Crowe

INDEPENDENT AUDITOR'S REPORT
KULHUDHUFUSHI PORTS LIMITED
31st December 2021

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS
KULHUDHUFUSHI PORTS LIMITED

Qualified Opinion

We have audited the financial statements of Kulhudhufushi Ports Limited (the Company), which comprise the statement of financial position as at December 31, 2021, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the accompanying financial statements have been properly drawn up in accordance with International Financial Reporting Standards (IFRS) so as to give a true and fair view of the financial position of the Company as of December 31, 2021 and of their financial performance and cash flows for the year then ended.

Basis for Qualified Opinion

We draw attention to Note 12 of financial statements, where the Company has recognized balance due to Ministry of Finance and Treasury amounting MVR 24,155,713 as due to related parties as of 31st December 2021. We were unable to obtain direct independent confirmation from the related party. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Maldives, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 in the financial statements, which indicates that the Company incurred a net loss of MVR 6,082,731 during the year ended December 31, 2021 and, as of that date, the Company's current liabilities exceeded its current assets by MVR 15,584,927. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

Except for the matter described in the Material Uncertainty Related to Going Concern section, We have determined that there are no key audit matters to communicate in our report.

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Other Matter

The financial statements of the Company for the year ended 31st December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 29th August 2021.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and Law of Jurisdiction of Republic of Maldives, 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 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 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 to cease to continue as a going concern.

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.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements 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.

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

13 June 2022

Reg no. P-02/2008

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Hassan Mohamed
Managing Partner
License No: ICAM-FL-GX6

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KULHUDHUFUSHI PORTS LIMITED
STATEMENT OF FINANCIAL POSITION

as of 31st December 2021

All amounts are stated in Maldivian Rufiyaa

	Note	31-Dec-21 MVR	(Restated) 31-Dec-20 MVR	(Restated) 31-Dec-19 MVR
ASSETS				
Non-Current Assets				
Property, plant & equipment	4	27,614,173	30,429,428	33,462,098
Right of use asset		-	-	160,033
Investment properties	5	7,993,848	8,357,205	8,720,561
		35,608,021	**38,786,632**	**42,342,692**
Current Assets				
Trade & other receivables	6	94,431	202,886	84,902
Due from related parties	7	8,577,367	11,058,986	14,630,013
Cash & cash equivalents	8	276,097	660,525	618,039
		8,947,895	**11,922,397**	**15,332,954**
TOTAL ASSETS		**44,555,916**	**50,709,029**	**57,675,646**
EQUITY & LIABILITIES				
Equity & Reserves				
Share capital	9	102,040,800	102,040,800	102,040,800
Retained losses		(81,971,503)	(75,888,772)	(69,176,391)
Accumulated other comprehensive income		(171,056)	(73,079)	-
		19,898,241	**26,078,949**	**32,864,409**
Non-Current Liabilities				
Employee retirement benefits obligations	10	124,853	134,599	167,274
		124,853	**134,599**	**167,274**
Current Liabilities				
Lease liability		-	-	162,786
Trade & other payables	11	377,109	339,768	325,464
Due to related parties	12	24,155,713	24,155,713	24,155,713
		24,532,822	**24,495,481**	**24,643,963**
TOTAL EQUITY & LIABILITIES		**44,555,916**	**50,709,029**	**57,675,646**

We draw your attention to accounting policies and notes on page 8 through 24, which are an integral part of the financial statements.

For and on behalf of the Board of Directors:

Name	Signature
1. Mr. Mohamed Shareef	
2. Mr. Shahid Ali	

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KULHUDHUFUSHI PORTS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31st December 2021

All amounts are stated in Maldivian Rufiyaa

	Note	31-Dec-21 MVR	(Restated) 31-Dec-20 MVR
Revenue	13	5,992,875	4,125,311
Other income	14	831,373	800,747
Administrative expenses	15	(12,906,979)	(11,635,708)
Finance cost	16	-	(2,731)
Loss before tax from operations		**(6,082,731)**	**(6,712,381)**
Other Comprehensive Income			
Remeasurement of defined benefit liability		(97,977)	(73,079)
Total comprehensive income for the year		**(6,180,708)**	**(6,785,460)**
Loss per share	18	(6)	(7)

We draw your attention to accounting policies and notes on page 8 through 24, which are an integral part of the financial statements.

