940,520	-	13,940,520
Ventilation System	-	3,105,916	-	3,105,916
Hulhumale' Fuel Line	4,734,092	2,586,526	4,734,092	2,586,526
Installing Prepaid Water Meters	-	771,000	-	771,000
Extension of Water & Sewer Network - Tfushi	9,670	9,670	9,670	9,670
Extension of Water & Sewer Network - Kfushi	3,055,863	3,055,863	3,055,863	3,055,863
Chimney stack - HLM	2,186,220	2,174,220	2,186,220	2,174,220
2 new Boreholes - Male;	-	3,788,075	-	3,788,075
Construction of boreholes	-	1,623,914	-	1,623,914
BPH project	18,429,457	25,492,605	-	-
Other Projects	42,726,849	39,262,027	42,726,849	39,262,026
Provision on Capital Work in Progress	-	(2,601,023)	-	(2,601,023)
	525,176,206	508,831,431	506,746,749	483,338,825

10.2 Company's assets pledged as security for loans and borrowings

	Bank / Lender	Currency	Facility amount	NBV as at 31-12-2022 MVR
Capital work-in-progress				
Water & sewerage network HM ph2	Mitsubishi HC Capital	USD	3,988,107	111,878,643
200 m3 Fuel tank, transformer 1.5 MVA and other assets at Dhuvaafaru	MIB	USD	4,378,506	2,236,222
Sewer pump rep & vehicle maintenance workshop and other assets Maafushi	MIB	USD	4,378,506	4,490,376
Total				118,605,241

10.3 During the year, the Company has incurred borrowing cost amounting to MVR 8,265,152 (2021: MVR 7,029,589) on qualifying assets in capital work-in-progress.



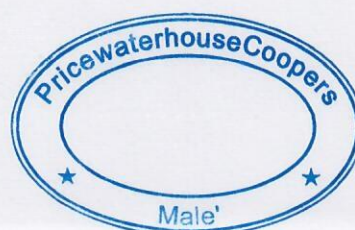
Male' Water and Sewerage Company Pvt Ltd
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11 Intangible assets

	GROUP		
	Balance as at 01-01-2022 MVR	Additions MVR	Disposals MVR
11.1 Gross carrying amount at cost			Balance as at 31-12-2022 MVR
Computer software	29,537,388	289,026	-
Brand name	25,000	-	-
ISO and HACCP Certificate	265,320	-	-
	29,827,708	289,026	-
			30,116,734
11.2 Accumulated amortisation and impairment			
	Balance as at 01-01-2022 MVR	Charge for the year MVR	Disposal / transfers MVR
Computer software	25,831,547	1,703,484	-
Brand name	22,501	1,250	-
ISO and HACCP Certificate	75,250	17,688	-
	25,929,298	1,722,422	-
			27,651,720
11.3 Net carrying amount	3,898,410		2,465,014

	COMPANY		
	Balance as at 01-01-2022 MVR	Additions MVR	Disposals MVR
11.4 Gross carrying amount Cost			Balance as at 31-12-2022 MVR
Computer software	28,242,235	225,217	-
			28,467,452
11.5 Accumulated amortisation and impairment at cost			
	Balance as at 01-01-2022 MVR	Charge for the year MVR	Disposal / transfers MVR
Computer software	25,254,633	1,493,547	-
			26,748,180
Net carrying amount	2,987,602		1,719,272

11.6 Amortisation charge of MVR 1,722,422 (2021: MVR 1,790,407) is included in administrative expenses of the Group and MVR 1,493,547 (2021: MVR 1,549,359) is included in administrative expenses of the Company.



Male' Water and Sewerage Company Pvt Ltd
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12 Investment in subsidiaries

Island Beverages Maldives Private Limited

COMPANY	
As at 31-12-2022 MVR	As at 31-12-2021 MVR
7,650,000	7,650,000

Investment in subsidiary comprises investment made by the Company in Island Beverages Maldives Private Limited, a company incorporated in the Republic of Maldives. The Company holds 51% of the issued shares.

13 Investment property

13.1 Gross carrying amount at cost

West coast rasfannu beach pavilion
CS building 3rd and 4th floor
Fen building 2nd Floor
Fen building 3rd Floor
Fen building 1st floor
Fen building 4th Floor MQA
MWSC canteen building

GROUP/COMPANY			
Balance as at 01-01-2022 MVR	Additions MVR	Transfer from PPE MVR	Balance as at 31-12-2022 MVR
9,681,536	-	-	9,681,536
9,341,754	-	-	9,341,754
2,130,356	-	-	2,130,356
2,917,532	-	-	2,917,532
5,346,793	-	-	5,346,793
1,087,085	-	-	1,087,085
-	-	1,409,560	1,409,560
30,505,056	-	1,409,560	31,914,616

Accumulated amortisation and impairment at cost

West coast rasfannu beach pavilion
CS building 3rd and 4th floor
Fen building 2nd Floor
Fen building 3rd Floor
Fen building 1st floor
Fen building 4th Floor MQA
MWSC canteen building

Balance as at 01-01-2022 MVR	Charge for the year MVR	Transfer from PPE MVR	Balance as at 31-12-2022 MVR
1,976,647	484,077	-	2,460,724
1,695,484	822,403	-	2,517,887
1,591,424	28,490	-	1,619,914
1,833,531	57,308	-	1,890,839
4,357,805	49,458	-	4,407,263
848,656	11,923	-	860,579
-	2,511	557,950	560,461
12,303,547	1,456,170	557,950	14,317,667

Net carrying amount

18,201,509	17,596,949
------------	------------

13.2 The Group has rented out one of its buildings at Rasfannu (West coast beach pavilion), CS building 3rd and 4th floor and Fen building 1st, 2nd, 3rd floors, a portion of 4th floor and canteen building to third parties and its subsidiary with the intention of earning monthly rental income, and company has adopted cost model to measure the investment property.

13.3 Investment properties disclosed at fair value

West coast rasfannu beach pavilion
CS Building 3rd and 4th floor
Fen Building 2nd Floor
Fen Building 3rd Floor
Fen Building 1st floor
Fen Building 4th Floor
MWSC Canteen Area

Fair value as at 31-12-2022 MVR	Fair value as at 31-12-2021 MVR
16,600,000	14,500,000
10,750,000	10,250,000
19,660,000	21,850,000
21,460,000	23,550,000
19,460,000	18,164,500
3,730,000	3,412,500
2,362,000	-
94,022,000	91,727,000

13.4 Company's assets pledged as security for loans and borrowings

Investment property

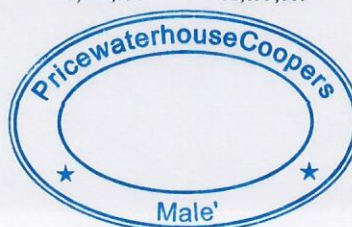
Customer service building
Total

Bank / Lender	Currency	Facility amount	NBV as at 31-12-2022 MVR
HSBC	MVR	154,200,000	6,823,868
			6,823,868

13.5 Amounts recognised in profit or loss for investment properties

Rental income from operating leases

GROUP		COMPANY	
As at 31-12-2022 MVR	As at 31-12-2021 MVR	As at 31-12-2022 MVR	As at 31-12-2021 MVR
10,539,685	5,022,531	12,699,685	6,822,531



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14 Inventories	GROUP		COMPANY	
	As at 31-12-2022 MVR	As at 31-12-2021 MVR	As at 31-12-2022 MVR	As at 31-12-2021 MVR
Raw materials	37,407,146	25,939,529	35,172,785	22,582,316
Consumable stock	459,582,276	297,769,639	455,669,677	293,467,730
Finished goods	16,593,111	10,845,431	13,192,612	10,043,828
Water inventory	2,347,823	1,996,847	2,347,823	1,996,847
	515,930,356	336,551,446	506,382,897	328,090,721
Less:				
Impairment for slow and non-moving items	(23,844,456)	(17,499,602)	(23,844,456)	(17,499,602)
	492,085,900	319,051,844	482,538,441	310,591,119
<u>Work-in-progress</u>				
Employee housing unit	201,290,786	133,710,402	201,290,786	133,710,402
	693,296,278	452,762,246	683,829,227	444,301,521

14.1 During the year, the Company has incurred borrowing cost amounting to MVR 3,038,245.79 (2021: MVR Nil) on the employee housing unit work-in-progress.

15 External project work-in-progress				
External projects	13,781	14,081	13,781	14,081

16 Contract assets				
Unbilled Revenue from external projects	304,919,714	184,206,437	304,919,714	184,206,437
Unbilled Revenue from water consumption	39,628,372	45,875,899	39,628,372	45,875,899
Retentions receivable	8,441,661	600,126	8,441,661	600,126
Less: provision for impairments	(16,561,144)	(10,188,592)	(16,561,144)	(10,188,592)
	336,428,603	220,493,870	336,428,603	220,493,870

16.1 Movement of provision for impairment is as follows:

Opening balance	10,188,592	-	10,188,592	-
Provision during the year	6,372,552	10,188,592	6,372,552	10,188,592
Closing balance	16,561,144	10,188,592	16,561,144	10,188,592

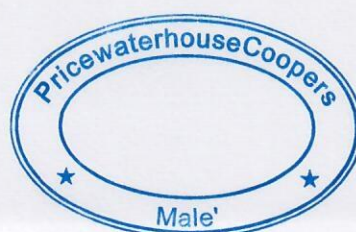
16.2 Amounts relating to contract assets are balances due from customers from water consumption, unbilled revenue from external projects and construction retentions.

