



# ANNUAL REPORT

2020





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## Male' Water & Sewerage Co. Pvt. Ltd. AT A GLANCE

From Year 1995

### 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

(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.

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.

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





## VISION

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

## 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.

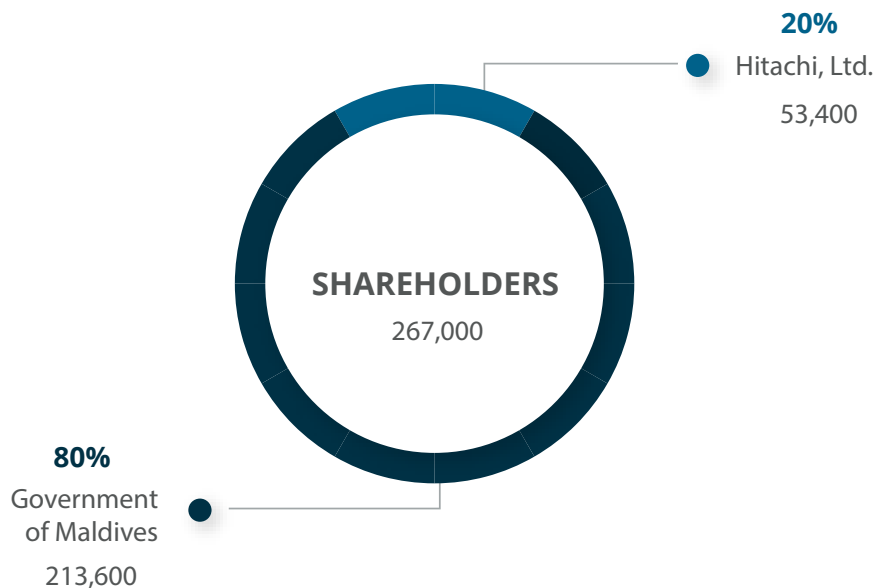
## CORE PURPOSE

To continue strengthening the foundations that makes our communities live 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 2020 and remain as follows as of 31st December 2020.



## 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. MWSC offers management support to IBM which is currently led by its Managing Director, Mr. Ibrahim Anwar, who also represents MWSC on IBM's Board of Directors.

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COMPANY NAME

## MESSAGE FROM THE CHAIRMAN

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I am delighted to present our 2020 Annual Report, a year we continue to strive to create value amidst an increasingly demanding economic and political environment. The COVID-19 pandemic posed significant unforeseen challenges for all businesses around the world. For us, the pandemic drove unprecedented declines in water and manufacturing demand resulting in extreme pressure on revenue. As such, the financial year 2020 was the most challenging and complex year we have experienced in our Company's history.

To respond to the turbulent environment, we focused on implementing measures to protect the health and safety of our employees and customers. We facilitated work from home arrangements for our staff. We adapted new online technology by introducing various digital platforms that helped increase efficiency, Financial reporting, deepen customer relationships, and add value to our services. At MWSC, our top priority is the health and safety of employees, customers, partners and communities. Secondly, we immediately applied comprehensive cost-cutting initiatives at all levels. Implementing cost-cutting initiatives at all levels of the organization generated costs savings and played a crucial role in the Company's resilience.

The general slowdown in economic activity in the Maldives heavily impacted our performance. We faced challenges in achieving the financial goals that we set for ourselves for the year. The total revenue for the year was MVR 986.6mn, which is a 2% decline compared to the previous year. Regardless of this, the Company managed to improve revenues in projects, trading and power segment by 19% compared to last year.

Over the years, MWSC has strived to expand its services to the outer islands and with the initiative and effort of the Government of Maldives to ensure access to safe and quality drinking water and sewerage facility in islands had paved way for us to employ our talents acquiring a maximum number of water and sanitation infrastructure development projects and established a leading position in our industry.



The manufacturing operation is the second-largest business of the Company after utility operations. To acquire a more significant percentage of the Company's revenues from the non-utility sector and to drive our business to higher levels of success, the Company invested in many expansion projects under the manufacturing portfolio. This includes installing a second TaZa bottling line and preforms manufacturing plant, initiating a glass bottling project in Hulhumale', launching a PVC pipe commercialization project, introducing automatic recycling mechanisms in packing material, and expanding warehousing in Hulhumale'. Manufacturing Operation is anticipated to further diversify into new markets and expand the product portfolio to strengthen the Company's financial Performance.

As we finish this period with a robust set of results, my gratitude goes to Managing Director Mr Hassan Shah for demonstrating management's continued focus on executing our business plans and strategies. I would also like to express my most profound appreciation and gratitude to our capable and reliable management team. I am particularly thankful for our Staff for the dedication and immense support given to the Company which was exceptional in so many ways. My gratitude also goes to our Board of Directors, customers, business partners, suppliers, government authorities and regulators for their confidence and continued co-operation in furthering our business growth.



AHMED MAUSOOM  
Chairman of the Board

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COMPANY NAME

## MESSAGE FROM THE MD

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Without a doubt, 2020 was an unprecedented year that was both challenging and extraordinary for the world and our Company. COVID-19 caused a significant negative impact on supply chains and disrupted many industries worldwide. This is a global crisis like no other, with more complexities and uncertainties than we as a Company have ever experienced in our 25 years of operation.

Even with the many challenges, MWSC did an outstanding job of navigating the crisis and growing the business. This achievement during such unprecedented volatility is a testament to the dedication of our talented and committed staff and management, working across our different divisions and operation centers.

### OUR COVID-19 RESPONSE: PROTECTING OUR PEOPLE, GROWING OUR BUSINESS

2020's first quarter was a good quarter for all our operations, and we were on track to deliver a very strong performance; however, with the COVID-19 pandemic effecting the Maldives, we saw the containment measures to control the spread of COVID-19 negatively impacting businesses and the tourism industry and MWSC too was not immune to this impact.

As the health and safety of our customers and employees have always been our top priority, MWSC focused on protecting its employee's customers and understanding the risks to our business and managing the supply chain disruption to ensure business continuity. We took action to adapt to the challenges posed by the COVID-19 pandemic quickly.

To ensure healthy management of the Company's cash flow, a crucial part of our strategy was to adopt a cash preservation approach of reducing discretionary spending and focusing on business-critical expenditure. Only carrying out critical Investment projects and adopting cost-saving strategy allowed us to ensure the continuity of our operations and generate profits.

