Report No: FIN-2020-10(E)

26 February 2020

WASTE MANAGEMENT CORPORATION LIMITED
FINANCIAL YEAR 2018

AUDITOR GENERAL'S OFFICE

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AUDITOR GENERAL'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF WASTE MANAGEMENT CORPORATION LIMITED

Adverse opinion

We have audited the financial statements of Waste Management Corporation Limited (the "Company") which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the basis for adverse opinion section of our report, the accompanying financial statements do not give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for adverse opinion

1. We were unable to satisfy ourselves as to the accuracy of total assets MVR 5,013,870/-, total liabilities MVR 130,420/-, equity MVR 4,833,450/- brought forward from 31st December 2015 since these balances have not been subjected to an audit.

2. The Government introduced MVR 2Mn towards share capital while incorporating the company on 22 January 2009. Net loss and net assets as at 31 December 2010 were MVR 1,039,063/- and MVR 960,937/- respectively. These balances along with transactions during the period from 1 January 2011 to 31 December 2014 have not been brought forward to the current financial statements.

3. We were unable to satisfy ourselves as to the completeness and the accuracy of the trade receivable amounting to MVR 36,637,735/- stated in these financial statements due to lack of information.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, 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.

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

We communicate with those charge 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.

26th February 2020

Hassan Ziyath
Auditor General

Waste Management Corporation Limited
STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2018

	Note	2018 MVR	2017 MVR
Revenue	**6**	228,503,721	140,096,314
Direct expenses		(183,880,987)	(128,367,600)
Gross profit		**44,622,734**	**11,728,714**
Other operating income	**7**	1,260,127	1,480,006
Administrative expenses		(82,565,784)	(70,004,254)
Selling and distribution expenses		(16,266,316)	(2,431,980)
Loss before tax from operating activities		**(52,949,239)**	**(59,227,514)**
Business profit tax (expenses)/credit	**9**	1,238,591	741,838
Loss for the year		**(51,710,647)**	**(58,485,676)**

The accounting policies and notes on pages 8 through 21 form an integral part of the financial statements.

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Waste Management Corporation Limited
STATEMENT OF FINANCIAL POSITION
As at 31st December 2018

	Note	2018 MVR	2017 MVR
Assets			
Non-current assets			
Property, plant and equipment	11	162,111,901	87,899,411
Capital work in progress	12	2,743,148	7,732,493
Intangible assets	13	208,427	270,872
Deferred tax assets	9.2	2,494,466	1,255,874
		167,557,941	97,158,650
Current assets			
Trade and other receivables	14	93,127,811	98,983,061
Cash and bank balances	17	9,133,973	25,342,308
		102,261,784	124,325,368
Total assets		**269,819,724**	**221,484,019**
Equity and liabilities			
Capital and reserves			
Share capital	15	340,717,681	265,717,681
Retained loss		(163,522,980)	(111,812,332)
Total equity		177,194,701	153,905,348
Current liabilities			
Trade and other payables	16	92,625,023	67,578,670
		92,625,023	67,578,670
Total equity and liabilities		**269,819,724**	**221,484,019**

The board of directors is responsible for the preparation and presentation of these financial statements.

Signed for and on behalf of the board by,

Name of the director **Signature**

Adam Mohamed ....

Mohamed Ibrahim Manik ....

The accounting policies and notes on pages 8 through 21 form an integral part of the financial statements.

30 November 2019
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Waste Management Corporation Limited
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2018

	Share capital MVR	Retained earnings MVR	Total equity MVR
Balance as at 01 January 2017	166,732,949	(53,326,657)	113,406,292
Issuance of shares	98,984,732	-	98,998,725
Loss for the year	-	(58,485,676)	(58,485,676)
Balance as at 01 Jan 2018	**265,717,681**	**(111,812,332)**	**153,919,341**
Issuance of shares	75,000,000	-	75,000,000
Loss for the year	-	(51,710,647)	(51,710,647)
Balance as at 31 December 2018	**340,717,681**	**(163,522,980)**	**177,208,693**

The accounting policies and notes on pages 8 through 21 form an integral part of the financial statements.