16.3 Unbilled water consumption includes water consumption as at the end of the reporting period amounting MVR 39,628,372 (2021: MVR 45,875,899) which are not opened for billing cycle.

16.4 Revenue recognised on percentage completion amounting MVR 304,919,714 (2021: MVR 184,206,437) but not invoiced until the agreed related milestones are achieved.

16.5 Construction retention is held by customers until the agreed related milestones are achieved.

16.6 Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.



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17	Trade and other receivables	GROUP		COMPANY	
		As at	As at	As at	As at
		31-12-2022	31-12-2021	31-12-2022	31-12-2021
		MVR	MVR	MVR	MVR
	Trade receivables	102,973,992	135,476,235	98,454,820	131,067,921
	Amounts due from related parties (Note 31)	362,495,231	220,957,683	417,603,644	276,292,020
	Less: provision for impairments of trade receivable (Note 17.6)	(121,373,437)	(124,807,040)	(119,975,154)	(123,373,326)
		344,095,785.81	231,626,878	396,083,310	283,986,615
	Deposit and prepayments	146,209,409	173,440,031	144,730,488	171,580,597
	Other receivables	38,376,787	76,233,437	32,809,032	74,372,381
		184,586,196	249,673,468	177,539,520	245,952,978
	Trade and other receivables	528,681,982	481,300,346	573,622,830	529,939,593

17.1 There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

17.2 The amounts due from related parties are unsecured, interest free and have no fixed repayment terms. Accordingly, these amounts are shown as falling due within one year.

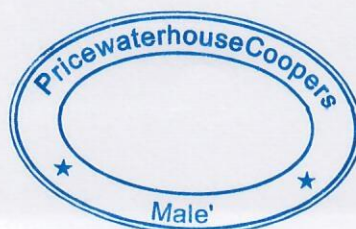
17.3 Other receivables of the Group include Letter of Credit MVR Nil (2021: MVR 12,539,377/-), LC margin money MVR 4,584,925/- (2021: MVR 27,918,140/-), receivable from non-utility related income amounting MVR 13,597,968 (2021: MVR 20,096,860), bank guarantee margin amounting MVR 9,890,394 (2021: MVR 9,890,394), staff loans amounting to MVR 3,898,014/- (2021: MVR 3,059,101/-), rent receivable amounting MVR 642,882 (2021: MVR 667,560), staff advances amounting MVR 150,310 (2021: MVR 156,410), interest receivable amounting MVR 44,539 (2021: MVR 44,539), refundable deposits and other amounting MVR 5,567,755 (2021: MVR 1,861,056).

17.4 Prepayments of the Group include advance payments made to suppliers amounting to MVRMVR 141,872,569/- (2021: MVR 171,945,439/-), security deposit MVR 4,336,840/- (2021: MVR 1,494,592/-).

17.5	Provision for impairment of trade receivable	GROUP		COMPANY	
		As at	As at	As at	As at
		31-12-2022	31-12-2021	31-12-2022	31-12-2021
		MVR	MVR	MVR	MVR
	Expected credit loss under simplified approach	121,373,437	124,807,040	119,975,154	123,373,326

17.6 Movement of provision for impairment is as follows:

Opening balance	124,807,040	115,865,695	123,373,326	114,092,963
Provision during the year	20,394,615	8,941,345	20,430,046	9,280,363
Bad debt written-off	(23,828,218)	-	(23,828,218)	-
Closing balance	121,373,437	124,807,040	119,975,154	123,373,326



Male' Water and Sewerage Company Pvt Ltd
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18 Cash and cash equivalents in cash flow statement

	GROUP		COMPANY	
	As at 31-12-2022	As at 31-12-2021	As at 31-12-2022	As at 31-12-2021
	MVR	MVR	MVR	MVR
Cash in hand	13,207,920	5,257,767	13,207,920	5,257,767
Cash at banks	113,896,632	157,571,220	110,159,419	154,133,047
Less: provision for impairment on bank balance	(230,494)	-	(230,494)	-
	126,874,058	162,828,987	123,136,845	159,390,814

18.1 Provision for impairment on bank balance

Opening balance	-	-	-	-
Provision during the year	230,494	-	230,494	-
Closing balance	230,494	-	230,494	-

19 Share capital

	Number of shares	Ordinary shares (MVR)
At 1 January 2022	267,000	267,000,000
At 31 December 2022	267,000	267,000,000

The total authorised number of ordinary shares is 267,000 shares (2021: 267,000 shares) with a par value of MVR 1,000 per share (2021: MVR 1,000 per share). The above, 267,000 shares are issued and fully paid.

	As at 31-12-2022	As at 31-12-2021
	MVR	MVR
Government of Maldives - 213,600 ordinary shares	213,600,000	213,600,000
Hitachi Limited - 53,400 ordinary shares	53,400,000	53,400,000
	267,000,000	267,000,000

20 Share allotment gain

The difference between the consideration received for shares and the par value of shares allotted by the company has been shown as share allotment gain.

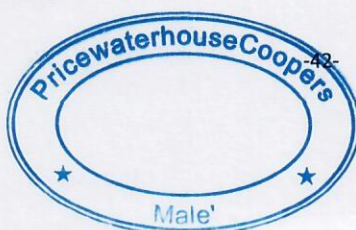
	Consideration paid for shares MVR	Value of shares allotted MVR	Gain MVR
Government of Maldives	213,603,042	213,600,000	3,042

21 Non-controlling interest

	GROUP	
	As at 31-12-2022	As at 31-12-2021
	MVR	MVR
At 1 January	21,897,542	18,916,630
Dividends declared	(1,192,365)	-
Share of net profit of subsidiary	3,663,068	2,980,912
At 31 December	24,368,245	21,897,542

22 Interest-bearing loans and borrowings

	GROUP/COMPANY	
	As at 31-12-2022	As at 31-12-2021
	MVR	MVR
Non- Current:		
HSBC term loan	106,012,500	29,251,288
MIB term loan	62,768,365	-
Loan from a related party	49,411,691	66,794,165
Maldives Finance Leasing Company	15,285,704	20,889,018
Habib Bank Limited	41,464,958	-
	274,943,218	116,934,471
Current :		
HSBC term loan	38,550,000	1,588,712
MIB term loan	4,748,198	-
Loan from a related party	19,713,906	21,302,387
Mauritius Commercial Bank	2,374,909	-
Maldives Finance Leasing Company	5,603,313	3,782,982
Habib Bank Limited	2,910,197	11,532,334
	73,900,523	38,206,416
Total borrowings	348,843,741	155,140,886



Male' Water and Sewerage Company Pvt Ltd
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22.1 Movement of interest bearing liabilities

	GROUP/COMPANY		
	As at 01.01.2022 MVR	Loans obtained MVR	As at 31-12-2022 MVR
HSBC term loan	30,840,000	123,360,000	(9,637,500)
MIB term loan	-	67,516,563	-
Loan from a related party	88,096,551	-	(18,970,954)
Habib Bank Limited	11,532,334	44,375,155	(11,532,334)
Mauritius Commercial Bank	-	2,374,909	-
Maldives Finance Leasing Company	24,672,000	-	(3,782,982)
	155,140,885	237,626,627	(43,923,771)
			348,843,741

The exposure of the Group's/Company's borrowings to interest rate changes and contractual repricing dates at the end of the reporting period are as follows:

	GROUP/COMPANY	
	As at 31-12-2022 MVR	As at 31-12-2021 MVR
6 months or less	30,962,603	19,537,322
6 - 12 months	42,937,920	18,669,094
1 - 5 years	274,943,219	116,934,470
	348,843,741	155,140,885

22.2 The exposure of the Group/Company's borrowings is as follows:

	As at 31-12-2022 MVR	As at 31-12-2021 MVR
-at variable rates	188,937,655	30,840,000
- at fixed rates	159,906,086	124,300,885
	348,843,741	155,140,885

The carrying amount and the fair value of the borrowings are as follows:

The carrying values approximate the fair values.

