Report No: FIN-2022-11 (E)

2nd February 2022

WASTE MANAGEMENT CORPORATION LIMITED

FINANCIAL YEAR 2020

AUDITOR GENERAL'S OFFICE

TABLE OF CONTENTS

بسم الله الرحمن الرحيم

AUDITOR GENERAL'S OFFICE

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 2020, 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 29.

In our opinion, except for the effects of the matters 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 2020 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

1. The Ministry of Environment and Energy transferred a set of fixed assets to the Company during 2017 and the Company is using these assets in the course of its business. The fair values of these assets were not determined as at the transfer date by engaging a professional valuer. Consequently, the assets had not been accounted in the books of account of the Company and consideration for such transfer was not treated as equity contribution as advised by the Government of Maldives. In the absence of valuation of assets transferred during 2017, we are unable to conclude whether the property, plant and equipment amounting to MVR 160,455,117, share capital amounting to MVR 439,653,797 shown in the statement of financial position of the Company and depreciation amounting to MVR 15,753,689 charged during the year are fairly stated.
2. Trade receivables as at 31 December 2020 include receivables pertaining to waste collection service amounted to MVR 73,486,791 whereas the aggregate balance shown in the waste collection sub ledger was MVR 70,758,183, which is lower by MVR 2,728,608. The difference has not been reconciled and in the absence of which we are unable to ascertain the accuracy and completeness of the receivables balance. Therefore, we are unable to conclude whether the trade and other receivables amounting to MVR 97,516,747 shown in statement of financial position is fairly stated.

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 Company 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 qualified opinion.

Emphasis of Matter

We draw attention to Note 2.2 in the financial statements which indicates that the Company incurred a net loss of MVR 95,138,794 (2019: MVR 28,073,835) during the year ended 31 December 2020 and, as of that date, it had accumulated losses of MVR 276,436,350 (2019: MVR 181,297,556). As stated in Note 2.2 these conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 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.

The Board of Directors 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 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 Company'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 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 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 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 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.

2nd February 2022

H. Niyazy

Hussain Niyazy
Auditor General

WASTE MANAGEMENT CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Note	2020 MVR	Restated 2019 MVR
Revenue	7	204,143,755	228,938,613
Direct expenses	9	(169,158,537)	(163,590,766)
Gross profit		**34,985,218**	**65,347,847**
Other operating income	8	14,588,502	14,893,473
Administrative expenses	9	(101,379,821)	(99,270,496)
Selling and distribution expenses	9	(1,061,708)	(3,468,742)
Impairment loss on trade receivables	9	(39,944,800)	(4,552,154)
Results from operating activities		(92,812,610)	(27,050,072)
Finance cost	15.2	(1,186,605)	(1,437,994)
Loss before tax		**(93,999,215)**	**(28,488,066)**
Income tax (expense) / reversal	10	(1,139,579)	414,231
Loss for the year		**(95,138,794)**	**(28,073,835)**

The Financial Statements are to be read in conjunction with the related notes which form an integral part of the Financial Statements of the Company set out on pages 7 to 29. The Report of the Independent Auditors is given on pages 1 to 2.

AUDITOR GENERAL'S OFFICE

WASTE MANAGEMENT CORPORATION LIMITED
WAMCO
C-48/2009

WASTE MANAGEMENT CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	31/12/2020 MVR	Restated 31/12/2019 MVR
ASSETS			
Non-current assets			
Property, plant and equipment	12.3	160,455,117	160,277,178
Capital work in progress	13	2,265,177	2,810,289
Intangible assets	14.3	257,387	148,355
Right-of-use assets	15.1	11,253,390	13,826,139
Deferred tax assets	10.3	-	1,139,579
Total non-current assets		174,231,070	178,201,540
Current assets			
Trade and other receivables	16	97,516,747	126,453,754
Cash and bank balances	17	10,964,569	21,197,419
Total current assets		108,481,316	147,651,173
Total assets		**282,712,386**	**325,852,713**
EQUITY AND LIABILITIES			
Equity			
Share capital	18	439,653,797	405,717,681
Accumulated losses		(276,436,350)	(181,297,556)
Total equity		163,217,447	224,420,125
Liabilities			
Non-current liabilities			
Lease liabilities	15.2	10,689,784	11,741,895
Total non-current liabilities		10,689,784	11,741,895
Current liabilities			
Lease liabilities	15.2	1,444,666	2,578,990
Trade and other payables	19	107,360,489	87,111,703
Total current liabilities		108,805,155	89,690,693
Total equity and liabilities		**282,712,386**	**325,852,713**

Name of the Director | **Signature**

Adam Mohamed (Director) ....

Ali Nabeel (Director) ....

The Financial Statements are to be read in conjunction with the related notes which form an integral part of the Financial Statements of the Company set out on pages 7 to 29. The Report of the Independent Auditors is given on pages 1 to 2.