Due to these unprecedented times, we faced challenges in fully enforcing our debt collection and meter disconnection process. The pandemic had disrupted many lives and brought about the loss of jobs and uncertainties in the business market. We responded to this by offering flexible payment options to customers who had difficulties settling their due bills; thus, enabling us to maintain close relationships with our customers while meeting the Company's cash flow requirements.

2020 also forced us to think beyond our four walls, analyze and closely follow up on the economic condition of the Maldives as more than 60% of the foreign receipts come from the tourism sector. The halt on the tourism sector caused a USD liquidity issue in the Maldives market. It forced us to manage the supply chain for various Water & Sewerage Projects undertaken by the Company.

The efforts in recent years to invest in digitalization and provide our customers with these alternatives have helped us immensely in adopting the new norms. MWSC was able to generate the majority of its utility collections through digital platforms during 2020. We had continued to digitize services as much as possible throughout the year to ensure efficiency and continuation of benefits.

Most significantly, we had implemented COVID-safe ways of working, which has allowed us to continue our business while keeping our staff employed and ensuring the safety of our customers and suppliers. Paid pandemic leave was given to employees to isolate at home if COVID-19 positive or pending test results and work from home arrangements were provided to our high-risk employees.

#### OUR PERFORMANCE

Despite the challenges and uncertainties in 2020 due to covid-19, we continued all the services provided to our customers without interruption while protecting our employees and maintaining a strong financial performance.

Though MWSC's overall revenue had dropped by 2% to MVR 986.6mn compared to the previous year, cost-cutting strategies implemented during the year reflected favorably on the profit of the Company, and we were able to generate a net profit of MVR 323mn in 2020, up 5% from the previous year. The decline in revenue was contributed mainly by the utility and manufacturing segments. These segments felt the negative impact of the COVID-19 pandemic the greatest as the lockdown had caused extended business and institutional shutdowns and disruption of the tourism industry.

Our trading, projects and power segments recorded solid revenues and earnings growth. MWSC had signed Water & Sewerage Projects worth MVR 1.5 billion during 2020 and continue to have a leading market position in this segment. Even in such challenging times, MWSC has increased the return to our shareholders by 5% (MVR 34 per Share).

#### OUTLOOK

2020 was a very challenging year, and while some of our key revenue generating segments were impacted, MWSC had responded commendably to the circumstances. We will continue to take proactive measures and evolve our operating model to ensure MWSC thrives through these challenging times. We guarantee that we will improve our financial performance and deliver excellent value and quality to our shareholders and customers.

I would like to express my deep appreciation and gratitude to our MWSC team for their resilience and commitment throughout the years and to the Board for their dedication and wise counsel. To our shareholders, thank you for your ongoing allegiance and support.



HASSAN SHAH  
Chairman of the Board

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## BOARD OF DIRECTORS

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The Team

### MR.AHMED MAUSOOM

Chairman

Mr. Ahmed Mausoom was appointed as the Chairman of the Board of MWSC on 16th February 2019.

Mr.Mausoom is one of leading businessman in the Maldives and is the Managing Director of Aries Enterprises Pvt Ltd and CD Services Pvt Ltd. He is also a Director of Lintel Investments and Management Services and Director at CGT Pvt Ltd. He has served as the Finance Secretary at The President's Office from 2008-2011 and as the Chief of Staff at The President's Office from 2011-2012.

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



## MR.HASSAN SHAH

Executive Director / 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) representing Male' Water & Sewerage Company Pvt. Ltd.



## MR.MOHAMED SHAREEF

Executive Director / 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 Alihasavaa 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) representing Male' Water & Sewerage Company Pvt. Ltd.



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## 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, EMEA & Americas, Global Business Development Office, Water Business Unit at Hitachi Limited as 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. Ms.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 is currently perusing Master of in Human Resource Management from Open University Malaysia, Malaysia, where she had completed all required academic modules and is pending completion of final year project. She also holds a Bachelor of Business Administration (Hons) Human Resource Management degree 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. 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 2020, 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



**Rusthum Mohamed**  
General Manager  
Operation



**Mohamed Sameer**  
General Manager  
Business Development



**Mohamed Imran Adnan**  
General Manager  
Debt Recovery



**Ahmed Hunaif**  
General Manager  
ICT



**Bushra Hameed**  
General Manager  
Engineering

In 2020, 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.



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## COMPANY SECRETARY

In 2020 the position of Company Secretary was held by Ms. Mariyam Sana Fahmy who continued to hold the position since her appointment on 01st January 2019 by the Board of Directors until the expiry of the term of appointment on 1st March 2020. Her appointment was duly filed with the Registrar of Companies. Ms.Aishath Lua Shaheer was appointed as the Company Secretary on 01st March 2020 and continued to serve as the Company Secretary in 2020. Her appointment was also duly filed with the Registrar of Companies.





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## BUSINESS & STRATEGIC Performance Highlight

From Year 1995

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 2020

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## UTILITY

As MWSC marks 26 years of service in April 2021, the Company has been successful in delivering its key mandates

i.e. operation of water, wastewater, electricity and waste management services at conformed quality to customers. The Company has been faced with great challenges in sustaining its operations in a significantly changing and dynamic market over this period, yet the Company prides in achieving the targets.

With the high concentration of the population in the Greater Male' Region that increases rapidly every year, the demand for water has increased by 18% over the past 04 years (from 2017-2020) and presumed to grow by 17% in 2021. The unavailability of physical space for expansion of water production and storage facilities to cater for the increasing demand intensifies the risk, leaving a minimal level of water reserve, which also increases overall cost of production. Key water security

projects such as water network (bridge pipeline) connection of Male' and Hulhumale' has been hindered due to delay in land approval for pumping stations. The stress for land requirement have further increased with ratification of Water and Sanitation Act stipulating MWSC to produce water using renewable energy within the next 5 years - which requires over 3,723,952square ft. land area and estimated MVR 4.5 billion to install photo voltaic plants. Having to strictly adhere to these regulations have also constrained achieving our target of providing cheaper solutions for the customers.

The inability to review the tariff with the increasing fuel price and inflation have further exacerbated the issues with sustainability of the business, both in terms of operational and financial sustainability. Utility debtors continues to increase every year, which severely impacts Company's cash flow. Increase in debts leads to decrease in cash flow hence additional borrowings are to be considered to maintain operation and investments.

## 2020 Highlights



### Male' Operation Centre:

- Water and Sewer network upgrading works were continued under City Council's road scaping project.
- Male' and Vilimale's sewer network flushing program was completed.