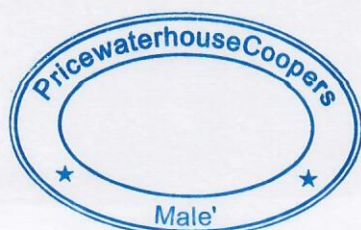
	Carrying amount as at	
	31-12-2022 MVR	31-12-2021 MVR
HSBC term loan	144,562,500	30,840,000
MIB term loan	67,516,563	-
Loan from a related party	69,125,597	88,096,552
Mauritius Commercial Bank	2,374,909	-
Maldives Finance Leasing Company	20,889,018	24,672,000
Habib Bank Limited	44,375,155	11,532,334
	348,843,741	155,140,886

The fair values are based on cash flows discounted using following borrowing rates:

	2022	2021
HSBC term loan	10%	10%
MIB term loan	9%	-
Loan from a related party	8.35%	8.35%
Mauritius Commercial Bank	10%	N/A
Maldives Finance Leasing Company	11.75%	11.75%
Habib Bank Limited	9%	9%

The Group/Company has the following undrawn borrowing facilities as at:

	31-12-2022 MVR	31-12-2021 MVR
- Expiring within one year	-	-
- Expiring beyond one year	32,724,845	123,360,000
	32,724,845	123,360,000



Male' Water and Sewerage Company Private Limited
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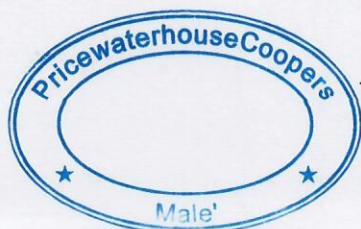
22 Interest bearing loans and borrowings

22.3 Details of interest bearing loans and borrowings

Lender	Total loan facility	Repayment term	Interest rate	Securities/pledged assets
Habib bank limited (Financing of external projects)	MVR. 77,100,000/-	Facility was obtained on 16 June 2022 for financing the purchase of materials related to MWSC's external projects and has to be repaid within 5 years from the following month of disbursement with a 12 month grace period from first disbursement.	3-day T-bill rate + 3.0% or floor of 9.5% p.a (whichever is higher)	i. Mortgage over the machinery / equipment being financed under facility 2 (Bottled Water Plant No. 2)- Combined Collateral with Facility No.2 ii. Mortgage over Machinery (PET Preform Plant No. 2) iii. Combined Collateral Mortgage over MWSC's Bottled Water Factory (Mortgage over Head lease rights of the Land favoring MWSC and Mortgage over buildings)
Hitachi Aqua-Tech Engineering	USD. 1,333,000/-	Facility has been obtained on 16 April 2019 for acquiring the 3000m3 RO plant and has to be repaid in 20 quarterly instalments.	Fixed rate at 5.5%	-
Mauritius Commercial Bank (Water Storage)	MVR 2,374,909/-	Facility has been obtained on 7 September 2022 for financing the water storage facility at Gulhifalhu and has to be repaid in 72 monthly instalments after a 12-months grace period	Fixed rate of 10%	First Rank Mortgages on the following land plots: (i) MWSC Facility Building in Villimale' (ii) Hulhumale' Lot 10004 Floating Charge on the Assets
Maldives Islamic Bank (MWSC Hiyaa Project)	USD 4,378,506/-	Facility has been obtained on 28 June 2022 for financing the Hiyaa project tower 1 and the loan to be repaid in 60 monthly instalments after 12 months grace period.	Fixed rate at 9%	Property, plant and equipment at K.Maafushi and R.Dhuvaafaru
HSBC Limited (20 Island Water & Sewerage System Project)	MVR. 154,200,000/-	Facility was obtained on 23 July 2021 for financing MWSC's 20 island water and sewer projects. Loan disbursement is to be made in 5 equal disbursement of MVR 30.84 million, out of which 1 disbursement has been made in 2021. Each disbursement is to be repaid in 48 monthly instalments after 12 months grace period.	1 month T-bill rate + 6% per annum	Mortgage of leasehold right of 'Customer Service Building Land Area and Mortgage of RO plants in MWSC Male' main compound.
Mitsubishi HC Capital Asia Pacific	USD. 1,277,913/-	Facility has been obtained on 8 February 2019 for financing the supply, installation and commissioning of a 3000M3/day RO plant in Hulhumale phase 2 project on 15 July 2019 and has to be repaid in 72 monthly instalments with 12 months grace period.	Fixed rate at 8.35%	Mortgage over 3000m3/day RO Plant for Hulhumale' Phase II project supplied under this facility
Mitsubishi HC Capital Asia Pacific	USD. 741,470/-	Facility has been obtained on 8 February 2019 for financing the supply, installation & commissioning of 1.8Mw generator set in Hulhumale phase 2 project on 15 July 2019 and has to be repaid in in 72 monthly instalments with 12 months grace period.	Fixed rate at 8.35%	Mortgage over 1.8MW Generator Set for Hulhumale' Phase II project supplied under this facility
Mitsubishi HC Capital Asia Pacific	USD. 3,988,107/-	Facility has been obtained on 8 February 2019 for financing the supply of water & sewerage system materials in Hulhumale phase 2 project on 15 July 2019 and has to be repaid in in 72 monthly instalments with 12 months grace period.	Fixed rate at 8.35%	Mortgage over Water & Sewerage System Materials for Hulhumale' Phase II project supplied under this facility
Maldives Finance Leasing Company (Glass Bottling Project)	USD 1,600,000	Facility has been obtained on 15 September 2021 for financing the purchase, transport, installation, commissioning, and other investment costs of Glass Bottling Project and has to be paid in 48 monthly instalments after 6 months grace period.	Fixed rate at 11.75%	Mortgage over Glass Water Bottling Plant with other related assets / machineries

22.4 Maturity analysis of undiscounted non-current loans and borrowings is as follows;

Between 1 to 2 years
Between 2-5 years
Above 5 years



-44-



GROUP/COMPANY	
As at 31-12-2022	As at 31-12-2021
MVR	MVR
110,642,980	427,671,32.65
189,864,937	74,287,374
25,600,578	24,146,407
326,108,495	141,200,913

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23 Leases

23.1 The Group has several contracts for the use of Land and building in its operations. The Group's obligations under its leases are secured by the lessors' title to the leased assets.

The buildings and certain other fixed assets were erected on land leased to the Company from the Government of Maldives for 20 years in accordance with Clause 17 of the Joint Venture Agreement and the Assets Transfer Agreement dated 30 March 1995 and 9 September 1995 respectively. The leasehold rights to the land were derived from the said Joint Venture Agreement and Assets Transfer Agreement. The Company has received an extension of lease terms for a further 50 years from the Government of Maldives on 14th March 2010. During the year the balance has transferred to right of use assets.

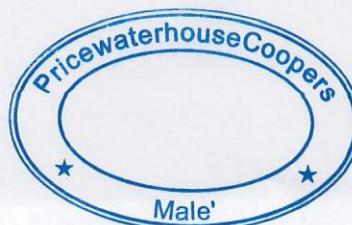
Set out below are the carrying amounts of right of use assets recognised and the movements during the period.

23.2 Right of use assets	GROUP			
	Male' leasehold right	Land	Building	Total
	MVR	MVR	MVR	MVR
Cost				
As at 1 January	16,158,717	112,066,545	19,299,556	147,524,818
Additions during the year	-	11,622,467	13,938,995	25,561,462
Modifications during the year	-	129,232,085	-	129,232,085
De-recognitions during the year	-	-	(551,795)	(551,795)
As at 31 December	16,158,717	252,921,097	32,686,756	301,766,570
Depreciation				
As at 1 January	12,987,049	10,856,229	13,596,752	37,440,030
Charge for the year	81,325	6,135,082	3,527,553	9,743,960
De-recognitions during the year	-	-	(80,837)	(80,837)
As at 31 December	13,068,374	16,991,311	17,043,468	47,103,153
Net book value	3,090,343	235,929,786	15,643,288	254,663,417

23.3 Right of use assets	COMPANY			
	Male' leasehold right	Land	Building	Total
	MVR	MVR	MVR	MVR
As at 1 January	16,158,717	111,994,704	551,795	128,705,216
Additions during the year	-	11,622,467	3,946,189	15,568,656
Modifications during the year	-	129,232,085	-	129,232,085
De-recognitions during the year	-	-	(551,795)	(551,795)
As at 31 December	16,158,717	252,849,256	3,946,189	272,954,161
Depreciation				
As at 1 January	12,987,049	10,784,388	63,264	23,834,701
Charge for the year	81,325	6,135,082	21,088	6,237,495
De-recognitions during the year	-	-	(80,837)	(80,837)
As at 31 December	13,068,374	16,919,470	3,515	29,991,359
Net book value	3,090,343	235,929,786	3,942,674	242,962,802

23.4 Company's assets pledged as security for loans and borrowings

	Bank / Lender	Currency	Facility amount	NBV as at
				31-12-2022
Right-of-use assets				MVR
Male' leasehold land	HSBC	MVR	154,200,000	3,158,482
Dhuvaafaru land	MIB	USD	4,378,506	3,940,952
Maafushi land	MIB	USD	4,378,506	3,973,187
Hulhumale leased land plot 10004	MCB	MVR	2,374,909	70,165,579
Villimale land	MCB	MVR	2,374,909	10,473,707
Hulhumale leased land plot 10618	HBL	MVR	77,100,000	49,536,211
Total				141,248,119



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23 Leases (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the period.