These Financial Statements were approved by the Board of Directors and signed on its behalf by,

WASTE MANAGEMENT CORPORATION LIMITED WAMCO C-48/2009

AUDITOR GENERAL'S OFFICE

WASTE MANAGEMENT CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Note	Share capital MVR	Accumulated losses MVR	Total equity MVR
As at 1 January 2019 - as previously stated		340,717,681	(153,865,687)	186,851,994
Prior year adjustment (Note 26)		-	641,966	641,966
Balance at 1 January 2019 - as restated		340,717,681	(153,223,721)	187,493,960
Loss for the year - restated		-	(28,073,835)	(28,073,835)
Total comprehensive income for the year		-	(28,073,835)	(28,073,835)
Transactions with owners in their capacity as owners				
Issuance of shares	**18**	65,000,000	-	65,000,000
Total transactions with owners in their capacity as owners		65,000,000	-	65,000,000
Balance as at 31 December 2019		405,717,681	(181,297,556)	224,420,125
As at 1 January 2020		405,717,681	(181,297,556)	224,420,125
Comprehensive income for the year				
Loss for the year		-	(95,138,794)	(95,138,794)
Total comprehensive income for the year		-	(95,138,794)	(95,138,794)
Transactions with owners in their capacity as owners				
Issuance of shares	**18**	33,936,116	-	33,936,116
Total transactions with owners in their capacity as owners		33,936,116	-	33,936,116
Balance as at 31 December 2020		**439,653,797**	**(276,436,350)**	**163,217,447**

The Financial Statements are to be read in conjunction with the related notes which form an integral part of the Financial Statements of the Company set out on pages 7 to 29. The Report of the Independent Auditors is given on pages 1 to 2.

AUDITOR GENERAL'S OFFICE

WASTE MANAGEMENT CORPORATION LIMITED WAMCO C-48/2009

WASTE MANAGEMENT CORPORATION LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Note	2020 MVR	Restated 2019 MVR
Cash flows from operating activities			
Loss before tax		(93,999,215)	(28,488,066)
Adjustments for :			
Prior year adjustment (Note 26)		-	641,966
Depreciation	**12.2**	15,753,689	15,562,837
Amortisation - Intangible assets	**14.2**	65,722	60,072
Amortization of right-of-use assets	**15.1**	3,110,875	3,287,308
Finance cost	**15.2**	1,186,605	1,437,994
Provision for impairment of receivables	**16.1**	39,944,800	4,552,154
		(33,937,523)	(2,945,735)
Working capital changes			
Change in trade and other receivables		(11,007,793)	(38,390,983)
Change in trade and other payables		20,248,786	(5,470,478)
Cash used in operating activities		(24,696,531)	(46,807,196)
Business profit tax paid		-	-
Lease interest paid		(1,186,605)	(1,198,906)
Net cash used in operating activities		(25,883,136)	(48,006,102)
Cash flows from investing activities			
Acquisition of property, plant and equipment	**12.1**	(15,931,627)	(1,831,661)
Acquisition of intangible assets		(174,754)	-
Cost incurred on construction of capital working progress	**13**	545,112	(67,141)
Net cash used in investing activities		(15,561,269)	(1,898,802)
Cash flows from financing activities			
Issuance of shares		33,936,116	65,000,000
Principal element of lease repayment	**15.2**	(2,724,561)	(3,031,650)
Net cash from financing activities		31,211,555	61,968,350
Net (decrease) / increase in cash and cash equivalents		(10,232,849)	12,063,446
Cash and cash equivalents at the beginning of the year		21,197,419	9,133,973
Cash and cash equivalents at the end of the year	**17**	**10,964,570**	**21,197,419**

The Financial Statements are to be read in conjunction with the related notes which form an integral part of the Financial Statements of the Company set out on pages 7 to 29. The Report of the Independent Auditors is given on pages 1 to 2.

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 in 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 an environmentally friendly way.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Maldivian Rufiyaa, which is the Company's functional currency. All financial information presented in Maldivian Rufiyaa has been rounded to the nearest Maldivian Rufiyaa.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Company's financial statements are addressed in the respective notes as below.

WASTE MANAGEMENT CORPORATION LIMITED
WAMCO
C-48/2009

AUDITOR GENERAL'S OFFICE

2. Summary of significant accounting policies (continued)

2.1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

- **Impairment of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past indications that the debtors or a Company 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 at the end of each reporting period.

- **Estimation in relation to lease accounting**

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

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company become obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

- **Estimated useful lives of PPE and intangible assets**

The Company review annually the estimated useful lives of PPE and intangible assets based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of PPE and intangible assets would increase the recorded depreciation and amortization charge and decrease the carrying value in accordance with the accounting policy stated in note 4.2 and 4.3.

- **Recognition of deferred income tax assets**

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. This involves judgment regarding future financial performance of a particular entity in which the deferred income tax asset has been recognised in accordance with the accounting policy stated in note 4.13.