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Waste Management Corporation Limited
STATEMENT OF CASH FLOWS
Year ended 31 December 2018

	Note	2018 MVR	2017 MVR
Operating activities			
Loss before tax from operating activities		(52,949,239)	(59,227,514)
Non-cash adjustment to reconcile profit before tax to Net cash flows			
Depreciation		14,264,044	15,778,217
Amortisation		62,444	29,540
Provision for impairment of receivables		10,668,180	40,653
Working capital adjustments:			
Increase in trade and other receivables		(4,812,931)	(55,182,771)
Increase in trade and other payables		25,046,353	50,615,214
		(7,721,149)	(47,946,660)
Business profit tax paid		-	-
		(7,721,149)	**(47,946,660)**
Investing activities			
Acquisition of property, plant and equipment		(88,476,535)	(85,561,755)
Withdrawal of investment/(Investment in fixed deposit)		4,989,349	(7,732,493)
Net cash flows used in investing activities		**(83,487,186)**	**(93,294,248)**
Financing activities			
Issuance of shares		75,000,000	98,998,725
Net cash flows from financing activities		**75,000,000**	**98,998,725**
Net decrease in cash and cash equivalents		(16,208,335)	(42,242,183)
Cash and cash equivalents at the beginning of the year		25,342,308	67,584,491
Cash and cash equivalents at the end of the year	17	**9,133,973**	**25,342,308**

The accounting policies and notes on pages 8 through 21 form an integral part of the financial statements.

WASTE MANAGEMENT CORPORATION LIMITED
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AUDITOR GENERAL'S OFFICE

1. Corporate information

Waste Management Corporation limited ('the Company') is a limited liability company, which is fully owned by Government of Maldives. The company is incorporated in the Republic of Maldives on 22nd January 2009 under the Act No. 10/96. The Registered office of the Company is situated Ministry of Finance and Treasury, Ameenee Magu and principal place of the business is located at Ma. Jambugasdhoshuge, 3rd Floor, Majeedhee Magu, 20161, Republic of Maldives.

Principal activities and nature of operations

The Principal activities of the Company are to set up a waste management system in the Maldives and identify methods of disposing waste in a environmental friendly ways.

Date of authorisation for issue

The financial statements of Waste Management Corporation Limited for the year ended 31 December 2018 were authorised for issue on 23rd February 2020 in accordance with resolution of the Board of Directors.

Comparative information

The financial statements provide comparative information in respect of the previous period. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. Adoption of new accounting standards has resulted to reclassify certain comparative information.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 Rufiyaa and all the values are rounded to nearest integral, except when otherwise indicated.

The financial statements provide comparative information in respect of the previous financial year.

3. Summary of significant accounting policies

a. 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.

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 income statement.

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.

b. 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

3. Summary of significant accounting policies (Continued)

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.

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

3. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific criteria described below must also be met before revenue is recognised.

Other income

Other income is recognised on accrual basis.

4. Expenditure recognition

Expenses are recognised in the income statement 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.

5. 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 income statement. 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

3. Summary of significant accounting policies (Continued)

Deferred tax (Continued)

- 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.

6. Taxes

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 income statement. 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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in income statement.

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.

7. 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 labor, 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.

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3. Summary of significant accounting policies (Continued)

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 depreciated.

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

Buildings	20 years
Vehicles	04 years
Vessels	04 years
Furniture and fittings	08 years
Office equipment	05 years
Machinery	15 years
IT equipment	03 years
Earth moving items	04 years

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

8. 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 income statement in the expense category consistent with the function of the intangible asset.

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3. Summary of significant accounting policies (Continued)

9. Financial instruments

i) Financial assets

Financial assets include cash and balances with banks and trade and other receivables including receivables from related parties. The accounting policies for each financial asset are stated separately.

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less impairment losses on any uncollectible amounts. Provision is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

Trade and other receivables (Continued)

Other receivables and dues from related parties are recognised and carried at cost less impairment losses on any uncollectible amounts.

ii) Impairment of financial assets

The Company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or a group of financial assets is impaired.

