Report No: FIN-2021-88(E)

07 December 2021

WASTE MANAGEMENT CORPORATION LIMITED

FINANCIAL YEAR 2019

AUDITOR GENERAL'S OFFICE

TABLE OF CONTENTS

AUDITOR GENERAL'S REPORT

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

Qualified 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 2019, 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, comprising a summary of significant accounting policies and other explanatory information set out in pages 7 to 23.

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 give a true and fair view of the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

Included in Trade receivables as at 31 December 2019, receivables from individual customers amounting to MVR 49,457,203/- which have been recorded as bulk amounts. In the absence of details of such individual debtors, we were unable to verify the completeness and valuation of the amount receivable from individual customers. Further, we were unable to perform any alternative procedures due to the 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' International 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 opinion

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free to be reviewed from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Corporation'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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

30th August 2021

H. Niyazy

Hussain Niyazy
Auditor General

Waste Management Corporation Limited
Statement of comprehensive income
Year ended 31 December 2019

	Note	Year ended 31.12.2019 MVR	Restated Year ended 31.12.2018 MVR
Revenue	5	228,938,613	228,503,721
Direct expenses		(177,423,285)	(196,906,684)
Gross profit		**51,515,328**	**31,597,037**
Other operating income	6	1,693,473	1,260,127
Administrative expenses		(81,093,375)	(69,065,903)
Selling and distribution expenses		(8,020,896)	(16,266,316)
Finance cost		(1,437,994)	-
Loss before tax from operating activities	7	**(37,343,464)**	**(52,475,055)**
Business profit tax credit	8	414,231	1,238,820
Loss for the year	9	**(36,929,233)**	**(51,236,235)**

The accounting policies and notes on pages 7 through 23 form an integral part of the financial statements.

WASTE MANAGEMENT CORPORATION LIMITED
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AUDITOR GENERAL'S OFFICE

Waste Management Corporation Limited
Statement of financial position
As at 31 December 2019

Assets	**Note**	**As at 31.12.2019 MVR**	**Restated As at 31.12.2018 MVR**
Non-current assets			
Property, plant and equipment	**10.3**	160,277,178	174,008,355
Capital work in progress	**11**	2,810,289	2,743,148
Intangible assets	**12**	148,355	208,427
Right-of-use assets	**13.1**	13,826,139	-
Deferred tax assets	**8.4**	1,139,579	725,348
		178,201,540	**177,685,278**
Current assets			
Trade and other receivables	**14**	111,853,754	92,614,925
Cash and bank balances	**15**	21,197,419	9,133,973
		133,051,173	**101,748,898**
Total assets		**311,252,713**	**279,434,176**
Equity and liabilities			
Capital and reserves			
Share capital	**16**	405,717,681	340,717,681
Accumulated loss		(190,794,920)	(153,865,687)
Total equity		**214,922,761**	**186,851,994**
Non-Current liabilities			
Lease liabilities	**13.4**	11,741,895	-
		11,741,895	-
Current liabilities			
Lease liabilities	**13.4**	2,578,990	-
Trade and other payables	**17**	82,009,067	92,582,181
		84,588,057	**92,582,181**
Total equity and liabilities		**311,252,713**	**279,434,176**

The accounting policies and notes on pages 7 through 22 form an integral part of the financial statements.

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MOHAMED IBRAHIM MANIK ....

The accounting polocies and notes on pages 7 to 23 from an integral part of the financial statements.

30 August 2021
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AUDITOR GENERAL'S OFFICE

Waste Management Corporation Limited
Statement of changes in equity
As at 31 December 2019

	Share capital MVR	Accumulated loss MVR	Total equity MVR
Balance as at 1st January 2018	**265,717,681**	**(102,629,452)**	**163,088,229**
Issuance of shares	75,000,000	-	75,000,000
Loss for the year	-	(51,236,235)	(51,236,235)
Balance as at 31st December 2018	**340,717,681**	**(153,865,687)**	**186,851,994**
Issuance of shares	65,000,000	-	65,000,000
Loss for the year	-	(36,929,233)	(36,929,233)
Balance as at 31st December 2019	**405,717,681**	**(190,794,920)**	**214,922,761**

The accounting policies and notes on pages 7 through 23 form an integral part of the financial statements.