KULHUDHUFUSHI PORTS LIMITED
STATEMENT OF CASH FLOWS

for the year ended 31st December 2021

All amounts are stated in Maldivian Rufiyaa

	Note	31-Dec-21 MVR	31-Dec-20 MVR
Operating loss before working capital changes	19	**(2,638,287)**	**(3,132,193)**
Trade & other receivables		108,455	(118,009)
Trade & other payables		37,341	14,304
Due from related parties		2,481,619	-
Due to related parties		-	3,571,028
Cash generated from / (used in) operating activities		**(10,872)**	**335,130**
Retirement benefits paid		(124,020)	(123,640)
Net cash generated from / (used in) operating activities		**(134,892)**	**211,490**
Cash flows from investing activities			
Acquisition of property, plant & equipment		(249,536)	(30,778)
Net cash used in investing activities		**(249,536)**	**(30,778)**
Cash flows from financing activities			
Settlement of lease liabilities		-	(138,225)
Net cash flows used in financing activities		**-**	**(138,225)**
Net increase / (decrease) in cash and cash equivalents		**(384,428)**	**42,487**
Cash and cash equivalents at the beginning of the year		660,525	618,039
Cash and cash equivalents at the end of the year		**276,097**	**660,526**

We draw your attention to accounting policies and notes on page 8 through 24, which are an integral part of the financial statements.

KULHUDHUFUSHI PORT PRIVATE LIMITED C-547/2009 MALDIVES

KULHUDHUFUSHI PORTS LIMITED
STATEMENT OF CHANGES IN EQUITY
as of 31st December 2021
All amounts are stated in Maldivian Rufiyaa

	Share Capital MVR	Accumulated Other Comprehensive Loss MVR	Accumulated Loss MVR	Total Equity MVR
Balance as at 1st January 2020	102,040,800	-	(69,176,391)	32,864,409
Loss for the year	-	-	(6,712,381)	(6,712,381)
Remeasurement of defined benefit liability	-	(73,079)	-	(73,079)
Balance as at 31st December 2020	**102,040,800**	**(73,079)**	**(75,888,772)**	**26,078,949**
Balance as at 1st January 2021	102,040,800	(73,079)	(75,888,772)	26,078,949
Loss for the year	-	-	(6,082,731)	(6,082,731)
Remeasurement of defined benefit liability	-	(97,977)	-	(97,977)
Balance as at 31st December 2021	**102,040,800**	**(171,056)**	**(81,971,503)**	**19,898,241**

We draw your attention to accounting policies and notes on page 8 through 24, which are an integral part of the financial statements.

1 Corporate information

1.1 General

Kulhudhufushi Ports Limited (the "Company") is a limited liability Company incorporated and domiciled in the Republic of Maldives since 12 July 2009 and governed under the companies Act No. 10/1996 with its registered office at Bandaara Magu, HDH. Kulhudhufushi, Republic of Maldives.

1.2 Principal activities and nature of operations

Principal business activities of the Company include providing harbour facilities, storage, supplies and repair and maintenance services of ships.

1.3 Immediate and ultimate parent entity

The company's immediate parent company is Maldives ports limited, incorporated and domiciled in the republic of Maldives and ultimate parent undertaking and controlling party is the Government of Maldives.

1.4 Date of authorisation for issue

The financial statements of Kulhudhufushi Ports Limited for the year ended 31 December 2021 were authorised for issue on 6th June 2022 in accordance with resolution of the Board of Directors.

2 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The financial statements are prepared on a historical cost basis. No adjustment is made for inflationary factors affecting these financial statements. The financial statements are presented in Maldivian Ruffiya (MVR) and all the values are rounded to nearest integral, except when otherwise indicated. The financial statements of the Company comprise the statements of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity together with accounting policies and notes.