An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

iii) Financial liabilities

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 and bank overdrafts.

Subsequent measurement

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

Trade and other payables

Liabilities for trade and other amounts payable, which are normally settled in 30-90 day terms, are carried at cost. Payables to related parties are also carried at cost.

h. 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.

i. Impairment of assets

The Company assesses, at the end of 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.

4. Summary of significant accounting policies (Continued)

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.

Trade and other payables (Continued)

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement 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.

j. 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.

k. Provisions

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

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

l. 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.

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4.Summary of significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated 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 Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements are prepared on the going concern basis.

Summary of significant accounting judgments estimates and assumptions (Continued)

***(b)* Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

***(c)* Taxes**

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

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

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

5. New and amended standards and interpretation and standards issued but not yet effective

New and amended standards and interpretation

The Company applied IFRS 15 and IFRS 9 for the first time in 2018, but do not have an impact on the financial statements of the Company. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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5.New and amended standards and interpretation and standards issued but not yet effective

I. IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

II. IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Standards issued but not yet effective

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re measurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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		2018 MVR	2017 MVR
6	**Revenue**		
	Waste management income	**228,503,721**	**140,096,314**
7	**Other operating income**		
	Recycling income	520,668	1,368,684
	Interest income	678,078	111,322
	Coconut Sales	61,381	-
		1,260,127	**1,480,006**
8	**Operating loss**		
	Stated after charging,		
	Travelling and transport	4,902,297	3,634,502
	Advertisement and sales promotion expenses	16,266,316	2,496,328
	Professional fee	574,384	1,041,896
	Staff costs (8.1)	41,482,289	26,095,954
	Depreciation	14,271,288	15,807,757
8.1	**Staff costs**		
	Salaries and wages	29,906,685	22,968,076
	Staff expenses	11,575,604	3,127,878
		41,482,289	**26,095,954**
9	**Business profit tax expenses**		
	Tax on business profit (Note 9.1)	-	-
	Deferred tax on temporary differences (Note 9.2)	(1,238,591)	(741,838)
	Business profit tax expense reported in the income -statement	**(1,238,591)**	**(741,838)**

9.1 Business profit tax on loss

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

	2018 MVR	2017 MVR
Loss before tax from operating activities	(52,949,239)	(59,227,514)
Add: Depreciation and amortisation charge for the year	14,326,488	15,838,830
Other disallowable expenses	5,118,567	2,267,477
Less: Capital allowances	(11,630,276)	(3,998,502)
Other allowable expenses	(4,622,287)	(1,714,162)
Taxable profit before adjustments	(49,756,745)	(46,833,870)
Tax loss carried forward from last year		
Tax free allowance	(500,000)	(500,000)
Taxable loss	(50,256,745)	(47,333,870)
Tax on taxable profit @ 15%	-	-

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		2018 MVR	2017 MVR
9	**Business profit tax expenses**		
9.2	**Deferred tax**		

The deferred tax is arrived at by applying the income tax rate of 15% to the timing differences as at 31 December

	2018 MVR	2017 MVR
Temporary difference on property, plant and equipment	16,629,770	8,372,496
On voluntary retirement provision	-	-
On debtors provision	-	-
	16,629,770	8,372,496
Tax rate	15%	15%
Deferred tax assets as at 31 December	2,494,466	1,255,874

9.3 Movement in deferred tax

	2018 MVR	2017 MVR
At 1 January	1,255,874	514,036
Provision made during the year	1,238,591	741,838
As at 31 December	**2,494,466**	**1,255,874**

9.4 Reflected in the statement of financial position as follows:

	2018 MVR	2017 MVR
Deferred tax assets	**2,494,466**	**1,255,874**

10 Loss per share

10.1 Loss per share is calculated by dividing the loss for the year attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The following reflects the loss and share data used in the earnings per share calculation.