Waste Management Corporation Limited
Statement of cash flows
Year ended 31 December 2019

	Note	Year ended 31.12.2019 MVR	Restated Year ended 31.12.2018 MVR
Operating activities			
Loss before tax from operating activities		(37,343,464)	(52,475,055)
Non-cash adjustment to reconcile profit before tax to Net cash flows			
Depreciation		15,562,837	13,797,104
Amortisation - Intangible assets		60,072	62,444
Amortization of right-of-use assets		3,287,308	-
Finance cost		1,437,994	-
Provision for impairment of receivables		4,552,154	10,668,180
Working capital adjustments:			
Increase in trade and other receivables		(23,790,983)	(4,820,175)
(Decrease)/ increase in trade and other payables		(10,573,114)	25,046,353
		(46,807,196)	(7,721,149)
Business profit tax paid		-	-
Net cash flows from operating activities		**(46,807,196)**	**(7,721,149)**
Investing activities			
Acquisition of property, plant and equipment		(1,831,660)	(88,476,535)
Cost incurred on construction of capital working progress		(67,141)	4,989,349
Net cash flows from/(used in) investing activities		**(1,898,802)**	**(83,487,186)**
Financing activities			
Issuance of shares		65,000,000	75,000,000
Repayment of principal portion of lease liabilities		(4,230,556)	-
Net cash flows from financing activities		**60,769,444**	**75,000,000**
Net decrease in cash and cash equivalents		**12,063,446**	**(16,208,335)**
Cash and cash equivalents at the beginning of the year		9,133,973	25,342,308
Cash and cash equivalents at the end of the year	**15**	**21,197,419**	**9,133,973**

The accounting policies and notes on pages 7 through 23 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 2019 were authorised for issue on 30 August 2021 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.

(Continued)

3. Summary of significant accounting policies (Continued)

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

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.

c. 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.

d. Other income

Other income is recognised on accrual basis.

e. 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.

f. 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.

(Continued)

AUDITOR GENERAL'S OFFICE

WASTE MANAGEMENT CORPORATION LIMITED WAMCO C48/2009

3. Summary of significant accounting policies (Continued)

Deferred tax (Continued)

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 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

(Continued)

3. Summary of significant accounting policies (Continued)

Sales tax (Continued)

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.

g. 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.

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
Motor vehicles	04 years
Vessels	20 years
Furniture and fittings	08 years
Office equipment	05 years
Plant and machinery	15 years
IT equipment	03 years
Earth moving items	15 years
Software	05 years

(Continued)

3. Summary of significant accounting policies (Continued)

g. Property, plant and equipment (Continued)

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

h. 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.

i. Financial instruments

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.

j. 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.

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

i) 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.

ii) 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.

(Continued)

3. Summary of significant accounting policies (Continued)

j. Trade and other receivables (Continued)

Subsequent measurement

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

k. 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.

l. 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.

m. 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.

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 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.

n. 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.

AUDITOR GENERAL'S OFFICE

WASTE MANAGEMENT CORPORATION LIMITED WAMCO C48/2009

(Continued)

3. Summary of significant accounting policies (Continued)

o. 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.

p. 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.

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.

(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.

(Continued)

4. Summary of significant accounting judgments estimates and assumptions (Continued)

New and amended standards and interpretation

The Company applied IFRS 16 for the first time in 2019, 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.