#### Hulhumale' Operation Centre:

- Hulhumale' Phase 2 water and sewer network establishment works were continued. Majority of the works required to establish connection for Hiya Project was carried out in 2020.
- Installation of new degasifier – as part of water production enhancement in Hulhumale'.
- Installation of 1.8 MW CAT genset – as part of ensuring power security in Hulhumale'.



#### Maafushi Operation Centre:

- Installing 1000 CBM RO Plant in Maafushi to improve redundancy by doubling the existing water capacity.
- Introduction of part payment mechanism with fine waive off option for pending customer bills.



#### Dhuvaafaru Operation Centre:

- Installation and commissioning 800kW and 500 kW engines to ensure power security in the island.
- Introduction of part payment mechanism with fine waive off option for pending customer bills.
- Installation of new waste burning rack – avoids open burning
- Energy audit for Dhuvaafaru Operation was conducted to identify areas of energy wastage and implement solutions to make the operation more efficient.



#### Kulhudhufushi Operation Centre:

- Introduction of part payment mechanism with fine waive off option for pending customer bills.



## MANUFACTURING

Manufacturing Operation is the second largest business of MWSC after Utility Operations. With the Company entering into diversified markets, it has been one of the key objectives over the years to acquire a larger percentage of the Company's revenues from non-utility sector businesses in the long run, precisely from manufacturing operations. Manufacturing Operation is anticipated to further diversify into new markets and expand the product portfolio in the coming years to strengthen MWSC's financial standing.

Manufacturing operations includes TaZa bottled water (300ml, 550 ml, 1500 ml), production of Preform, Shrink Film and Stretch Film to supplement TaZa production, Ice Manufacturing and PVC and PE pipe manufacturing. MWSC is the sole manufacturer of EN Standards' u- PVC and PE pipes in Maldives and in 2019 became the first ever to manufacture

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Thai Standards' PVC Pressured Pipe, paving way for massive progress in local construction industry. The Company is committed to doing business the right way, hence is looking into innovative transformations to tackle the growing environmental concern amongst Maldivians. MWSC started manufacturing light-weight Taza Bottles in 2019 and have eliminated approximately 258 metric tonnes of plastic in the production process.



## 2020 Highlights

- Installation of second TaZa bottling line and preform manufacturing plant.
- Launching PVC pipe commercialization project.
- Introduction of automatic recycling mechanisms in packing material manufacturing operation in Hulhumale'.
- Expansion of warehousing in Hulhumale' according to production capacity upgrades.
- Initiated glass bottling project in Hulhumale'.
- Attained ISO 22000 Certification for Dhuvaafaru Bottling Operation.





## ENGINEERING SOLUTIONS

Providing turnkey engineering solutions of water and wastewater to Government and/or foreign funded projects in outer islands has vastly contributed to MWSC's earnings during the past 5 years. However, increased competition from local and foreign entrants challenges MWSC to competitively bid at standard quality. It is anticipated that water and wastewater networks will be established in all inhabited islands within the next 3 to 4 years, indicating aggressive efforts be exerted to acquire maximum number of projects and increase projects turnover.

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## 2020 Highlights



### Completed Projects

- Completion of sewerage project in Lh. Kurendhoo
- Completion of construction of water facilities in Aa. Rasdhoo
- Completion of repair works of existing sewerage facilities in Aa. Rasdhoo



### Physical works commenced projects

- B.Goidhoo - Water Supply & Sewerage Project
- R. Kinolhas - Water Supply & Sewerage Project
- N. Kudafari - Water Supply & Sewerage Project
- N. Maalhendhoo - Water Supply & Sewerage Project
- Lh.Naifaru – Water Supply and Sewerage Project (Terminated contract, Outstanding works from previous contractor)
- Th. Veymandoo – Water Sewerage Project (Terminated contract, Outstanding works from previous contractor)
- Velana International Airport (VIA)- Construction of new sewerage network system for western side facilities at VIA.



### Water and Sewerage Project Contracts signed

- 4 projects were won through competitive bidding. This includes 3 water and sewer projects and 1 sewer project.
- 20 projects were awarded through direct submission. This includes 15 water and sewer projects and 5 water provision projects.
- 3 projects directly awarded by Ministry of National Planning, Housing and Infrastructure to complete outstanding water and sewer network related works in Th. Veymandoo (sewer) and Lh. Naifaru (water and sewer)



## TRADING

Trading arm of MWSC comprise of products and services related to utility operations sold to customers in resort market, construction and fishing industry. Trading products and services are provided from MWSC Showroom and provides water quality assurance services, RO plant, pumps, membranes and spares, u-PVC, PVC and PE pipes and fittings, water meters, valves and other water and wastewater related products and accessories. MWSC is amongst the notable few companies in Maldives to sell self-produced products under own brands for Pipes, Preforms, Shrink Film, Stretch Film and Ice Manufacturing.



## OUTLOOK FOR 2021

MWSC's business model will always prioritize continuity and uninterrupted of core utility operations i.e. water, wastewater, power and waste management operation. MWSC takes pride in being pioneers of the industries we are established in. Our commitment to continuously seek innovative solutions to expand and diversify manufacturing, trading and engineering arm of MWSC will be a continued outlook in year 2021.



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Some of the notable plans for 2021 include executing engineering projects worth MVR 1.5 billion to secure water and sewerage provision to Maldivian communities and expanding manufacturing portfolio with environmentally friendly products. Year 2021 maybe a financially dry year due the heavy expansion plans for both utility and non-utility sector businesses but MWSC's team is motivated to recover better from Covid-19 impacts and steer growth in the business.



## CORPORATE SOCIAL RESPONSIBILITY

We recognize our responsibility in creating a positive difference in the lives of local communities through contributing to public-private institutions, non-government organizations and island communities for the sustainable development of education, health, environment sectors and for fostering youth development.

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“We strive to be a responsible **business** that practice corporate social responsibility aim to improve communities, the economy and the environment we operate in.”

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## Preserving the Environment

MWSC strives to build on its success with sustainable water and wastewater operations that are efficient and environmentally responsible. As of 2020, over 500 KW of Solar Photo Voltaic plants were installed across different operation centers as part of reducing Company's carbon footprint.

During 2020, the Company conducted an energy audit in R. Dhuvafaru, recognizing the significant energy use (SEU) in the processes and to identify significant energy saving (SES) opportunities and GHG emissions. The audit was carried out by a team of electro mechanical Engineers. Energy audits to assess SES opportunities and GHG emissions will be carried out across all our operation centers, and the Company's carbon footprint will be measured based on these studies and implemented actions.