2.1 Going concern

The company has a continuous net operating cash loss of MVR 2,638,287 (2020: MVR 3,132,193). Further, the company incurred a net loss and accumulated loss of MVR 6,082,731 (2020: MVR 6,712,381) 81,971,503 (2020: MVR 75,888,772) respectively during the year ended December 31, 2021. This indicates that a material uncertainty exists that may cast significant doubt on the company's ability to continue as going concern.

In this regard, The Ministry of Finance being the ultimate shareholder of the company has provided assurance that they will continue to provide financial support to the company, as it is necessary to maintain the company as a going concern for the foreseeable future and to meet its debt and liabilities as and when they fall due. Furthermore, the company has long term plans to expand the capacity of the port which will increase the revenue, resulting in reduction in the recurrent operating losses incurred by the company and hence, the financial statements have been prepared under going concern basis.

2.2 Statement of compliance

The financial statements of Kulhudhufushi Port Limited have been prepared in accordance with International Financial Reporting Standards.

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2.2.1 New and amended standards applied by the company

There were no new standards or amendments that were applicable to the company for the first time for the year ended 31st December 2021.

2.3 Comparative information

The financial statements provide comparative information in respect of the previous period. The accounting policies and estimates adopted by the Company are consistent with those of the previous financial year. Further, comparative information is reclassified wherever necessary to comply with the current year presentation.

3 Summary of significant accounting policies

3.1 Conversion of Foreign currencies

The Company's financial statements are presented in Maldivian Rufiyaa, which is the Company's functional and presentation currency.

The decision has been taken by management of the Company to maintain the reporting currency as Maldivian Rufiyaa in the financial statements since most of the business transactions are dealt in Maldivian Rufiyaa.

3.2 Foreign currencies

Transactions in currencies other than Maldivian Rufiyaa are translated to Maldivian Rufiyaa at the exchange rate ruling at the date of transaction.

Monetary assets and liabilities denominated in currencies other than Maldivian Rufiyaa are translated to Maldivian Rufiyaa at the exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income.

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

3.3 Current versus non-current classification

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

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in 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.

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The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.4 Revenue from contract with customers

The Company is in the business of providing harbour facilities and related activities. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

Rendering of services

The Company recognises revenue from harbour operation services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company. Revenue from the transport operations are recognised at a point in time, generally upon delivery of the service.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the services delivered, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer/guest, generally on delivery of the goods.

Other income

Other income is recognised on an accrual basis.

Interest

Interest income is recognised as the interest accrues unless collection is in doubt.

3.5 Contract balances

Contract assets

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

Trade receivables

A receivable represents the Company’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section “Financial instruments – initial recognition and subsequent measurement”.

Contract liabilities

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

3.6 Expenditure recognition

Expenses are recognised in the statement of comprehensive income on the basis of 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 recognised in income statement.

3.7 Taxes

Current business profit tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the end of the reporting period.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at end of each reporting period 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 end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income (OCI) or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables 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 statement of financial position.

3.8 Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In the Company's financial statements, investment in the subsidiary has been accounted for at cost, net of any impairment for other than temporary diminution in value.

3.9 Property, plant and equipment

Recognition and measurement

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

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not a depreciable asset.

The estimated useful lives for the current and comparative periods are as follows:

• Infrastructure and buildings	Over 7-25 years
• Vehicles and vessels	Over 7-15 years
• Furniture and office equipment	Over 2-4 years
• Machinery and equipment	Over 2-4years
• Kitchen equipment	Over 2-3years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

3.11 Operating lease right

Leasehold rights are shown at historical cost. Leasehold rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of leasehold rights over remaining lease period.

3.12 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

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Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

3.13 Impairment of assets

The Company assesses at each reporting period, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account.

If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

KULHUDHUFFUSHI PORT PRIVATE LIMITED
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3.14 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.

3.14.1 Financial assets

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 of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets of the Company are classified into the following:

Financial assets at amortised cost

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes investment on treasury bills, investment on fixed deposits, trade and other receivables.

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De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company 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 Company 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 Company could be required to repay.

When the loan to which the financial asset relates is settled completely, the unamortised amount of financial asset is charged to the statement of comprehensive income at time immediately.