IFRS 16 Leases

The company assesses at the inception of the contract whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

Company as a lessee

The company applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets. The company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

AUDITOR GENERAL'S OFFICE

WASTE MANAGEMENT CORPORATION LIMITED
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C48/2009

Waste Management Corporation Limited
Notes to the financial statements
Year ended 31 December 2019

		Year ended 31.12.2019 MVR	Year ended 31.12.2018 MVR
5	**Revenue**		
	Waste management income	**228,938,613**	**228,503,721**
6	**Other operating income**		
	Recycling income	150,000	520,668
	Interest income	1,543,473	678,078
	Other income	-	61,381
		1,693,473	**1,260,127**
7	**Operating loss**		
	Stated after charging,		
	Travelling and transport	3,068,804	4,902,297
	Advertisement and sales promotion expenses	8,020,896	16,266,316
	Professional fee	121,953	574,384
	Staff costs (Note 7.1)	55,647,419	41,482,289
	Depreciation	15,700,593	13,797,104
7.1	**Staff costs**		
	Salaries and wages	42,040,520	29,906,685
	Staff expenses	13,606,899	11,575,604
		55,647,419	**41,482,289**
8	**Business profit tax expenses**		
	Tax on business profit (Note 8.1)	-	-
	Deferred tax on temporary differences (Note 8.3)	414,231	1,238,820
	Business profit tax expense reported in the income -statement	**414,231**	**1,238,820**

8.1 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:

	Year ended 31.12.2019 MVR	Year ended 31.12.2018 MVR
Loss before tax from operating activities	(37,343,464)	(52,475,055)
Add: Depreciation and amortisation charge for the year	18,918,042	14,326,488
Other disallowable expenses	6,116,891	5,118,567
Less: Capital allowances	(12,556,273)	(11,630,276)
Other allowable expenses	(5,359,514)	(4,622,287)
Taxable profit before adjustments	(30,224,318)	(49,282,561)
Tax free allowance	(500,000)	(500,000)
Taxable loss	(30,224,318)	(49,282,561)
Tax on taxable profit @ 15%	-	-

8.2 Deferred tax

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

	Year ended 31.12.2019 MVR	Year ended 31.12.2018 MVR
Temporary difference on property, plant and equipment	(7,597,195)	(4,255,616)
On voluntary retirement provision	-	-
On debtors provision	-	-
	(7,597,195)	**(4,255,616)**
Tax rate	15%	15%
Deferred tax assets as at 31 December	**(1,139,579)**	**(638,342)**

8.3 Movement in deferred tax

At 1 January	725,348	(513,472)
Provision made during the year	414,231	1,238,820
As at 31 December	**1,139,579**	**725,348**

8.4 Reflected in the statement of financial position as follows:

Deferred tax assets	**1,139,579**	**725,348**

9 Loss per share

9.1 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.

	Year ended 31.12.2019 MVR	Year ended 31.12.2018 MVR
Amount used as the numerator:		
Loss attributable to ordinary shareholders for- -loss per share	**(36,929,233)**	**(51,236,235)**
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	**(0.74)**	**(1.02)**

WASTE MANAGEMENT CORPORATION LIMITED
WAMCO
C48/2009

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AUDITOR GENERAL'S OFFICE

		Balance as at 1.1.2019	Addition	Transfers	Balance as at 31.12.2019
10	**Property, plant and equipment**				
	Gross carrying amounts				
10	**At cost**				
		MVR	**MVR**	**MVR**	**MVR**
	Building	20,977,543	-	(30,321)	20,947,222
	Earth moving vehicles	90,918,469	-	-	90,918,469
	Motor vehicles	5,811,493	-	-	5,811,493
	Plant and machinery	3,034,593	-	(7,968)	3,026,625
	IT equipment	9,086,383	1,129,756	-	10,216,139
	Furniture and fittings	1,780,035	139,294	-	1,919,329
	Office equipment	2,006,410	600,900	-	2,607,310
	Vessels	61,137,443	-	-	61,137,443
	Total value of depreciable assets	**194,752,369**	**1,869,950**	**(38,289)**	**196,584,030**