MWSC aims to protect the environment by facilitating responsible disposal of PET bottles and collection initiatives such as cleanup events in islands we operate whilst investing in continuous research in environmentally-friendly modifications to manufacturing sector.

There have been dramatic changes in the Maldivian business environment over the last 2 years. The outbreak of covid 19 pandemic have altered how companies compete and interact with suppliers and consumers. To respond to turbulent environment and improve the quality of customer collaboration the Company adapt new technology by introducing various digital platforms. The digitization of our billing and sales process have increased efficiency, deepen customer relationships and most importantly added value to our services.

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## Supporting the Community

Our commitment to support local communities has led to investments over MVR 3.6 million during 2020, for infrastructure development, and as charitable support for education, environment, health, and sports sectors.

Over the past year, we have continued to provide bottled water donations to various sectors across the country. Over 700 cases of water cases were donated during the year 2020. Significant contribution of the water donations went to sports, education, and health sectors. Apart from bottled water donations, one tonne of potable water was provided as relief for every household in Greater Male' region in response to COVID-19 pandemic.

As pioneers in water and wastewater management in Maldives, technical assistance is extended to the Government in survey, design, assessment of existing and new networks in rural islands. Safe drinking water and wastewater systems are crucial for public health and economic progress, and MWSC values every opportunity to contribute to the betterment of these systems in Maldivian islands.

MWSC continues to uphold the culture of engaging our staff in community events, through programs organized internally and externally. One of the Key highlights for 2020 include, MWSC's staff participation in the government COVID-19 pandemic relief efforts in the greater Male' region. Assistance was also provided to relevant authorities to provide Sewer and Water services to COVID-19 facilities and to place wash basin at key locations in the greater Male' area.



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## Promoting Social Awareness

Public awareness campaigns on water-use efficiency and conservation were intensively carried out to foster appreciation for the reclaimed water value. More campaigns were conducted to advocate safe application of home sewer systems to sustainably safeguard MWSC's wastewater networks.

During 2020, awareness messages on Covid-19 were disseminated through our social media platform to contribute to the efforts of the authorities during the pandemic.





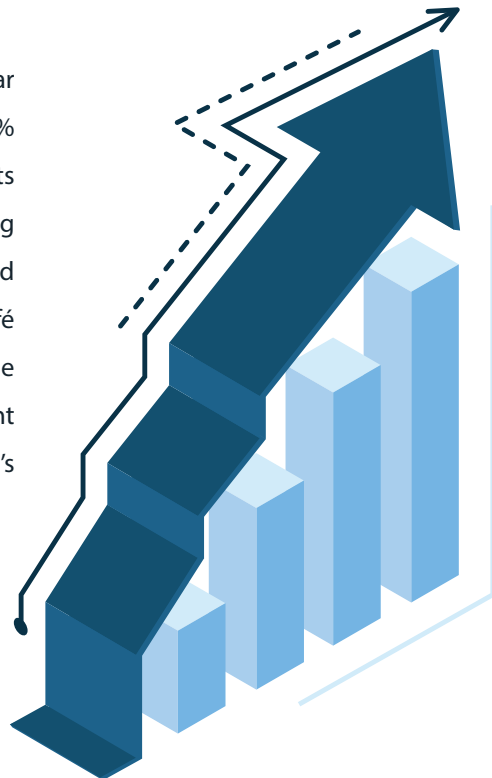
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## FINANCIAL PERFORMANCE Highlight

From Year 1995

MWSC continues to improve its overall performance in 2020 regardless of the impact of Covid-19 by reducing its costs. Performance of some of the major business segments such as Water Supply and Manufacturing declined over the past year. However a significant improvement was seen in Engineering Services Segment where the company provides Design and Build of Water & Sewerage facilities in the Maldives as well as in Trading Segment.

MVR 986.6 million was recorded as total revenue for the year with 3% decline in Year-on-Year (YoY) in Utility Segment and 12% decline in Manufacturing Segment. The decline in these segments were caused by the impact of Covid-19 lockdown imposed during 2020, which resulted in significantly reduced commercial and institutional sales due to closure of businesses, offices, café restaurants and the declined tourism industry. However, the company managed to grow its revenues from Trading segment by 50% and from Engineering segment by 15% due to company's commitment to invest in improving its non-utility sector revenues.



## FINANCIAL HIGHLIGHTS

MVR MILLIONS	2016	2017	2018	2019	2020
Revenue	936	1,053	1,254	1,010	987
EBITDA	404	396	578	459	487
Profit After Tax	280	265	411	309	324
Basic EPS (MVR)	1,050	992	1,541	1,157	1,213
Dividends per Share	630	595	925	694	728
Free Cash Flow	149	102	286	71	146
Net Assets	1,092	1,189	1,441	1,489	1,628
Total Assets	1,734	2,130	2,182	2,429	2,648
ROCE	30%	26%	33%	22%	22%

\*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.

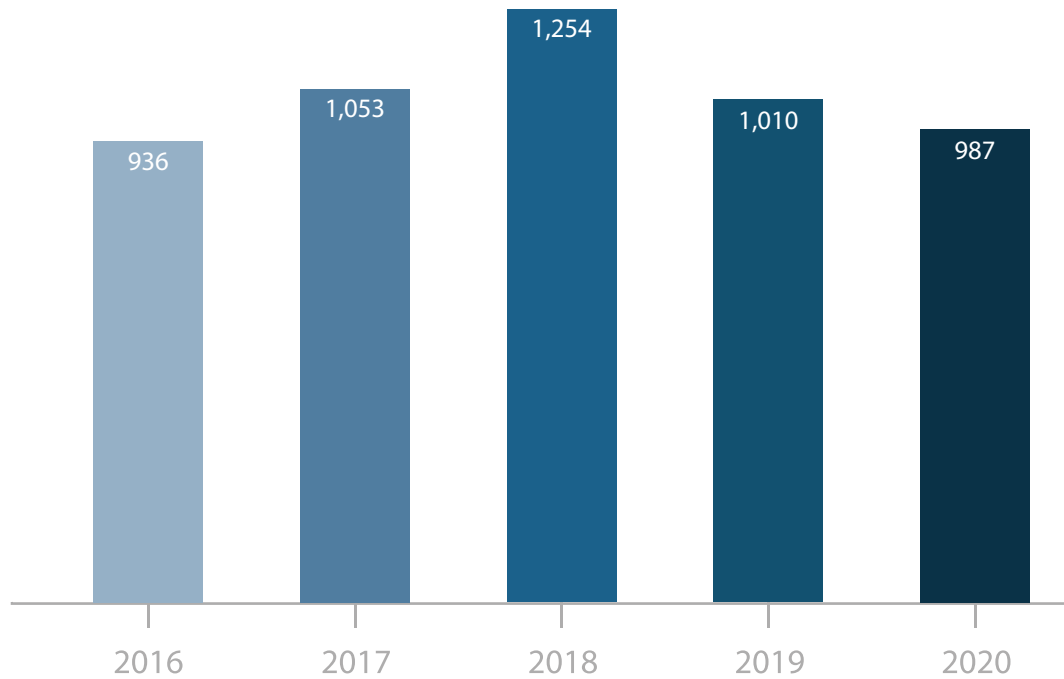
\*Free cash flow is calculated Profit Before Tax less increase in Working capital and Capital expenditure.