23.5 Lease liabilities		Interest rate	Maturity	GROUP		COMPANY	
				As at	As at	As at	As at
				31-12-2022	31-12-2021	31-12-2022	31-12-2021
				MVR	MVR	MVR	MVR
Non- current	8%	2023-2077		268,855,744	122,615,294	254,025,358	109,195,854
Current	8%	2022		9,120,591	4,008,102	410,109	925,456
				277,976,335	126,623,396	254,435,467	110,121,310
As at 1 January				126,623,396	132,718,597	110,121,310	111,186,629
Additions				25,561,463	12,215,026	15,568,656	-
Accretion of interest				24,341,860	10,247,507	23,204,157	8,841,690
Termination of lease				(514,256)	(2,829,217)	(514,256)	-
Modification during the year				129,232,085	-	129,232,085	-
Payments				(27,268,213)	(25,728,517)	(23,176,485)	(9,907,009)
As at 31 December				277,976,335	126,623,396	254,435,467	110,121,310

The following are the amounts relating to leases recognised in profit or loss:

		GROUP		COMPANY	
		Year ended	Year ended	Year ended	Year ended
		31-12-2022	31-12-2021	31-12-2022	31-12-2021
		MVR	MVR	MVR	MVR
Depreciations charge of Right-of-use-assets					
	Leasehold right	81,325	81,325	81,325	81,325
	Land	6,135,082	4,229,044	6,135,082	4,205,097
	Building	3,527,553	3,101,004	21,088	21,088
		9,743,960	7,411,373	6,237,495	4,307,510
Interest expense on lease liabilities					
	Land	22,202,492	8,304,758	22,964,751	8,798,903
	Building	1,334,638	1,138,019	239,406	42,787
	Equipments	804,730	804,730	-	-
		24,341,860	10,247,507	23,204,157	8,841,690
Total amount recognised in profit or loss		34,085,821	17,658,879	29,441,652	13,149,200

23.6 Maturity analysis of undiscounted non-current lease liabilities is as follows;

	GROUP		COMPANY	
	As at	As at	As at	As at
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
	MVR	MVR	MVR	MVR
Between 1 to 2 years	26,757,859	25,562,945	24,983,741	17,416,711
Between 2-5 years	55,415,082	26,781,630	49,967,482	20,474,030
Above 5 years	994,094,990	166,242,067	992,570,990	162,169,267
	1,076,267,931	218,586,642	1,067,522,212	200,060,008

24 Government grants

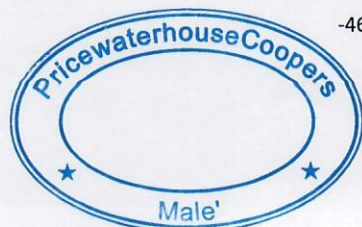
	GROUP		COMPANY	
	As at	As at	As at	As at
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
	MVR	MVR	MVR	MVR
As at 1 January	12,014,284	12,942,568	12,014,284	12,942,568
Released to other income	(928,284)	(928,284)	(928,284)	(928,284)
As at 31 December	11,086,000	12,014,284	11,086,000	12,014,284
Non- current	10,157,716	11,086,000	10,157,716	11,086,000
Current	928,284	928,284	928,284	928,284
	11,086,000	12,014,284	11,086,000	12,014,284

The amount received as share application money from the government in the month of January 2016, now has been considered as grant received from the government based on the approval received Ministry of Finance on 11th December 2019. The above amount treated as a grant and would be released to income statement over 15 years of period since then.

There are no unfulfilled conditions or contingencies attached to these grants.

25 Contract liabilities

	GROUP/COMPANY	
	As at	As at
	31-12-2022	31-12-2021
	MVR	MVR
Construction retention	24,515,451	16,378,527
Contract advances	32,416,380	24,082,033
	56,931,831	40,460,560



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26 Trade and other payables	GROUP		COMPANY	
	As at 31-12-2022 MVR	As at 31-12-2021 MVR	As at 31-12-2022 MVR	As at 31-12-2021 MVR
Trade payables	103,331,348	64,295,456	100,143,369	61,804,041
Amounts due to related parties (Note 31)	61,687,024	21,308,105	61,687,024	21,666,897
Accrued expenses	1,849,625	3,801,581	1,817,243	2,994,940
Other payables	51,968,023	32,222,545	51,720,865	31,541,292
Dividend Payable	762,799,305	718,044,337	762,799,305	718,044,338
Retirement gratuity benefit	63,703,030	49,419,511	63,703,030	49,419,511
	1,045,338,355	889,091,534	1,041,870,836	885,471,019

26.1 The amount due to related parties are unsecured, interest free and have no fixed repayment period. Accordingly the entire amount's due have been presented as falling due within one year.

26.2 Accrued expenses of the Group consist with GST payable of MVR 1,393,096/- (2021: MVR 2,570,890/-), audit fee payable of MVR 456,432 (2021: MVR 583,836) and other accruals of MVR 97/- (2021: MVR 646,855).

26.3 Other payables of the Company include O&M sales collection payable MVR 7,901,817/- (2021:7,901,817/-), O&M spare fund payable MVR 1,314,034/- (2021: MVR 1,314,034/-), advance received for Hiya employee housing project in Hulhumale MVR 25,795,707/- (2021: MVR 19,751,532/-), Fenaka Corporation collection payable MVR 1,847,180/- (2021: MVR 1,847,180/-), Legal expenses payable MVR 1,856,176/- (2021: Nil), Withholding tax provision MVR 11,956,492/- (2021: Nil), and other payables of MVR 1,049,459/- (2021: MVR 1,407,982/-).

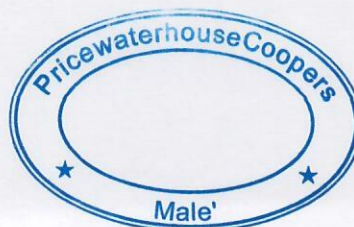
26.4 Retirement gratuity benefit	Group		Company	
	2022	2021	2022	2021
Opening balance	49,419,511	41,926,706	49,419,511	41,926,706
Current service cost	16,678,593	12,357,865	16,678,593	12,357,865
Interest cost	2,273,298	1,928,628	2,273,298	1,928,628
Actuarial gain	(4,197,834)	(5,644,885)	(4,197,834)	(5,644,885)
	64,173,568	50,568,314	64,173,568	50,568,314
Less: payments during the year	(470,538)	(1,148,803)	(470,538)	(1,148,803)
Closing balance	63,703,030	49,419,511	63,703,030	49,419,511

Following amounts are recognised in profit or loss and Other comprehensive income during the year in respect of retirement benefit

	Group		Company	
	2022	2021	2022	2021
Amount recognised in profit or loss				
Current service cost (Note 5.1)	16,678,593	12,357,865	16,678,593	12,357,865
Interest cost (Note 5.1)	2,273,298	1,928,628	2,273,298	1,928,628
	18,951,891	14,286,493	18,951,891	14,286,493
Amount recognised in other comprehensive income				
Actuarial loss due to changes in assumptions	-	(2,471,448)	-	(2,471,448)
Actuarial gain due to changes in experience	4,197,834	8,116,333	4,197,834	8,116,333
Actuarial gain	4,197,834	5,644,885	4,197,834	5,644,885

Retirement gratuity benefit liability is actuarially valued by Mr. P. Gunasekara, AAIA, as at 31 December 2022 and the appropriate adjustments have been adjusted in the financial statements. Key assumptions used in the calculation are as follows:

Significant estimates: actuarial assumptions and sensitivity	Group		Company	
	2022	2021	2022	2021
Expected salary inflation	6.72%	6.17%	6.72%	6.17%
Discount rate	4.60%	4.60%	4.60%	4.60%
Mortality rate	A67/70 Ult	A67/70 Ult	A67/70 Ult	A67/70 Ult
Staff turnover rate	5% upto age 60	7% upto age 60	5% upto age 60	7% upto age 60
Disability/ illness rate	10% of A67/70 Ult	10% of A67/70 Ult	10% of A67/70 Ult	10% of A67/70 Ult



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26.5 Sensitivity of assumptions employed in actuarial valuation (continued)

The following table demonstrates the sensitivity to a reasonably possible change in key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

	Group / Company			
	2022	2022	2022	2022
	Liability	Change	Liability	Change
Base	63,703,031		63,703,031	
1% increase in salary inflation rate	72,998,678	14.59%	72,998,678	14.59%
1% decrease in salary inflation rate	56,050,887	-12.01%	56,050,887	-12.01%
1% increase in discount rate	55,559,347	-12.78%	55,559,347	-12.78%
1% decrease in discount rate	73,784,523	15.83%	73,784,523	15.83%
1% increase in staff turnover rate	61,494,620	-3.47%	61,494,620	-3.47%
1% decrease in staff turnover rate	66,260,843	4.02%	66,260,843	4.02%

Analysis of maturity profile

The analysis was performed based on the future working life time of each individual employee. The expected future working life considers the probability of an exit due to withdrawal, death or disability prior to retirement date.