		Balance as at 1.1.2019	Charge for the Period	Transfers	Balance as at 31.12.2019
10	**Depreciation**	**MVR**	**MVR**	**MVR**	**MVR**
	Building	687,855	1,047,361	-	1,735,216
	Earth moving vehicles	10,203,122	6,061,231	-	16,264,354
	Motor vehicles	2,534,260	1,452,873	-	3,987,134
	Plant and machinery	228,537	200,493	-	429,030
	IT equipment	3,621,831	3,061,050	-	6,682,881
	Furniture and fittings	334,706	219,904	-	554,610
	Office equipment	568,527	463,053	-	1,031,580
	Vessels	2,565,176	3,056,872	-	5,622,048
	Total depreciation	**20,744,014**	**15,562,837**	**-**	**36,306,852**
10	**Net book value**	**174,008,355**			**160,277,178**

		Year ended 31.12.2019	Year ended 31.12.2018
11	**Capital work in progress**	**MVR**	**MVR**
	Balance as at 1 January	2,743,148	7,732,493
	Addition/(transfer) during the year	67,141	(4,989,345)
	Balance as at 31 December	**2,810,289**	**2,743,148**

Waste Management Corporation Limited
Notes to the financial statements
Year ended 31 December 2019

		Year ended 31.12.2019 MVR	Year ended 31.12.2018 MVR
12	**Intangible assets**		
	Computer software		
12.1	**Cost as at beginning of the period**	306,347	306,347
	Additions during the year	-	-
	Cost as at end of the period	**306,347**	**306,347**
12.2	**Accumulated amortisation**		
	Opening balance	97,920	35,453
	Charge for the year	60,072	62,467
	Cost as at end of the year	**157,992**	**97,920**
12.3	**Net book value**	**148,355**	**208,427**

13 Leases

13.1 Right-of-Use assets

	Balance as at 01.01.2019	Additions during the year	Disposal during the year	Balance as at 31.12.2019
Office premises, staff accommodation & waste collection	-	17,113,447	-	17,113,447
	-	**17,113,447**	**-**	**17,113,447**

13.2 Amortization

	Balance as at 01.01.2019	Charge for the year	Disposal during the year	Balance as at 31.12.2019
Office premises, staff accommodation & waste collection	-	3,287,308	-	3,287,308
	-	**3,287,308**	**-**	**3,287,308**
13.3 Net book value	**-**			**13,826,139**

13.4 Lease Liabilities

	Maturity	Interest rate	Year ended 31.12.2019 MVR	Year ended 31.12.2018 MVR
Non-current liabilities	31-Dec-21	9.07%	11,741,895	-
Current liabilities	31-Jun-31	9.07%	2,578,990	-
			14,320,885	**-**
As at 1 January 2019			**17,113,447**	**-**
Accretion of interest			1,437,994	-
Payments			(4,230,556)	-
As at 31 December 2019			**14,320,885**	**-**

WASTE MANAGEMENT CORPORATION LIMITED WAMCO C48/2008

AUDITOR GENERAL'S OFFICE

14 Trade and other receivables

		Year ended 31.12.2019 MVR	Year ended 31.12.2018 MVR
Trade receivables	- Government	47,660,234	37,623,350
	- Other parties	56,000,628	44,308,740
Less: provision for impairments of trade receivables		(16,561,025)	(12,008,871)
		87,099,837	**69,923,219**
Refundable deposits		1,340,092	1,340,092
Advances and prepayments		23,413,825	21,351,614
		111,853,754	**92,614,925**

Set out below is the information about the credit risk exposure on the company's trade receivables using a provision matrix:

Category	Regular	Ir-regular	No-Payment	Total
Total ageing balances	77,374,746	20,475,955	6,323,047	104,173,749
% of provision	0%	50%	100%	-
Total provision for 2019	**-**	**10,237,978**	**6,323,047**	**16,561,025**