## REVENUE

MWSC's revenue mainly comprises of water sales, project income and income from sale of bottled water and related products which collectively accounted for 97% of the total turnover of the Company for FY2020.

The total revenue for the year was MVR 986.6mn (FY2019; 1,009.7mn), which is a 2% decline compared to previous year. This decline is from water sales and manufacturing sales, which accounted for 86% (MVR 851.6mn) of the total revenue in FY2020 and 89% (MVR 895mn) in FY2019. This is due to the impact of Covid-19 to the commercial and institutional market and due to overall economic downfall in Maldives. Regardless of this the Company managed to improve revenues in Projects, Trading and power segment by 19% compared to previous year, which accounts for 13% (MVR 131.9mn) of total revenue in FY2020 and 11%(MVR 110.5mn) in FY 2019.

## REVENUE

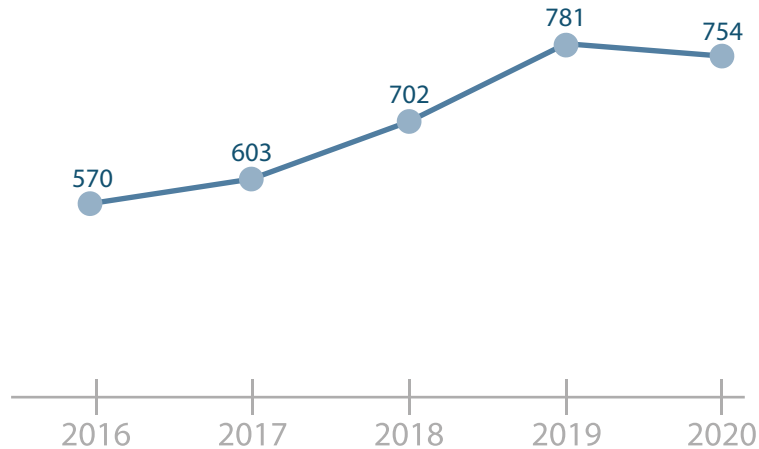


## UTILITY REVENUE

Revenue from utility segment which comprises of sale of water, electricity and managing waste water reached MVR 754mn (FY2019: MVR 781mn) and had a decline of 3% (MVR 26.5mn) in FY 2020. This decline was mainly derived from Greater Male' area, where water consumption from commercial and institutional categories was reduced due to the decline of economic activities resulted from the lockdown imposed as a response to the surge in Covid-19. A reduction in domestic category was noticed due to reduced population in Greater Male' region, which was caused due to loss of jobs and closure of schools.

## UTILITY REVENUE

Utility Revenue (in millions)



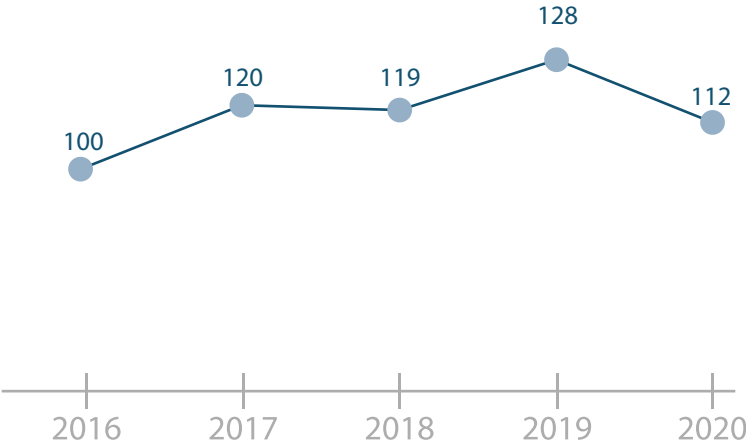
## MANUFACTURING REVENUE

Income from manufacturing segment includes revenue generated through bottling operation, (Intercompany sales to IBM) and pipe manufacturing which recorded MVR 112mn (FY2019;MVR 128mn) resulting a 12% decline compared to previous year. This decline was due to the decline of commercial activities such as closure of café restaurants and the decline of tourism sector during lockdown period as well as the subsequent impact of Covid-19. Such business sectors contributes significantly to the performance of this segment. In addition to that, during the FY2020, there was an increasing trend of customers switching from bottled water to filtered tap water, which may also have contributed to the decline in 2020 to some extent.

Income from trading operation was MVR 14.8mn (FY2019; MVR 9.9mn) which is a 50% growth over previous year. Income from trading includes sale of equipment's and parts related to water & sewerage facilities, water quality testing and asset rentals. Income from engineering operations was MVR 104.9mn (FY2019; MVR 90.8mn) which is a 15% growth over the previous year. This consists of, construction of water & sewerage network projects provided to the Government, conducted in various local Islands. At the end of FY2020, over 25 projects are ongoing in various regions of Maldives and currently the Company has commenced the work of additional 20 Islands in 2021.