Impairment of financial assets

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

3.14.2 Financial liabilities

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 Company's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

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

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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 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.

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 profit or loss.

3.14.3 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash in hand and balance with banks.

Statement of cash flows is prepared in “indirect method”. For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand and balances with banks as defined above, net of outstanding bank overdrafts, if any.

3.14.4 Share capital

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

3.14.5 Cash dividend

The Company recognises a liability to pay a dividend when the distribution is authorised, and the distribution is no longer at the discretion of the Company. As per the corporate laws of Maldives, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

3.14.6 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, where 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.

When the Company expects some or all of the provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the re-imbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any re-imbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate the risk specific to the liability. Where discounting is used any change in the provision resulting from the unwinding effect is dealt in the statement of comprehensive income.

3.14.7 Pension and other post-employment benefits

All local (Maldivian National) Employees are eligible for Maldives Retirement Pension Scheme (MRPS) contribution according to the terms of the Maldives Pension Act Law No. 8/2009 handled by Maldives Pension Administration Office (MPAO) from May 2011.

3.14.8 Borrowing costs

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

3.14.9 Summary of significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(a) Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern in the foreseeable future. When making that assessment, Directors have taken into consideration the existing and anticipated effects of the Covid-19 outbreak on the entity's business activities. Since the entity has a long history of profitable operations, therefore the Directors have concluded that the going concern basis of accounting is appropriate for the year 2019 and they do not intend either to liquidate or cease trading.

(b) Depreciation of property, plant and equipment

Management assigns useful lives and residual values to property, plant and equipment based on the intended use of assets and the economic lives of these assets.

Subsequent changes in circumstances such as technological advances or utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Management reviews annually the residual values and useful lives of major items of property, plant and equipment.

(c) Impairment of accounts receivables

A careful evaluation of Company's accounts receivable are conducted annually to account for impairment of receivables. Provisions are created against specific receivable balances, where the company believes the recoverability is doubtful.

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4 Property, Plant & Equipment

4.1 Cost

	Balance As at 01-Jan-21	Additions	Disposals	Balance As at 31-Dec-21
Infrastructure and buildings	75,120,680	-	-	75,120,680
Vehicles and vessels	47,617,728	-	-	47,617,728
Furniture and office equipment	1,418,820	206,455	-	1,625,275
Machinery, equipment and tools	581,976	43,081	-	625,057
Kitchen Equipment	4,720	-	-	4,720
	124,743,924	**249,536**	**-**	**124,993,460**

4.2 Depreciation

	Balance As at 01-Jan-21	Charge for the year	Disposals	Balance As at 31-Dec-21
Infrastructure and buildings	44,801,376	3,004,828	-	47,806,204
Vehicles and vessels	47,617,727	-	-	47,617,727
Furniture and office equipment	1,310,084	56,983	-	1,367,067
Machinery, equipment and tools	580,589	2,980	-	583,569
Kitchen Equipment	4,720	-	-	4,720
	94,314,496	**3,064,791**	**-**	**97,379,287**
Net Book Value	**30,429,428**			**27,614,173**

5 Investment Properties

5.1 Cost

	Balance As at 01-Jan-21	Additions	Disposals	Balance As at 31-Dec-21
KPL Guest house	9,083,918	-	-	9,083,918
	9,083,918	**-**	**-**	**9,083,918**

5.2 Depreciation

	Balance As at 01-Jan-21	Charge for the year	Disposals	Balance As at 31-Dec-21
KPL Guest house	726,713	363,357	-	1,090,070
	726,713	**363,357**	**-**	**1,090,070**
Net Book Value	**8,357,205**			**7,993,848**

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		31-Dec-21 MVR	31-Dec-20 MVR
6	**Trade & Other Receivables**		
	Accounts receivable	1,631,393	1,678,697
	Less: Provision for doubtful debts	(1,536,962)	(1,475,811)
	Total	**94,431**	**202,886**
7	**Due from Related Parties**		
	Maldives Ports Limited	8,577,367	11,058,986
	Total	**8,577,367**	**11,058,986**
8	**Cash & Cash Equivalent**		
	Cash at bank	267,274	643,687
	Cash in hand	8,823	16,838
	Total	**276,097**	**660,525**
9	**Share Capital**		
	Issued share capital 1,020,408 ordinary shares of MVR 100 each	102,040,801	102,040,801
	Total	**102,040,801**	**102,040,801**

The total authorised number of ordinary shares is 2,500,000 shares (2020: 2,500,000 shares) with a par value of MVR 100 per share (2020: MVR 100 per share). All issued shares are fully paid and have equal rights to vote at general meetings and receive dividends.