14.1 Provision for impairments of trade receivables

	Year ended 31.12.2019 MVR	Year ended 31.12.2018 MVR
As at 1 January	12,008,871	1,340,690
Total Provision to be passed for 2019	4,552,154	10,668,181
As at 31 December	**16,561,025**	**12,008,871**

Cutomers are catagorised into three as "Regular" "Irregular" and "No-payment". Regular customers are customers who have paid and are paying as of today. Ir-regular customers are customers that WAMCO is able to get some of the outstanding from the over due in 2018. No-payment customers are the customers who have not paid any payment. 50% is provided for the customers falling under Ir-regular. 100% is provided for customers falling under No-payment. If there has been any payment or no balance upto Provision calculation date withing the ageing period; the balance is considered as "Regular". Government & Stated owned enterprises (SOEs) balances are taken as regular.

WASTE MANAGEMENT CORPORATION LIMITED WAMCO C48/2009

AUDITOR GENERAL'S OFFICE

		Year ended 31.12.2019 MVR	Year ended 31.12.2018 MVR
15	**Cash and cash equivalents in cash flow statement**		
	Cash in hand	2,323,413	1,816,235
	Cash at bank	18,874,006	7,317,738
		21,197,419	**9,133,973**
16	**Share capital**		
	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	**405,717,681**	**340,717,681**
17	**Trade and other payables**		
	Trade payables	29,069,224	35,316,983
	Accrued expenses	52,939,844	57,265,198
		82,009,067	**92,582,181**

18 Commitments and contingencies

Envirnmental Protection Agency Vs WAMCO

Environmental protection agency has fined the WAMCO for MVR 1,128,750/- under 2013/R-58 regulation. (Original case no: 2861/CV-C/2021). The case is still on going as at the reporting date and no provision has been made in respect this figure in these financial statements.

Day to Day Transport Vs WAMCO

Day to Day (sole proprietor) has filed a case against WAMCO for claiming MVR 535,512/- saying that WAMCO has breached the contract (Case number : 111/CV-C/2021). The case is still on going as at the reporting date and no provision has been made in this respect to this figure in these financial statements.

19 Events after the reporting period

The Covid- 19 pandemic that has been spreading in the recent months is expected to impact the global economy including Maldives. The possible impact of this event on the Company and these financial statements for the year ended 31 December 2019 connot be assessed due to many uncertainities.

20 Financial risk management objectives and policies

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

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

20.1 Foreign currency risk

The Company operates with foreign cliens and is exposed to foreign exchange risk arising from various currency exposures. Forign exchange risk arise from future commercial transactions and recognised 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.

20.2 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 instrument.

20.3 Financial risk management objectives and policies (Continued)
Credit risk (Continued)

The Company trades only 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 minimise the Company's exposure to bad debts.

Since the Company thrades only with recognised third parties, there is no requirnment for collateral.

20.4 Capital management

Capital includes the equity share capital and accumulated resevers. The Company's objective is to maintain a healthycapital 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 shareholdrs, return capital to shareholders or raise new capital. The company has not changed its Capital management strategy as of the financial statements issue date due to Covid-19 outbreak. To manage capital structure, the Company may raise fresh capital, delay dividend, or renegotiate with lenders, suppliers and customers.

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 equivelents, as applicable. Total capital includes share capital plus reserves. The gearing ratio as 31 December are as follows;

	Year ended 31.12.2019 MVR	Year ended 31.12.2018 MVR
Trade and other payables	82,009,067	92,582,181
Less: Cash and cash equivelent	(21,197,419)	(9,133,973)
Net debt	**60,811,648**	**83,448,208**
Total equity	214,922,761	186,851,994
Capital and net debt	275,734,409	270,300,203
Gearing ratio	**78%**	**69%**

WASTE MANAGEMENT CORPORATION LIMITED
WAMCO
C48/2009

AUDITOR GENERAL'S OFFICE

Waste Management Corporation Limited
Notes to the financial statements
Year ended 31 December 2019