## MANUFACTURING REVENUE

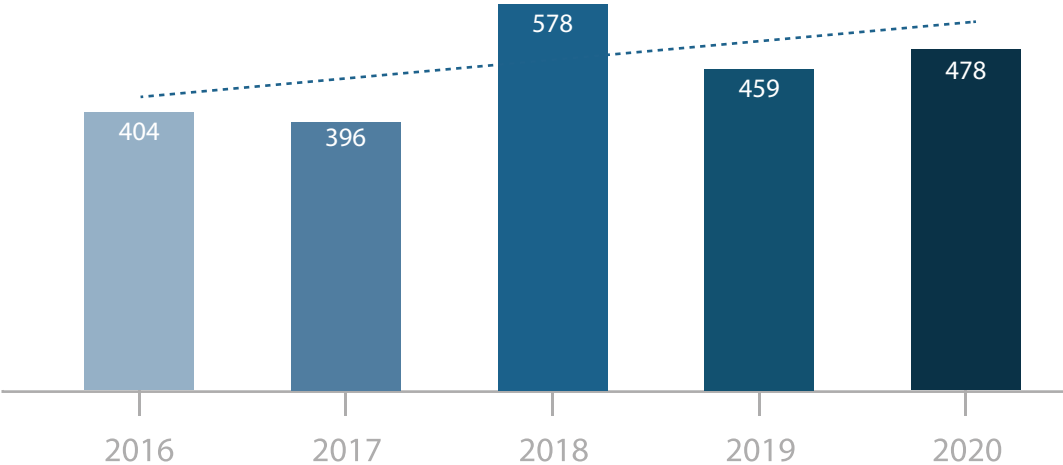
Manufacturing Revenue (in millions)



## EBITDA

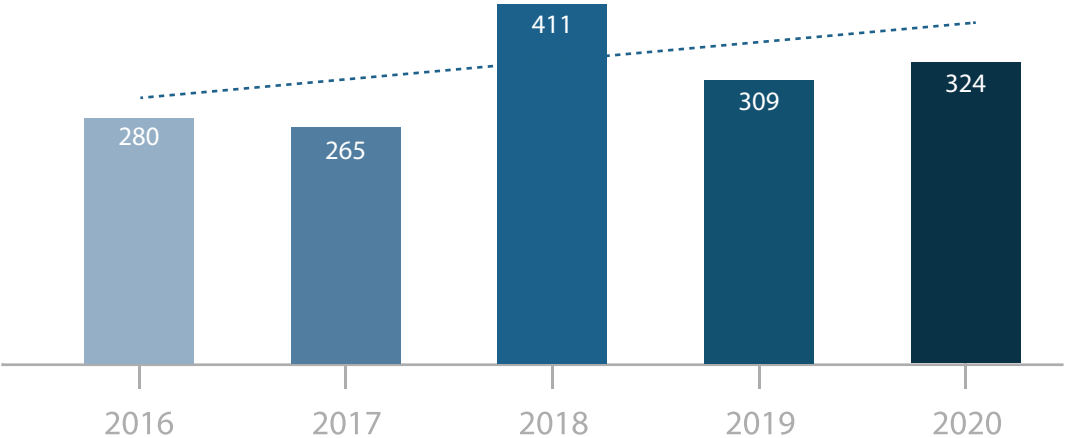
MVR 478 million was reported as EBITDA, which is a 4% (MVR 19mn) increase compared to the previous year performance. This increment was mainly from the managements efforts in costs efficiency during FY2020.

MWSC has managed to reduce its direct costs significantly by reducing its electricity costs as well as achieving cost efficiency in trading, manufacturing and projects segments.



## PROFIT AFTER TAX

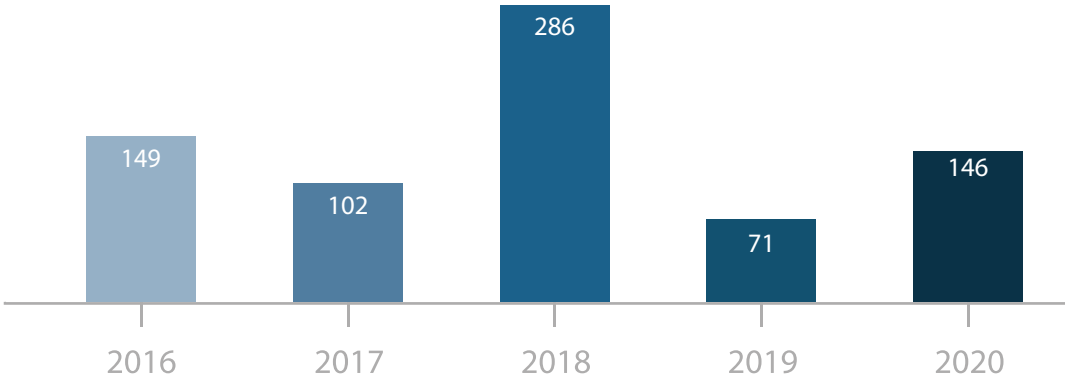
The Profit after tax increase by MVR 15mn during 2020 regardless of the decline in revenues, mainly due to reduction in costs. Though there was a significant negative impact of Covid-19 to the overall economy of Maldives, MWSC was able maintained its revenues from fluctuating significantly.



## FREE CASH FLOW

Free cash flow (operating cash flow less capital expenditure) was MVR 146mn for FY2020. This is a 104% (MVR 74mn) increase over 2019.

The main reason for the increase in free cash flow for the year 2020 was due to the reduction in investing activities by 53% compared to 2019. Many of the planned investments was on hold due to the difficulties in mobilizing for the projects during lockdown, unavailability of materials due to unavailability of foreign currency and global pandemic. Apart from that, only urgently required investments were carried out during 2020 in order to control the cash outflows from uncertainties that has risen from the global pandemic.