10	**Employee Retirement Benefits Obligations**		
	Opening liability	134,599	167,274
	Service cost	7,360	12,031
	Interest cost	8,937	5,855
	Paid during the year	(124,020)	(123,640)
	Re-measurement	97,977	73,079
	Total	**124,853**	**134,599**
11	**Trade & Other Payables**		
	Trade payables	-	1,148
	Accrued expenses	123,940	-
	GST payable	86,142	60,053
	Other payables	167,027	278,567
	Total	**377,109**	**339,768**
12	**Due to Related Parties**		
	Ministry of Finance and Treasury	24,155,713	24,155,713
	Total	**24,155,713**	**24,155,713**
13	**Revenue**		
	Handling Income	1,096,341	655,496
	Other Port Services	2,968,410	2,534,695
	Equipment Rental	1,763,558	834,889
	Miscellaneous Income	164,566	100,231
	Total	**5,992,875**	**4,125,311**

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13 Revenue (Continued...)

The main business activities of include provision of harbour facilities, storage, supplies and repair and maintenance services to ships. Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and sales-related taxes collected on behalf of the government of Maldives.

14 Other Income

	31-Dec-21 MVR	31-Dec-20 MVR
Rent income	831,373	751,084
Other income	-	49,663
Total	**831,373**	**800,747**

15 Administrative Expenses

	31-Dec-21 MVR	31-Dec-20 MVR
Fees and licenses	293,034	211,895
Bad debts written off	61,151	-
Bank charges	5,930	5,600
Office expenses	116,304	31,119
Depreciation expenses	3,428,147	3,559,571
Utilities	496,889	533,411
Fines and penalties	3,944	300
Food and accomodation	28,606	86,857
Transportation and freight	6,275	1,875
Fuel expenses	123,895	102,192
Staff insurance	142,800	181,688
Other expenses	34,251	7,908
Salaries and wages	7,173,772	6,549,401
Printing and Stationary	49,299	12,967
Repairs and maintenance	784,368	266,936
Telephone and internet	48,254	36,258
Travelling expenses	110,060	47,730
Total	**12,906,979**	**11,635,708**

16 Finance cost

	31-Dec-21 MVR	31-Dec-20 MVR
Interest on lease	-	2,731
Total	**-**	**2,731**

17 Income tax expense

The Income Tax Act Tax Act (25/2019) of the Maldives is effective from 1st January 2020. As per the income tax act, businesses profit is subject to tax of 15% on profits exceeding tax free threshold limit MVR 500,000 for any tax year.

17.1 Current tax expense

A reconciliation between tax expense and the product of accounting profit multiplied by Maldives domestic tax rate for the year ended 31 December is as follows;

	31-Dec-21 MVR	31-Dec-20 MVR
Accounting loss before tax	(6,082,731)	(6,712,381)
Aggregate disallowable items	3,621,239	3,751,569
Aggregate allowable items	(6,003,396)	(5,999,887)
Current year tax loss	**(8,464,888)**	**(8,960,699)**

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		31-Dec-21 MVR	31-Dec-20 MVR
17.2	**Tax losses carried forward**		
	As at 1 January	46,033,877	37,073,178
	Tax losses for the year	8,464,888	8,960,699
	Written off during the year	(10,714,180)	-
	As at 31 December	**43,784,585**	**46,033,877**

17.3 Deferred Tax Asset

The deferred tax is arrived at by applying the Business Profit Tax rate at 15% on temporary differences between the tax bases and liabilities and their carrying amounts for financial reporting purposes at 31 December.