Group / Company as at 31 December 2022

Future expected working life	Number of employees	Average future expected working life	Retirement benefit obligation
Within the next 12 months	1	1	229,348
Between 1-2 years	2	1	441,521
Between 2-5 years	17	4	2,441,012
Between 5-10 years	69	8	9,918,117
Beyond 10 years	857	15	50,673,033
Total	946	29	63,703,031

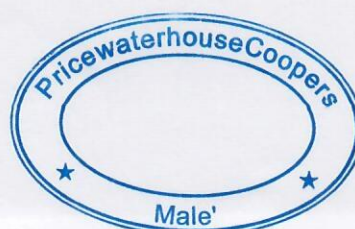
Group / Company as at 31 December 2021

Future expected working life	Number of employees	Average future expected working life	Retirement benefit obligation
Within the next 12 months	2	0.33	184,231
Between 1-2 years	1	1.72	218,531
Between 2-5 years	17	4.11	2,315,464
Between 5-10 years	102	8.34	12,306,090
Beyond 10 years	782	12.38	34,395,196
Total	904	11.73	49,419,512

27 Capital Commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	COMPANY	COMPANY
	As at	As at
	31-12-2022	31-12-2021
	MVR	MVR
Within one year	6,587,634	16,395,010



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28 Legal claims and contingency

The Company has filed a case against Global Projects Development Private Limited ("GPD") to recover liquidity damages amounting to USD 3,105,942/- caused due to the delays in completion of works awarded to the Global Projects Development private Limited(GDP) by a contract dated on 9 October 2011. Judgment in favour of MWSC was received in the Civil Court on 27th August 2017 in MWSC's claim against GPD for liquidated damages. GPD appealed the decision, but both the High Court and Supreme Court upheld the verdict in favor of MWSC. MWSC has filed for enforcement of the payment in Civil Court, but GPD claimed they lack the financial capacity to pay and are seeking damages from another party. Negotiations for a settlement between the parties are still possible.

Sports Engineering and Recreation Asia Maldives Pvt Ltd (SEARA Maldives) has filed a negligence claim against MWSC at the Civil Court. The claim alleges that the Company caused damage to SEARA Maldives' storeroom/showroom during the replacement of old water meters by opening a valve, resulting in flooding. SEARA Maldives is seeking damages totaling MVR 4,620,220.87, which includes various losses such as revenue from damaged inventory, canceled invoices and contracts, warehouse cleaning expenses, showroom opening delay costs, brand image recovery, and fees. The proceedings at the Civil Court are currently ongoing, and no final decision has been reached. However, it is unlikely that SEARA Maldives will be able to establish negligence on the part of the Company, as causation has not been established.

A former Board Director has filed a claim against MWSC at the Civil Court after the claimant's resignation as a board member resulted in the termination of an apartment offered to the claimant under the employee housing scheme. The claimant alleges that the Company breached the terms of the sale and purchase agreement, even though the claimant had already paid the 20% advance booking fee of MVR 332,790.00. The claimant is seeking a determination of a valid agreement and a finding of breach of contract, as well as legal fees of MVR 25,000. The Company has responded to the claim on 05 October 2022. However, there is no evidence to support the claimant's claim that a signed agreement exists between the parties. It is important to note that the claimant was given a conditional letter stating that both parties would sign a sale and purchase agreement. Based on the available claim and documents, it is unlikely that the court will rule in favor of the claimant.

29 Financial risk management objectives and policies

The Group's principal financial liabilities comprise interest-bearing loans and borrowings, trade and other payables including payables to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group's principal financial assets include trade receivables, cash in hand and balances with the banks which arise directly from its operations.

The Group is exposed to foreign currency risk, liquidity risk, credit risk and interest risk. The Group's senior management oversees the management of these risks and the Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

29.1 Foreign currency risk

Exposure to currency risk

The Company's exposure to foreign currency risk in equivalent Maldivian Rufiyaa is as follows:

Company	2022		2021	
	EUR	USD	EUR	USD
Trade payables	-	(136,508,912)	-	(106,570,694)
Cash and cash equivalents	190,390	41,356,739	389,278	54,630,066
Borrowings	-	(157,108,243)	-	(112,768,551)
Net Statement of financial position exposure	190,390	(252,260,416)	389,278	(164,709,179)

The following significant exchange rates have been applied.

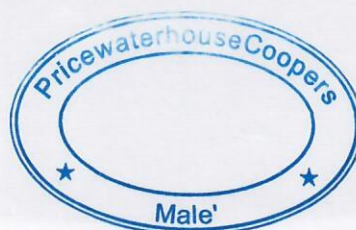
	Average rate		Spot rate	
	2022	2021	2022	2021
USD 1 : MVR	15.4200	15.4200	15.4200	15.4200
EUR 1 : MVR	16.0317	18.2802	16.1136	17.5307

Net foreign exchange gain / (loss) arising from foreign purchases

Exchange losses on foreign currency borrowing included in finance costs

Total net foreign exchange (losses) recognised in profit before income tax for the period

2022	2021
MVR	MVR
646,284	503,568
-	-
646,284	503,568



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29.1 Foreign currency risk (Continued)

Sensitivity Analysis

A reasonably possible strengthening (weakening) of the euro, US dollar against all the other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant ignores any impact of forecast sales and purchases.

Company		Change in USD rate	Effect on profit before tax	Effect on pre-tax on equity
	2022	-5%	12,613,021	12,613,021
		5%	(12,613,021)	(12,613,021)
	2021	-5%	8,235,459	8,235,459
		5%	(8,235,459)	(8,235,459)

Company		Change in EUR rate	Effect on profit before tax	Effect on pre-tax on equity
	2022	-5%	(9,519)	(9,519)
		5%	9,519	9,519
	2021	-5%	(18,666)	(18,666)
		5%	18,666	18,666

In respect of the monetary assets and liabilities denominated in USD, the Company has a limited risk exposure on such balances since the Maldivian Rufiyaa is pegged to the USD within a band to fluctuate within $\pm 20\%$ of the mid-point of exchange rate.

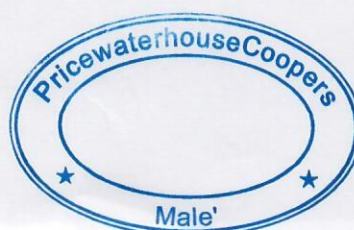
29.2 Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest bearing loans, bank overdrafts and related party borrowings. As a part of its overall prudent liquidity management, the Group maintains sufficient level of cash and cash equivalents to meet its working capital requirement. The company is in the process of adjusting the ways to manage liquidity to respond to the current market turmoil by way of alternative funding through working capital, negotiating supplier payments, debt restructuring etc.

Loan Convenants

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial convenants:

Lender	Facility	Major Loan Convenants
Habib bank limited (Financing of external projects)	MVR. 77,100,000/-	No overdue with any other bank under the name of Male' Water and Sewerage Company Pvt Ltd
Hitachi Aqua-Tech Engineering	USD. 1,333,000/-	No significant financial convenants
Mauritius Commercial Bank (Water Storage)	MVR 2,374,909/-	No dividend declaration and/or payment should be made without the Bank's prior written consent
Maldives Islamic Bank (MWSC Hiyaa Project)	USD 4,378,506/-	No significant financial convenants
HSBC Limited (20 Island Water & Sewerage System Project)	MVR. 154,200,000/-	Current ratio to be maintained above 1.0x Gearing ratio to be maintained below 1.0x Debt Service Cash Cover ratio to be maintained above 1.25x Debt equity ratio of 49% to 51% to be maintained
Mitsubishi HC Capital Asia Pacific	USD. 1,277,913/-	No significant financial convenants
Mitsubishi HC Capital Asia Pacific	USD. 741,470/-	No significant financial convenants
Mitsubishi HC Capital Asia Pacific	USD. 3,988,107/-	No significant financial convenants
Maldives Finance Leasing Company (Glass Bottling Project)	USD 1,600,000	No significant financial convenants

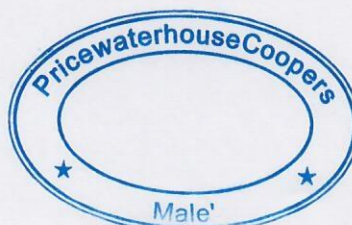


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29.2 Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