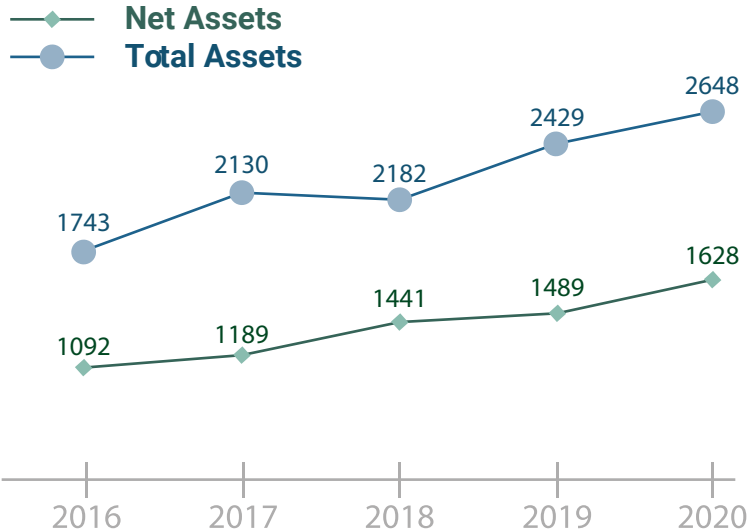




## ASSETS

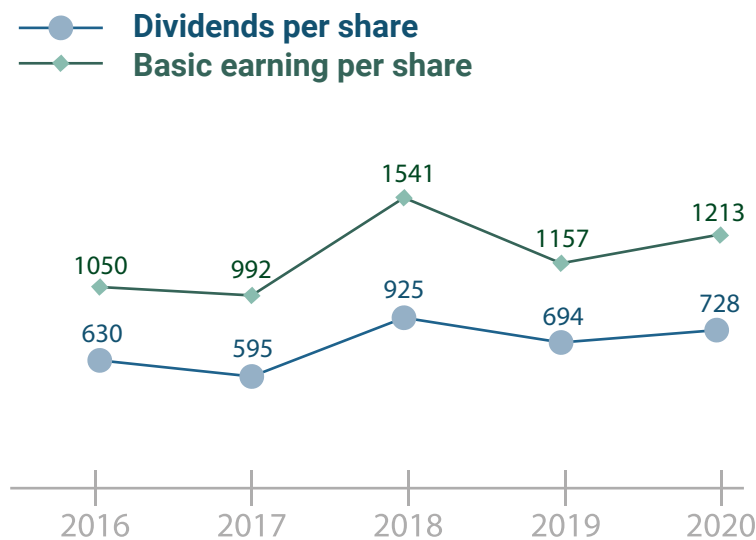
MWSC has recorded MVR 2.64bn worth assets. (FY2019; MVR 2.42bn). These assets largely comprised of reverse osmosis (RO) plants, generators, borewell, control pumps, water network systems, sewerage network systems, buildings and leases.

MWSC was able to maintain its Return on Capital employed at 22% from FY2019 to FY 2020. The fixed and intangible assets as well as prospective liabilities of the Company are secured by insurance.



## SHAREHOLDER'S VALUE

Year 2020 financials shows, basic earnings per share has increased to MVR 1,2013 / share (FY2019; MVR1157 / share), due to overall increase in profit over the period. The Company will maintain the dividend payout ratio the same as the previous year. For the financial year 2020, the amount proposed to be paid to the shareholder is MVR 194mn (FY2019; MVR 185mn), contributing MVR 728 / share (2019: MVR 694 / share).



## SUBSIDIARY PERFORMANCE

The subsidiary company was 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 Champa Brothers Maldives Pvt. Ltd. holds 49 percent. The Company recorded a net loss of MVR 11 million in 2020 compared to MVR 0.9 million in 2019.

During the past years IBM has heavily invested to increase the production capacity by installing new bottling lines and increasing machine capacities. New bottling operation commenced in Hdh. Kulhudhufushi is one of the major investments. IBM also continued to increase the distribution capacity to cope with the sales demand, which has also resulted an increase in administrative costs such as staff costs.

During the early months of FY2020, IBM has shown a significant improvement in sales. However, due to outbreak covid-19 and the resulted impact on overall economy of Maldives, IBM faced a decline in sales during the 2nd and 3rd quarter of FY2020. Despite that, IBM recovered its sales to a normal operating condition during last quarter of FY2020. It is also noted that IBM has an impairment of an asset held for sale amounting to MVR 10mn which has contributed significantly to the overall loss made in FY2020.

The table below shows the IBM's overall financials of the past 5 years:

MVR MILLIONS	2016	2017	2018	2019	2020
Revenue	138	166	170	182	151
EBITDA	18	20	19	16	4
Profit After Tax	9	9	10	1	(11)
Basic EPS (MVR)	613	606	642	65	-
Dividends per Share	442	245	242	-	-
Free Cash Flow	9	12	(12)	9	41
Net Assets	42	47	53	50	39
<b>Total Assets</b>	<b>78</b>	<b>108</b>	<b>131</b>	<b>145</b>	<b>135</b>
ROCE	24%	22%	17%	6%	-24%

\*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.

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## 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 2020 as dividend to the shareholders, with 35 percent allocated to the General Reserve Account and 5 percent allocated to the Asset Replacement Fund.

## 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 percent 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 Ministry of Finance circular, it has been declared 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 2020 to the date of this report, no matter or circumstances has 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 2020 not otherwise disclosed in this report or the Audited Financial Statements of the Company.





# CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED ON 31ST DECEMBER 2020

Rise of new markets

The Board of Directors of Male' Water and Sewerage Company Pvt Ltd 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

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 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.

## 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 and two are 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.





**Mr. Ahmed Mausoom**  
Chairperson, Non-executive  
Appointment Date: 06 Feb 2019

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



**Mr. Mohamed Shareef**  
Director, Executive  
Appointment Date: 28 Feb 2019



**Mr. Shu Kodama**  
Director, Executive  
Appointment Date: 10 Oct 2018



**Ms. Fathimath Hana**  
Director, Non-Executive  
Appointment Date: 06 Mar 2019



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



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

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CHANGES TO BOARD OF DIRECTORS DURING 2020



**Mr. Adam Azim**  
Managing Director, Executive

**Appointment**  
29 Nov 2018  
**End of Tenure**  
21 Jan 2020



**Ms. Samahath Abdul Rasheed**  
Director, Non-Executive

**Appointment**  
16 Feb 2016  
**End of Tenure**  
24 Nov 2020



**Mr. Hassan Shah**  
Managing Director, Executive

**Appointment**  
21 Jan 2020  
**End of Tenure**  
Incumbent



**Mr. Ahmed Evan Ismail**  
Director, Non-Executive

**Appointment**  
24 Nov 2020  
**End of Tenure**  
Incumbent

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## ROLE OF CHAIRPERSON & 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 financial 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 2020, 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	-
Mr. Hassan Shah	Managing Director, Executive	08/08	21 - Jan - 2020	-
Mr. Mohamed Shareef	Director, Executive	11/11	28 - Feb - 2019	-
Mr. Adam Azim	Managing Director, Executive	01/01	29 - Nov - 2018	21 - Jan - 2020
Ms. Sahamath Abdul Rasheed	Director, Non-Executive	08/08	16 - Feb - 2016	04 - Nov - 2020
Mr. Shu Kodama	Director, Non-Executive	11/11	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	03/03	24 - Nov - 2020	-

## MAJOR 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 2019
- Approved to declare dividend for the year 2020, to be proposed for shareholder approval at the Annual General Meeting 2019
- Approved the business plan proposed for year 2021 and continued to review monthly and quarterly financial performance
- Approved the financial statements and Directors' report of 2020, to be proposed for shareholder approval at the Annual General Meeting 2019
- Approved the quarterly reports of 2020



### Strategic decisions

- Discussed on cost minimization measures of the operation regarding the impact of Covid-19 pandemic
- 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
- Approved to invest in glass bottling



### Appointment of members

- Endorsed the appointment of Mr. Hassan Shah as a member of the Board and Managing Director.
- Endorsed newly appointed Board Member, Mr. Ahmed Evan Ismail as a non-executive director



### Matters related to governance

- Revised the Employee Remuneration Policy
- Approved Foreign Travel Arrangement expenses and scholar stipend Policy
- Approved Board Performance and Evaluation Policy and Procedure
- Approved Whistle Blower Policy
- Approved Career Advancement & Growth Policy
- Approved Death benefit & Worker compensation Policy
- Revised Redundancy Policy and Procedure
- Revised Staff Loan Scheme

## 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.

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## 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 2020, 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 2020, 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 2021.