	31-Dec-21	31-Dec-20
On property, plant and equipment	2,532,123	2,921,677
On bedtor provision	-	221,372
On accumulated tax losses	6,567,688	6,905,082
Tax losses carried forward	**9,099,811**	**10,048,131**

Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Company can utilise the benefits there from.

18 Loss Per Share

Basic Loss Per Share is calculated by dividing the net loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	31-Dec-21	31-Dec-20
Loss for the year	(6,082,731)	(6,712,381)
Weighted average number of ordinary shares	1,020,408	1,020,408
Loss per share	**(6)**	**(7)**

19 Operating Profit/(Loss) before Working Capital Changes

	31-Dec-21	31-Dec-20
Net profit/(loss)	(6,082,731)	(6,712,381)
Depreciation	3,428,147	3,559,571
Interest on lease	-	2,731
Provision for employee retirement benefit	16,297	17,886
Total	**(2,638,287)**	**(3,132,193)**

20 Related Party Transactions

The Government of Maldives has 49% of voting rights of the Company and Maldives Ports Limited (fully owned by Government of Maldives) has 51% voting rights of the Company. Significant transactions including the following have been carried out with entities controlled by Government of Maldives in the ordinary course of business.

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20.1 *Due from related parties*

Name	**Nature of relationship**	**31-Dec-21 MVR**
Maldives Ports Limited	***Parent Company***	
Opening balance		11,058,986
Expenses paid for on behalf of the company		(2,481,618)
Settlements made		-
Closing balance		**8,577,368**

20.2 *Due to related parties*

Name	**Nature of relationship**	
Ministry of Finance and Treasury	***Government ministry***	
Opening balance		(24,155,713)
Expenses paid for on behalf of the company		-
Settlements made		-
Closing balance		**(24,155,713)**

20.3 Balance outstandings

Maldives Ports Limited - Share capital receivable	11,058,986
Maldives Ports Limited - Other receivables	12,230,145
Maldives Ports Limited - Other liabilities	(14,711,763)
Ministry of Finance and Treasury - Other liabilities	(24,155,713)

21 Restatement of financial statements

21.1 KPL Guest house

	As Restated 31-Dec-19 USD	**As previously Stated 31-Dec-19 USD**	**Restatement 31-Dec-19 USD**
Infrastructure and buildings - cost	75,120,680	84,204,598	(9,083,918)
Infrastructure & buildings - Accumulated depreciation	(41,796,549)	(42,159,906)	363,357
Investment Properties - cost	9,083,918	-	9,083,918
Investment Properties - Accumulated depreciation	(363,357)	-	(363,357)

	As Restated 31-Dec-20 USD	**As previously Stated 31-Dec-20 USD**	**Restatement 31-Dec-20 USD**
Infrastructure and buildings - cost	75,120,680	84,204,598	(9,083,918)
Infrastructure & buildings - Accumulated depreciation	(44,801,376)	(45,528,090)	726,713
Investment Properties - cost	9,083,918	-	9,083,918
Investment Properties - Accumulated depreciation	(726,713)	-	(726,713)

KPL guest house with cost amounting MVR 9,083,918, erroneously capitalized under Infrastructure and buildings has been reclassified to investment properties during the year as the guest house was constructed with the intention to lease. Prior year balances have been restated accordingly.

21.2 Right of use asset land

	As Restated	As previously Stated	Restatement
	31-Dec-20	31-Dec-20	31-Dec-20
	USD	USD	USD
Right of use asset - land	-	40,150,000	(40,150,000)
Contribution to capital	-	(40,150,000)	40,150,000

The company operates the port on a land area of 300,325 square feet allocated by the government upon incorporation of the company. However, the company does not have a title or a lease agreement to confirm the rights over the land to recognise the value of the land as per IAS 16 or IFRS 16.

The land utilized by the company for its operations, erroneously capitalized as right of use asset in 2020 has been rectified and prior year balances have been restated accordingly.

21 Events After the End of the Reporting Period

There are no significant events after the balance sheet date which warrants disclosure.

22 Approval of Financial Statements

These financial statements were approved by the board of directors and authorised for issue on 6th June 2022.

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