GROUP						
	Carrying Amount	Contractual Cash Flow	Less than 12 months	Between 1 years and 2 years	Between 2-5 years	Above 5 years
At 31 December 2022	MVR	MVR	MVR	MVR	MVR	MVR
Trade and other payable	940,210,905	940,210,905	940,210,905	-	-	-
Borrowings	348,843,741	423,877,187	97,768,692	110,642,980	189,864,937	25,600,578
Lease liabilities	277,976,335	1,107,783,612	31,515,681	26,757,859	55,415,082	994,094,990
	1,567,030,981	2,471,871,704	1,069,495,278	137,400,839	245,280,018	1,019,695,569
At 31 December 2021						
Trade and other payable	865,574,012	865,574,012	865,574,012	-	-	-
Borrowings	155,140,886	191,119,490	49,918,577	42,767,133	74,287,374	24,146,407
Lease liabilities	126,623,396	222,594,744	4,008,102	25,562,945	26,781,630	166,242,067
	1,147,338,294	1,279,288,246	919,500,691	68,330,077	101,069,004	190,388,474
COMPANY						
	Carrying Amount	Contractual Cash Flow	Less than 12 months	Between 1 years and 2 years	Between 2-5 years	Above 5 years
At 31 December 2022	MVR	MVR	MVR	MVR	MVR	MVR
Trade and other payable	936,817,793	936,817,793	936,817,793	-	-	-
Borrowings	348,843,741	423,877,187	97,768,692	110,642,980	189,864,937	25,600,578
Lease liabilities	254,435,467	1,092,487,412	24,965,199	24,983,741	49,967,482	992,570,990
	1,540,097,001	2,453,182,392	1,059,551,685	135,626,720	239,832,418	1,018,171,569
At 31 December 2021						
Trade and other payable	861,808,751	861,808,751	861,808,751	-	-	-
Borrowings	155,140,886	191,119,490	49,918,577	42,767,133	74,287,374	24,146,407
Lease liabilities	110,121,310	200,985,464	925,456	17,416,711	20,474,030	162,169,267
	1,127,070,947	1,253,913,705	912,652,784	60,183,843	94,761,404	186,315,674



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29 Financial risk management objectives and policies (Continued)

29.3 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned below.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all the customers who wish to trade on credit terms are subject to credit evaluation procedures. The Group has an established credit policy applied by which the credit status of each new customer is reviewed before credit is advanced. In addition, receivable balances are monitored on an ongoing basis so that to minimize the Group's exposure to bad debts.

Since the Group trades only with recognized third parties, there is no requirement for collateral.

Measuring the ECL - Explanation of inputs, assumptions and estimation techniques

The Financial assets of MWSC mainly comprised of non-interest bearing trade receivables. Hence, simplified approach was followed for calculation of ECL. IFRS 9 allows an entity to use a simplified "provision matrix" for calculating expected losses as a practical expedient (e.g., for trade receivables), if consistent with the general principles for measuring expected losses. The provision matrix is based on an entity's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

The Group calculates the Expected losses by grouping the receivables into categories of shared credit risk characteristics:

- Utility -Domestic Customers
- Utility- Commercial and Industrial Customers
- Utility - Government or Institutions
- Utility - Other Services
- Non-Utility - Government Customers
- Non-Utility - Other than Government Customers

ECL has not been calculated for staff advances, cash and bank balances and other inter -company receivables. It is assumed that there will be no default in recovery of these assets.

The expected credit losses are based on the historical loss experience of the past 3-4 years and the future expected loss rates are then estimated.

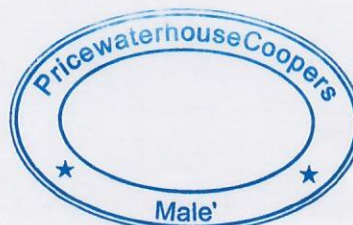
The historical loss rates are determined by obtaining the ageing analysis of different groups of receivables and then analysing the collection of receivables from one ageing bracket to another and obtain a Probability of Default (PD) rate for each ageing bracket. MWSC considers the credit risk to have significantly increased for debts aged over 90 days and therefore over 90 days is taken as default. Loss Given Default (LGD) rate is obtained by considering receivables more than 90 days and a discount rate of 10% is used for the time value of delayed repayment.

These historical loss rates are adjusted for current and forward-looking information where it is identified to be significant. MWSC considers factors such as macroeconomic and national economic outlooks. Maldives forecasted GDP rate is considered for arriving at forward looking PD based on the report available in the IMF website "world economic outlook database". Judgemental model is adopted to arrive at the forward looking scalar, where the relationship between the loss rate and Maldives GDP is not logical or by applying the forward looking PD, the resultant ECL does not reflect the provisioning requirements based on current scenario. The PD is then adjusted on the forward looking scalar.

The Expected Credit loss is then calculated as Lifetime Expected Credit Loss = Carrying Value of Receivables x PD x LGD.

For related party receivables, ECL has been calculated separately, with the assumption that it will be recovered. Only time value loss from related party receivables have been considered as ECL.

For surcharges receivables on utility bills, it is a temporary policy of the company to waive off surcharge receivables on customers who pay overdue bills since 2020. Therefore 100% provision on surcharge receivables has been provided as ECL.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2022

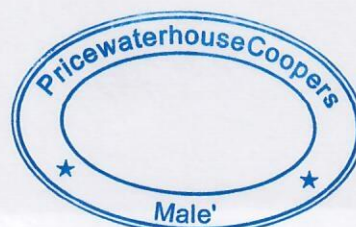
29 Financial risk management objectives and policies (Continued)

The following table provides information about the Company's exposure to credit risk and ECLs for non-interest bearing trade receivables and contract assets as at 31 December 2022.

	Expected loss rate	Company		
		Gross carrying amount	Exposure at default (EAD)	Loss Allowance
As at 31 December 2022		MVR	MVR	MVR
Trade and other receivables				
1-30 days	15.82%	26,927,040	11,703,454	2,553,701
31-60 days	49.37%	7,181,601	6,165,714	4,277,209
61-90 days	54.01%	3,755,446	3,224,212	1,741,247
91-365 days	94.77%	28,340,228	26,380,816	25,000,000
More than 365 days	100.00%	65,059,537	65,059,537	65,059,537
		131,263,852	112,533,733	98,631,693
Related party receivables				
1-30 days	5.67%	75,130,055	75,130,055	1,893,469
31-60 days	5.67%	37,617,926	37,617,926	949,476
61-90 days	6.98%	79,165,745	79,165,745	3,602,611
91-365 days	14.49%	134,912,906	134,912,906	8,538,747
More than 365 days	17.95%	90,777,012	90,777,012	6,359,158
		417,603,644	417,603,644	21,343,460
ECL on cash at banks	0.21%	110,159,419	77,809,826	230,494
Contract assets	6.08%	352,989,747	320,573,367	16,561,145
Total		1,012,016,662	928,520,571	136,766,792

The Company made a provision on gross carrying amount of trade and other receivables, related party receivables, surcharge receivables, cash at banks, and contract assets net of collateral securities amounting to MVR 136,766,792 (2021: MVR 133,561,918).

	Expected loss rate	Company		
		Gross carrying amount	Exposure at default (EAD)	Loss Allowance
As at 31 December 2021		MVR	MVR	MVR
Trade and other receivables				
1-30 days	4.12%	42,243,115	13,780,019	2,000,378
31-60 days	9.00%	10,124,135	3,302,568	417,399
61-90 days	14.20%	10,550,086	3,441,517	1,498,070
91-365 days	13.79%	114,183,572	27,247,532	15,747,751
More than 365 days	100.00%	28,339,393	19,244,521	19,244,521
		205,440,302	67,016,158	38,908,120
Related party receivables				
1-30 days	3.51%	68,065,104	67,464,978	20,624,712
31-60 days	4.28%	19,642,506	19,642,506	6,004,909
61-90 days	5.09%	14,868,928	14,868,928	4,545,579
91-365 days	6.82%	100,054,894	100,054,894	30,587,772
More than 365 days	25.46%	73,660,588	74,260,714	22,702,235
		276,292,020	276,292,020	84,465,206
Contract assets	5.30%	230,682,462	190,221,902	10,188,592
Total		712,414,784	533,530,080	133,561,918



Male' Water and Sewerage Company Pvt Ltd
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2022

29 Financial risk management objectives and policies (Continued)

29.3 Credit risk

	Group			
	Weighted average loss rate	Gross carrying amount	Exposure at default (EAD)	Loss Allowance
As at 31 December 2022		MVR	MVR	MVR
Trade and other receivables				
1-30 days	15.00%	40,350,285	35,049,774	12,172,412
31-60 days	35.00%	7,915,182	6,875,425	3,371,914
61-90 days	43.66%	4,066,130	3,531,993	1,775,304
91-365 days	72.72%	19,811,401	17,208,928	14,406,351
More than 365 days	100.00%	69,207,781	60,116,478	60,116,478
		141,350,779	122,782,597	91,842,460
Related party receivables				
1-30 days	2.00%	65,215,635	65,215,635	2,893,469
31-60 days	2.91%	32,653,735	32,653,735	949,476
61-90 days	5.24%	68,718,761	68,718,761	3,602,611
91-365 days	5.58%	117,109,335	117,109,335	6,538,747
More than 365 days	19.73%	78,797,765	78,797,765	15,546,674
		362,495,231	362,495,231	29,530,976
ECL on cash at banks	0.30%	113,896,632	77,809,826	230,494
Contract assets	5.17%	352,989,747	320,573,367	16,561,145
Total		970,732,389	883,661,021	138,165,075

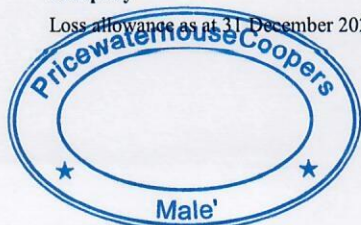
The Company made a provision on gross carrying amount of trade and other receivables, related party receivables, surcharge receivables, cash at banks, and contract assets net of collateral securities amounting to MVR 138,165,075 (2021: MVR 134,995,632).