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## 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 2021, a more comprehensive Related Parties Policy will be introduced to regulate the review and approval of reportable transactions.

## 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 2021 are MVR 1,1019,600.00 and MVR 12,596,517.00 respectively.



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## RISK MANAGEMENT AND INTERNAL CONTROL

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 Board ensures that it has sufficient visibility of the principal risks and the opportunity to regularly review the adequacy and effectiveness of mitigating controls and strategies. 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 safeguard the assets of the Company and 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. These procedures are subject to regular review and provide an ongoing process for identifying, evaluating and managing the significant risks faced by the company.

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.

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## 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. 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 2020 to improve the governance of the company include Whistle blower policy, a policy on board performance and evaluation and procedure, a policy on foreign travel arrangement expenses & scholar stipend, a policy on career advancement and growth and a policy on death benefit & workers compensation. Amendments were also brought to the employee remuneration policy, redundancy policy and procedure and staff loan scheme policy.


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## 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 General's Office of the Maldives. The Financial accounts for the year have been audited by Earnest and Young (Chartered Accountants) based on a Tripartite Agreement between, MWSC, Auditor General's Office and Earnest & Young who had audited the Company's accounts for the year 2020.



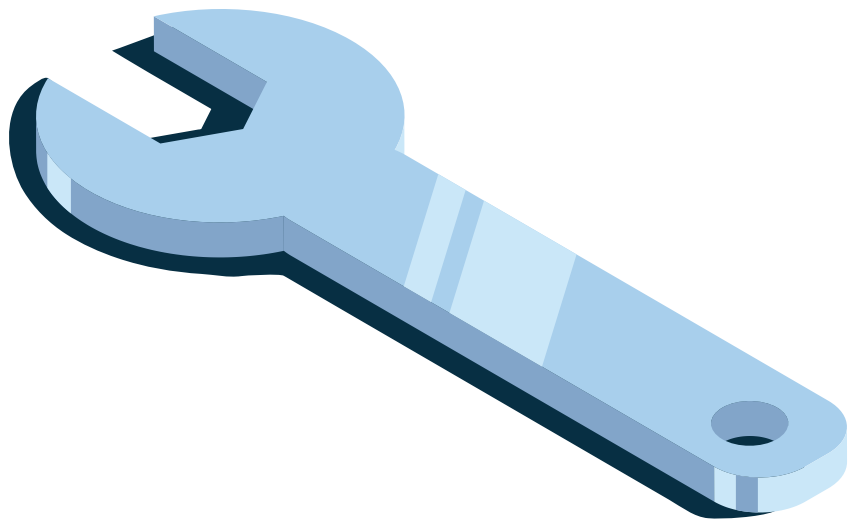


# DIRECTORS STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

— — — —  
Rise of new markets

This Statement on Risk Management & Internal Control is made pursuant to 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 the Company in reviewing the adequacy and effectiveness of the risk management and internal control system of the Company.



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## 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 XXth July 2021.



**AHMED MAUSOOM**  
Chairperson



**IBRAHIM ANWAR**  
Audit & Remuneration Committee

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AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 2020

MANAGEMENT STATEMENT ON FINANCIAL STATEMENTS

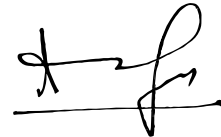
We, Hassan Shah - CEO & Managing Director and Arfau Ahmed, Financial Controller of Male' Water and Sewerage Company Pvt Ltd, to the best of our knowledge and belief, certify that we have reviewed financial statements for the year ended December 31, 2020 and to the best of our knowledge, information and 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



ARFAU AHMED  
Financial Controller

## 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 2020 and of its performance, for the financial year ended on that date.

Signed in accordance with a resolution of the Directors:



AHMED MAUSOOM  
Chairperson



HASSAN SHAH  
Managing Director

## 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 2020, 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 2020 are as follows;

<b>Name</b>	<b>Position</b>	<b>Appointed Date</b>
<b>Mr. Ibrahim Anwar</b>	<b>Chairperson</b>	<b>25 - Nov - 2020</b>
<b>Mr. Shu Kodama</b>	<b>Member</b>	<b>18 - Oct - 2018</b>
<b>Ms. Fathmath Hana</b>	<b>Member</b>	<b>15 - July - 2019</b>
<b>Mr. Ahmed Evan</b>	<b>Member</b>	<b>25 - Nov - 2020</b>

During the year ended 31 December 2020, a total of nineteen (19) Committee meetings were held. The details of attendance of each member are as follows;

<b>Name</b>	<b>Meeting Attended</b>	<b>Appointed Date</b>
Fathimath Hana	19	
Sahamath Abdul Rasheed	16	Removed as a Director from 24th 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	3	
Ahmed Evan Ismail	3	

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 2020, 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.

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## 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 20 audit reports undertaken by company's Internal Audit Department. The Committee Endorsed Internal Audit Plan for 2020. 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.

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 2020.

## EXTERNAL AUDIT- FINANCIAL STATEMENT FOR THE YEAR END 31, DECEMBER 2020

The Committee reviewed Audited Financial Statement for the year ended 31 December 2020, and is satisfied that appropriate measures were put in place by EY 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 2020 was Ernst & Young (EY) and was appointed for a period of two years in year 2018.

A meeting of the Audit and Remuneration Committee was held with Auditors General's office and their appointed External Audit partner to provide independence assurance and to present their opinion on the financial statements.

#### 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.



IBRAHIM ANWAR

Chairperson of the Audit & Remuneration Committee

12th July 2021







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# AUDITED FINANCIAL STATEMENTS

From Year 1995

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