21 Restatement Note

21.1 For the year ended 31.12.2017

	As per audited financials 31.12.2017 MVR	Restatement MVR	Restated 31.12.2017 MVR
Statement of financial position			
Property, plant and equipment *	87,899,411	11,422,268	99,321,679
Trade and other receivables **	98,983,061	(512,886)	98,470,175
Trade and other payables **	67,578,670	42,845	67,621,515
Deferred tax assets*	1,255,874	(1,769,346)	(513,472)
Retained loss	(111,812,333)	(9,182,881)	(102,629,452)

21.2 For the year ended 31.12.2018

	As per audited financials 2018 MVR	Restatement MVR	Restated 2018 MVR
Statement of comprehensive income			
Depreciation and amortisation	14,271,288	(13,499,881)	771,407
Business profit tax credit	1,238,591	(229)	1,238,820
Statement of financial position			
Property, plant and equipment *	162,111,901	11,896,454	174,008,355
Trade and other receivables **	93,127,811	(512,886)	92,614,925
Trade and other payables **	92,625,023	42,845	92,582,181
Deferred tax assets	2,494,466	(1,769,118)	725,348

* An error has been observed with regards to the accumulated depreciation of Plant and machineries and has been corrected in the current year's financial statements (including the deferred tax impact) by restating the comparative figures.

** The Company has engaged an audit to audit the financial statements from 2011 to 2014 as those were not subjected to an audit. Accordingly, certain unidentifiable receivables and payables has been removed from the trade receivables and trade payables.

WASTE MANAGEMENT CORPORATION LIMITED WAMCO C48/2008

AUDITOR GENERAL'S OFFICE

22 Reclassification

22.1 Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassification had no effect on the reported result of operation and the details are as follows.

Depreciation and amortisation

The depreciation expense directly attributable for the operation has been reclassified under the direct cost and related comparative figures has been reclassified in order to inline with the current year presentation.

	As presented in the 2018 Financial statements MVR	Reclassification MVR	Reclassified amount MVR
Administration expense			
Depreciation and amortisation	13,797,104	(13,025,697)	771,407
Direct expenses			
Depreciation and amortisation	-	13,025,697	13,025,697

Waste Management Corporation Limited
Detailed statement of expense
Year ended 31 December 2019

	Year ended 31.12.2019 MVR	Year ended 31.12.2018 MVR
i. Direct expenses		
Direct salaries	126,121,559	125,732,914
Depreciation and amortisation	13,832,520	13,025,697
Other direct expenses	37,469,207	58,148,073
	177,423,285	**196,906,684**
ii. Administrative expenses		
Staff salaries	42,040,520	29,906,685
Pension	5,359,514	4,622,287
Staff welfare	8,247,385	6,953,318
Labour contracts	7,560	81,576
Director's salaries	400,813	342,000
Rent	140,000	5,475,556
Lease amortization	3,287,308	-
Water and electricity	5,798,141	4,164,357
Communication expenses	2,020,787	1,889,667
Printing and stationery	966,964	1,619,858
License and permits	503,708	486,792
Professional fee	121,953	574,384
Insurance charges	102,726	93,838
Travelling expenses	3,068,804	4,902,297
Bank charges	1,102,752	725,759
Depreciation and amortisation	1,868,073	771,407
Repair and maintenance	4,747,990	5,093,658
Office expense	126,963	248,674
Fines and penalties	356,564	154,281
Fire protection	12,266	10,330
Sundry expenses	390,990	546,412
Customer duty and clearing	75,294	6,699
Sponsorship	346,300	396,068
	81,093,375	**69,065,903**
iii. Selling and marketing expenses		
Advertising and promotional expenses	3,468,742	5,598,136
Provision for impairment of bad and doubtful debts	4,552,154	10,668,180
	8,020,896	**16,266,316**
iv. Finance cost		
Interest on lease liabilities	**1,437,994**	**-**

WASTE MANAGEMENT CORPORATION LIMITED
WAMCO
C48/2009

AUDITOR GENERAL'S OFFICE

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