		Group		
	Expected loss rate	Gross carrying amount	Exposure at default (EAD)	Loss Allowance
As at 31 Deecember 2021		MVR	MVR	MVR
Trade and other receivables				
1-30 days	4.65%	49,763,780	21,300,684	1,069,501
31-60 days	9.07%	10,007,841	3,186,275	1,880,216
61-90 days	15.12%	7,155,539	46,969	27,716
91-365 days	42.64%	90,227,978	13,291,938	4,808,583
More than 365 days	100.00%	54,554,533	35,459,661	35,459,661
		211,709,672	73,285,528	43,245,678
Related party receivables				
1-30 days	3.51%	14,950,262	14,950,262	2,667,073
31-60 days	4.28%	14,415,800	14,415,800	1,057,538
61-90 days	4.09%	15,400,322	15,400,322	1,260,112
91-365 days	6.82%	85,944,575	85,944,575	44,800,803
More than 365 days	25.46%	90,246,725	90,246,725	31,775,836
		220,957,683	220,957,683	81,561,362
Contract assets	5.36%	230,682,462	190,221,902	10,188,592
Total		663,349,817	484,465,113	134,995,632

Sensitivity analysis

Set out below are the changes to the ECL on non-interest bearing contract assets, trade and related party receivables as at 31 December 2022 that would result from reasonably possible changes in the parameter from the actual assumption used in Company's economic variable assumption.

	ECL MVR	ECL MVR	ECL MVR
Company	-0.24%	31-12-2022	-0.24%
Loss allowance as at 31 December 2022	136,438,552	136,766,792	137,095,033
Company	-0.24%	31-12-2021	+0.24%
Loss allowance as at 31 December 2021	133,242,968	133,561,918	133,880,865



Male' Water and Sewerage Company Pvt Ltd
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2022

29 Financial risk management objectives and policies (Continued)

29.4 Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. The investment decisions are made by Directors giving due relevance to the Group's financial strategy and market interest rates.

The interest rate profile of the Group's/ Company's interest-bearing financial instruments as reported to the management of the Group/ Company is as follows:

	31-12-2022 MVR	% of total loans	31-12-2021 MVR	% of total loans
Variable rate borrowings	188,937,655	54%	30,840,000	20%
Fixed rate borrowings-repricing or maturity dates				
Less than 1 year	32,440,325	9%	34,286,271	22%
1-5 years	127,465,760	37%	90,014,615	58%
Over 5 years				
	348,843,741	100%	155,140,885	100%

Fair value sensitivity analysis for fixed-rate instruments

The Group/ Company does not account for any fixed-rate financial assets or financial liabilities at FVTPL. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

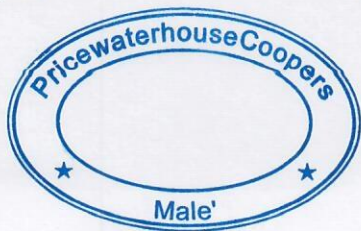
A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Increase / decrease in basis points rate	Impact on profit before tax	Impact on other components if equity
Variable rate instruments			
2022	- 100	132,315.35	112,468.05
	+ 100	(132,315.35)	(112,468.05)
2021	- 100	155,103.79	131,838.22
	+ 100	(155,103.79)	(131,838.22)

29.5 Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Group		Carrying amount		
As at 31 December 2022		Financial assets at amortized cost	financial liabilities at amortized cost	Total
	Note			
Financial assets not measured at fair value				
Contract assets	16	336,428,603	-	336,428,603
Trade and other receivables	17	376,287,511	-	376,287,511
Cash and cash equivalents	18	126,874,058	-	126,874,058
		839,590,172	-	839,590,172
Financial liabilities not measured at fair value				
Borrowings	22	-	348,843,741	348,843,741
Contract liabilities	25	-	56,931,831	56,931,831
Trade and other payables	26	-	940,210,905	940,210,905
		-	1,345,986,477	1,345,986,477
Group				
As at 31 December 2021		Financial assets at amortized cost	financial liabilities at amortized cost	Total
	Note			
Financial assets not measured at fair value				
Contract assets	16	220,493,870	-	220,493,870
Trade and other receivables	17	311,126,268	-	311,126,268
Cash and cash equivalents	18	162,828,987	-	162,828,987
		694,449,125	-	694,449,125
Financial liabilities not measured at fair value				
Borrowings	22	-	155,140,886	155,140,886
Contract liabilities	25	-	40,460,560	40,460,560
Trade and other payables	26	-	865,574,012	865,574,012
		-	1,061,175,458	1,061,175,458



Male' Water and Sewerage Company Pvt Ltd
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2022

29 Financial risk management objectives and policies (Continued)

29.5 Accounting classification and fair values (Continued)

Company			Carrying amount	
As at 31 December 2022		Financial assets	financial	Total
	Note	at amortized cost	liabilities at	
			amortized cost	
Financial assets not measured at fair value				
Contract assets	16	336,428,603	-	336,428,603
Trade and other receivables	17	428,194,787	-	428,194,787
Cash and cash equivalents	18	123,136,845	-	123,136,845
		887,760,235	-	887,760,235
Financial liabilities not measured at fair value				
Borrowings	22	-	348,843,741	348,843,741
Contract liabilities	25	-	56,931,831	56,931,831
Trade and other payables	26	-	936,817,793	936,817,793
		-	1,342,593,365	1,342,593,365
Company				
As at 31 December 2021		Financial assets	Carrying amount	Total
	Note	at amortized cost	financial	
			liabilities at	
			amortized cost	
Financial assets not measured at fair value				
Contract assets	16	220,493,870	-	220,493,870
Trade and other receivables	17	304,795,574	-	304,795,574
Cash and cash equivalents	18	159,390,814	-	159,390,814
		684,680,258	-	684,680,258
Financial liabilities not measured at fair value				
Borrowings	16	-	155,140,886	155,140,886
Contract liabilities	17	-	40,460,560	40,460,560
Trade and other payables	18	-	861,808,751	861,808,751
		-	1,057,410,197	1,057,410,197

30 Capital risk management

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

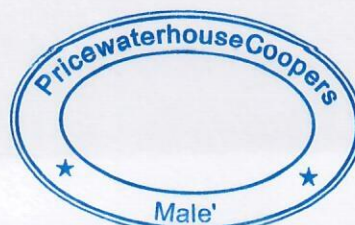
In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends payable to shareholders, issue new shares or sell assets to reduce debt in light of changes in the Group's operations.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity', as shown in the consolidated statement of financial position, plus net debt.

The gearing ratios as at 31 December was as follows:

	GROUP		COMPANY	
	As at 31-12-2022 MVR	As at 31-12-2021 MVR	As at 31-12-2022 MVR	As at 31-12-2021 MVR
Total Borrowings (Note 22)	348,843,741	155,140,886	348,843,741	155,140,886
Less: Cash and Cash Equivalents (Note 18)	(126,874,058)	(162,828,987)	(123,136,845)	(159,390,814)
Net debt	221,969,683	(7,688,101)	225,706,896	(4,249,928)
Total equity	1,768,038,685	1,703,080,372	1,725,649,922	1,665,733,859
Total capital	1,990,008,368	1,695,392,272	1,951,356,818	1,661,483,931
Gearing ratio	11.13%	-	11.54%	-

Gearing ratio has increased due to increase in borrowings. -56-



Male' Water and Sewerage Company Private Limited
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2022

31 Related party transactions

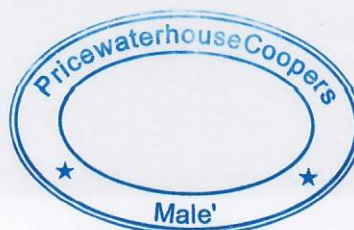
The Group is controlled by the Government of Maldives which owns 80% of the Company's shares. Hitachi Ltd owns 20% of the Company's shares. The Company holds 51% of the shares of Island Beverages Maldives Pvt Ltd. Champa Brothers Maldives Pvt Ltd holds 49% of the shares of Island Beverages Maldives Pvt Ltd.