	2018 MVR	2017 MVR
Amount used as the numerator:		
Loss attributable to ordinary shareholders for- -loss per share	**(51,710,647)**	**(58,485,676)**
Number of ordinary shares used as denominator:	**Numbers**	**Numbers**
Weighted average number of ordinary shares in issue applicable to earnings per share	50,000,000	50,000,000
Loss per share	**(1.03)**	**(1.17)**

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11 Property, plant and equipment

11.1 Gross carrying amounts At cost	Balance as at 01.01.2018 MVR	Addition during the year MVR	Balance as at 31.12.2018 MVR
Building	1,867,910	19,109,633	20,977,543
Earth moving vehicles	90,918,469	-	90,918,469
Motor vehicles	5,431,493	380,000	5,811,493
Plant and machinery	1,259,547	1,775,046	3,034,593
IT equipment	3,676,338	5,410,045	9,086,383
Furniture and fittings	1,169,596	610,439	1,780,035
Office equipment	1,306,560	717,946	2,024,505
Vessels	664,017	60,473,427	61,137,443
Total value of depreciable assets	**106,293,929**	**88,476,535**	**194,770,464**

11.2 Depreciation At cost	Balance as at 01.12.2018 MVR	Charge for the year MVR	Balance as at 31.12.2018 MVR
Building	25,661	692,585	718,246
Earth moving vehicles	15,580,578	6,061,231	21,641,810
Motor vehicles	1,081,648	1,452,613	2,534,261
Plant and machinery	169,435	196,076	365,512
IT equipment	971,874	2,635,134	3,607,008
Furniture and fittings	138,041	189,829	327,871
Office equipment	234,846	355,933	590,779
Vessels	192,434	2,680,642	2,873,076
Total depreciation	**18,394,518**	**14,264,044**	**32,658,563**
11.3 Net book value	**87,899,411**		**162,111,901**

12 Capital work in progress

	2018 MVR	2017 MVR
Balance as at 1st January	7,732,493	-
(Transfer)/addition during the year	(4,989,345)	7,732,493
Balance as at 31st December	**2,743,148**	**7,732,493**

		2018 MVR	2017 MVR
13	**Intangible assets**		
	Computer software		
	Cost as at 1 January	306,347	39,623
	Additions during the year	-	266,724
	As at 31 December	**306,347**	**306,347**
	Amortisation		
	As at 1 January	35,475	5,935
	Charge for the year	62,444	29,540
	As at 31 December	**97,920**	**35,475**
	Net book value - as at 31 December	**208,427**	**270,872**

14 Trade and other receivables

		2018 MVR	2017 MVR
Trade receivables	- Government	38,136,236	43,382,243
	- Other parties	44,308,740	25,953,186
Less: provision for impairments of trade receivables		(12,008,871)	(1,340,690)
		70,436,105	67,994,739
Refundable deposits		1,340,092	1,340,092
Advances and prepayments		21,351,614	29,648,230
		93,127,811	**98,983,061**

15 Share capital

	2018 MVR	2017 MVR
150,000,000 ordinary shares of Rf. 10/- each	1,500,000,000	1,500,000,000
Issued share capital		
50,000,000 ordinary shares of Rf. 10/- each	500,000,000	500,000,000
Paidup share capital	**340,717,681**	**265,717,681**

16 Trade and other payables

	2018 MVR	2017 MVR
Trade payables	56,708,464	39,032,054
Accrued expenses	35,916,558	28,546,616
	92,625,023	**67,578,670**

17 Cash and cash equivalents in cash flow statement

	2018 MVR	2017 MVR
Cash in hand	1,816,235	573,428
Cash at bank	7,317,738	24,768,880
	9,133,973	**25,342,308**

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18 Commitments and contingencies

18.1 Operating lease commitment

The Company has entered into operating leases on certain office space & land with lease terms between tree and fifteen years.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follws:

	Within one year	After one year but not more than five years	More than five years
Block S2-24 (15 years)	340,830	1,704,150	2,215,395
Block S2-23 (15 years)	1,328,500	6,642,248	8,634,922
GRA ground apartment (3 years)	369,600	215,600	-
GRA ground apartment (3 years)	369,600	277,200	-
Plot C-22 (3 years)	159,356	106,238	-
Head office 3rd floor (5 Years)	1,200,000	1,100,000	-
Head office 3rd floor (5 Years)	1,440,000	480,000	-
Maldives Gas Pvt Ltd (5 years)	300,000	500,000	-
Nidhaal (5 years)	360,000	450,000	-
	5,867,886	**11,475,435**	**10,850,317**

19 Financial risk management objectives and policies

The Company's principal financial liabilities are trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has financial assets such as trade and other receivables and cash and balance with banks, which are arise directly from its operations.

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

19.1 Foreign currency risk

The Company operates with foreign clients and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. All the transactions in the Company, other than the transactions in local currency Maldivian Rufiyaa (MVR), are carried out mainly in United States Dollars (USD) for which exchange rate is fixed. Therefore the Company is not susceptible to any major currency fluctuation risk.

19.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

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19.2 Credit risk (Continued)

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all the customers who wish to trade on credit terms are subject to credit evaluation procedures. In addition, receivable balances are monitored on an ongoing basis so that to minimize the Company's exposure to bad debts.

Since the Company trades only with recognised third parties, there is no requirement for collateral.

17.3 Capital management

Capital includes the equity share capital and accumulated reserves. The Company's objective is to maintain a healthy capital ratio in order to support the business and maximise the shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in Company's operations. To manage capital structure Company may use dividend payment to shareholders, return capital to shareholders or raise new capital.

The Company monitors capital using a gearing ratio which is net debt divided by total equity. The Company's policy is to keep the gearing ratio between the levels set on a periodic basis. The Company includes within the net debt; trade and other payables and less cash and cash equivalents, as applicable. Total capital includes share capital plus reserves. The gearing ratios at 31 December are as follows:

	2018 MVR	2017 MVR
Trade and other payables	92,625,023	67,578,670
Less: Cash and cash equivalents	(9,133,973)	(25,342,308)
Net debt	**83,491,050**	**42,236,362**
Total equity	177,194,701	153,905,348
Capital and net debt	**260,685,751**	**196,141,710**
Gearing ratio	**32.0%**	**21.5%**

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Waste Management Corporation Limited
DETAILED STATEMENT OF EXPENSES
Year ended 31 December 2018

I Direct expenses	**2018 MVR**	**2017 MVR**
Direct salaries	125,732,914	33,761,347
Clearing Charges	-	78,087
Other direct expenses	58,148,073	94,528,166
	183,880,987	**128,367,600**

II Administrative expenses	**2018 MVR**	**2017 MVR**
Staff salaries	29,906,685	22,968,076
Visa expenses	-	-
Pension	4,622,287	1,714,162
Staff training expenses	-	-
Staff welfare	6,953,318	1,615,139
Labour contracts	81,576	73,500
Director's salaries	342,000	312,341
Rent	5,475,556	4,558,518
Water and electricity	4,164,357	2,325,307
Communication expenses	1,889,667	743,546
Printing and stationery	1,619,858	1,608,927
License and permits	486,792	615,247
Professional fee	574,384	1,041,896
Insurance charges	93,838	73,939
Travelling expenses	4,902,297	3,538,080
Bank charges	725,759	138,088
Depreciation and amortisation	14,271,288	15,807,757
Repair and maintenance	5,093,658	6,489,548
Office expense	248,674	65,182
Fines and penalties	154,281	240,975
Fire protection	10,330	5,447
Freight and delivery	-	-
Sundry expenses	546,412	3,838,156
Customer duty and clearing	6,699	-
Exchange loss	-	41,446
Sponsorship	396,068	2,188,977
	82,565,784	**70,004,254**

III Selling and marketing expenses	**2018 MVR**	**2017 MVR**
Advertising and promotional expenses	5,598,136	2,391,326
Provision for impairment of bad and doubtful debts	10,668,180	40,653
	16,266,316	**2,431,980**

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AUDITOR GENERAL'S OFFICE

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