The following transactions were carried out with related parties:

	GROUP		COMPANY	
	Year ended 31-12-2022	Year ended 31-12-2021	Year ended 31-12-2022	Year ended 31-12-2021
	MVR	MVR	MVR	MVR
<u>i) Sales of goods and services</u>				
Conrad Maldives Rangali Island	272,969	412,580	40,199	23,666
Hurawalhi Island Resort	276	11,047	-	10,496
Kuredu Island Resort	130,808	99,492	-	1,590
Meeru Island Resort	118,625	122,715	-	6,083
Trans Maldivian Airways Pvt Ltd	714,952	1,586,186	30,913	16,979
Vakarufalhi Island Resort	-	-	-	-
Veligandu Island Resort	1,357	4,569	1,357	1,651
Vilamendhoo Island Resort	17,942	53,195	-	-
Mirihi Island Resort	2,948	3,694	2,948	3,694
State Trading Organization PLC	629,692	576,638	66,446	-
Maldives Industrial Fisheries Co Ltd	1,124,512	513,807	359,408	-
Maldives Custom Services	-	-	-	-
Island Aviation Services Limited	464,931	604,196	758	-
Maldives Police Service	-	-	-	-
Tree top health pvt Ltd	309,274	215,105	-	-
Other Government related entities	726,969,812	371,432,873	723,656,358	369,165,403
Island Beverages Maldives Pvt Ltd	-	-	144,445,810	125,458,226
	730,758,098	375,636,097	868,604,197	494,687,788
<u>ii) Purchases of goods and services</u>				
Island Beverages Maldives Pvt Ltd	-	-	604,812	213,590
Hitachi Aquatech Engineering Pvt Ltd	82,998,902	23,933,336	82,998,902	23,933,336
Hitachi Ltd	17,625,231	37,793,593	17,625,231	37,793,593
Other Government related entities	373,572,565	204,144,873	373,572,565	204,144,873
	474,196,698	265,871,802	474,801,509	266,085,392

iii) Year-end balances arising from sales, purchases of goods and services

	GROUP		COMPANY	
	As at 31-12-2022	As at 31-12-2021	As at 31-12-2022	As at 31-12-2021
	MVR	MVR	MVR	MVR
<u>Receivables from related parties</u>				
Conrad Maldives Rangali Island	22,194	95,638	-	-
Hurawalhi Island Resort	276	551	-	-
Kuredu Island Resort	20,776	10,176	-	-
Meeru Island Resort	21,624	38,224	-	-
Trans Maldivian Airways Pvt Ltd	66	272,107	-	-
Vakarufalhi Island Resort	278,246	278,246	-	-
Veligandu Island Resort	5,406	8,324	-	-
Vilamendhoo Island Resort	-	4,325	-	-
Mirihi Island Resort	4	23,912	-	-
Tree Top Health Private Ltd	39,059	46,424	-	-
Police Shop	3,127	-	-	-
State Trading Organization PLC	102,839	226,065	-	-
Maldives Industrial Fisheries Co Ltd	258,827,000	108,756	-	-
Island Aviation Services Limited	49,226	173,957	-	-
Other Government related entities	361,693,561	219,670,977	360,907,916	219,396,894
Island Beverages Maldives Pvt Ltd	-	-	56,695,728	56,895,126
	362,495,231	220,957,682	417,603,644	276,292,020



Male' Water and Sewerage Company Pvt Ltd
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2022

31 Related party transactions (continued)

iii) Year-end balances arising from sales, purchases of goods and services (continued)

Payables to related parties

	GROUP		COMPANY	
	As at 31-12-2022 MVR	As at 31-12-2021 MVR	As at 31-12-2022 MVR	As at 31-12-2021 MVR
State Electric Company Limited	3,747,895	1,112,681	3,747,895	1,112,681
Maldives Islamic Bank	604,213	-	604,213	-
Dhiraagu PLC	1,503,477	2,654	1,503,477	2,654
Public Service Media	(141,462)	9,683	(141,462)	9,683
Fenaka Corporation Limited	3,016	95,603	3,016	95,603
State Trading Organisation PLC	(25,260)	-	(25,260)	-
MTCC	(1,217)	-	(1,217)	-
Island Aviation Services Limited	45,946	12,280	45,946	12,282
Fuel Supplies Maldives Pvt Ltd	21,967,239	2,487,719	21,967,239	2,487,719
Allied Insurance Company	55,794	55,794	55,794	55,794
Island Beverages Maldives Pvt Ltd	-	-	-	358,791
Maldives Finance Leasing Company	74,282	-	74,282	-
Hitachi Ltd	23,000	23,000	23,000	23,000
Hitachi Aqua-Tech Engineering Pte Ltd	33,830,102	135,490	33,830,102	135,490
Maldives post Limited	-	17,373,200	-	17,373,200
	61,687,024	21,308,105	61,687,024	21,666,897

iv) Directors' remuneration

In 2022, a total remuneration of MVR 1,062,600/- (2021: MVR 1,569,310/-) was paid to company's directors.

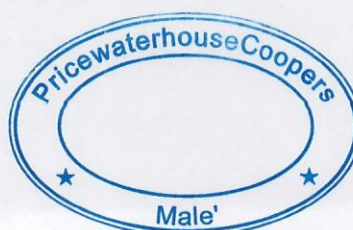
	GROUP		COMPANY	
	As at 31-12-2022 MVR	As at 31-12-2021 MVR	As at 31-12-2022 MVR	As at 31-12-2021 MVR
Director's remunerations	1,566,600	2,073,310	1,062,600	1,569,310
	1,566,600	2,073,310	1,062,600	1,569,310

v) Terms and conditions

Water production services were made to the subsidiary company on a discount basis. All other transactions were made on normal commercial terms and conditions and at market rates.

32 Reclassification of comparative information

The comparative figures have been reclassified in order to conform with the presentation for the current period. Such reclassifications have been made by the Group to improve the quality of information presented and did not have any impact on the previously reported equity and profits.



Male' Water and Sewerage Company Pvt Ltd
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2022

32 Reclassification of comparative information (continued)

Income Statement reclassification (Group)	Previous presentation (in MVR '000)	Reclassification in (in MVR '000)	Current presentation (in MVR '000)
Financial year ended 31 Dec 2021			
Cost of sales	663,986,147	(762,551)	663,223,596
Net Finance cost	18,753,994	762,551	19,516,545
	<u>682,740,141</u>	<u>-</u>	<u>682,740,141</u>
Statement of Financial Position reclassification (Group)	Previous presentation (in MVR '000)	Reclassification in (in MVR '000)	Current presentation (in MVR '000)
Financial year ended 31 Dec 2021			
Trade receivables	209,238,850	(73,762,615)	135,476,235
Amounts due from related parties	147,795,194	73,162,489	220,957,683
Contract Assets	219,893,744	600,126	220,493,870
	<u>576,927,788</u>	<u>-</u>	<u>576,927,788</u>
Financial year ended 31 Dec 2021			
Deposit and prepayments	172,172,900	1,267,131	173,440,031
Capital work-in-progress	510,098,562	(1,267,131)	508,831,431
	<u>682,271,462</u>	<u>-</u>	<u>682,271,462</u>
Income Statement reclassification (Company)	Previous presentation (in MVR '000)	Reclassification in (in MVR '000)	Current presentation (in MVR '000)
Financial year ended 31 Dec 2021			
Cost of sales	657,003,700	(762,551)	656,241,149
Net Finance cost	17,229,677	762,551	17,992,228
	<u>674,233,377</u>	<u>-</u>	<u>674,233,377</u>
Statement of Financial Position reclassification (Company)	Previous presentation (in MVR '000)	Reclassification in (in MVR '000)	Current presentation (in MVR '000)
Financial year ended 31 Dec 2021			
Trade receivables	204,830,536	(73,762,616)	131,067,921
Amounts due from related parties	203,129,531	73,162,490	276,292,020
Contract Assets	219,893,744	600,126	220,493,870
	<u>627,853,811</u>	<u>-</u>	<u>627,853,811</u>

33 Events after the reporting date

Borrowing facility

Currently MWSC is negotiating a term loan facility with Mauritius Commercial Bank (MCB) to finance the Project for design, supply and constructions of two storage tanks of 13000 cubic meters. The total available amount under the facility is MVR 82,000,000, which is expected to be drawn down over the next 12 months subject to obtaining a no objection letter from the Housing Development Corporation for land mortgage purposes. The facility is repayable in seventy-two equal monthly instalments inclusive of capital and interest after a grace period of 12 months, commencing after the first disbursement. The financing will result in the recognition of proceeds of borrowings and repayments, and the interest expenses will be capitalized for the constructions of two storage tanks project in 2023 and further, the leasehold rights of Hulhumale' plot no 11542 will be pledged as security for this facility.

Trade credit facility

As of 16th April 2023, the MWSC negotiated an unsecured trade credit facility with Mohan Mutha Exports (Pvt) Ltd (MM Exports) to procure and finance the materials as set out in the agreement for internal and the Government projects. The total amount under the facility is USD 20,000,000, out of which USD 12,600,000 already utilized and payments are to be made as per the payment schedule in the agreement. The trade credit facility will remain available until 31st July 2023 and any remaining unused balance of the facility will be accessed based on the requirements of external projects. The facility is repayable in 3 years with monthly installments, as set out in the payment schedule in the agreement.

Dividend

Subject to the approval of the shareholders at the Annual General Meeting, the Board of Directors recommends a dividend of MVR 428.16/- per share amounting to MVR 114,319,879.20 for the financial year ended 31st December 2022. The dividend payable has not been accounted for until it is approved at the forthcoming Annual General Meeting.

No other circumstances have arisen after the reporting date, that would require adjustments to or disclosures in the financial statements.