2.2. Going concern

The Company has incurred a loss of MVR 95,138,794 (2019: MVR 28,073,835) during the year end and at the reporting date, the Company had accumulated losses of MVR 276,436,350 (2019: MVR 181,297,556). The financial statements have nevertheless been prepared on the basis of the Company being a going concern on the assumption that the Shareholders of the company will continue to fund working capital requirements, and will not demand repayment of its dues, for a period of at least one year from the date of these financial statements.

AUDITOR GENERAL'S OFFICE

WASTE MANAGEMENT CORPORATION LIMITED
WAMCO
C-48/2009

3. Changes in significant accounting policies

New and amended accounting standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting periods commencing 1 January 2020. Most of the amendments listed below did not have any significant impact on amounts recognised in prior periods and are not significantly affect current or future period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards:

I. Definition of Material – Amendments to IAS 1 and IAS 8
ii. Definition of a Business – Amendments to IFRS 3
iii. Revised Conceptual Framework for Financial Reporting
iv. Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39
v. Covid-19-related Rent Concessions – Amendments to IFRS 16

4. Significant accounting policies

4.1 Transactions in foreign currency

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.

4.2 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.

WASTE MANAGEMENT CORPORATION LIMITED WAMCO C-48/2009

AUDITOR GENERAL'S OFFICE

4.3 Financial instruments

(i) Recognition and initial measurements

Trade receivables issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified and measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets- business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

AUDITOR GENERAL'S OFFICE

WASTE MANAGEMENT CORPORATION LIMITED
WAMCO
C-48/2009

4.3 Financial instruments (continued)

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par-amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

AUDITOR GENERAL'S OFFICE

WASTE MANAGEMENT CORPORATION LIMITED
WAMCO
C-48/2009

4.3 Financial instruments (continued)

Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

(iii) De-recognition

Financial assets

The Company de-recognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(v) Share capital

Ordinary shares

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

AUDITOR GENERAL'S OFFICE

WASTE MANAGEMENT CORPORATION LIMITED
WAMCO
C-48/2009

4.4 Property, plant and equipment

(i) Recognition and measurement

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

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

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

(i) 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.

(ii) Capital work in progress

Capital work in progress as at the year-end represents the costs incurred or accrued for the projects which are not commissioned for commercial operation as at the year end.

(iii) 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. Assets constructed on leasehold land are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives for the current and comparative periods are as follows:

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

Depreciation is provided from the month in which the property, plant and equipment is available for use. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

WASTE MANAGEMENT CORPORATION LIMITED
WAMCO
C-48/2009

AUDITOR GENERAL'S OFFICE

4.5 Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses if any.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(iii) Capital work in progress

Capital work in progress as at the year-end represents the costs incurred or accrued for the projects which are not commissioned for commercial operation as at the year end.

(iv) Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected patterns of consumption of the future economic benefits embodied in the assets.

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

4.6 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16. This policy is applied to contracts entered on or after 1st January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

WASTE MANAGEMENT CORPORATION LIMITED WAMCO C-48/2009

AUDITOR GENERAL'S OFFICE

4.6 Leases (continued)

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. Short term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment, small items of office furniture etc. underlying asset value of which is less than USD 5,000.

4.7 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within a year and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. Other receivables generally arise from transactions outside the usual operating activities of the Company.

4.8 Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortised cost using the effective interest method.

4.9 Cash and cash equivalent

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

4.10 Impairment

(i) Non-derivative financial assets

Financial instruments

The Company recognizes loss allowances for ECLs on financial assets measured at amortized cost.
The Company also recognizes loss allowances for ECLs on trade and other receivables.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment that includes forward-looking information. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

AUDITOR GENERAL'S OFFICE

WASTE MANAGEMENT CORPORATION LIMITED
WAMCO
C-48/2009

4.10 Impairment (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(ii) Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.11 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

4.12 Revenue

In relation to the services rendered such as income from waste management activities, the revenue is recognized by reference to the time duration of service rendered.

4.13 Operating expenses

Operating expenses are the expenses that are incurred in the natural course of business. These expenses generally consist of the selling and administration expenses. These expenses are revenue in nature since these are incurred in the day-to-day operations of the business and do not incur on the non-current assets.

The nature of the operating expenses is revenue. Therefore, these expenses are not capitalized. Unlike capital expenses that are incurred to support the operations of the business or in the extension of operations, these expenses are supporting in nature and are incurred to carry out the small operations.

AUDITOR GENERAL'S OFFICE

WASTE MANAGEMENT CORPORATION LIMITED WAMCO C-48/2009

4.14 Finance income

Finance income comprises interest income on fixed deposit. Interest income is recognized using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

4.15 Tax expense

Tax expense comprises current tax and deferred tax. Current tax is recognized in profit or loss.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax rate enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, deductible temporary difference to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it no longer probable that the related tax benefits will be provided.

4.16 Employee benefits

(a) Short term employee benefits

Short-term employee benefit obligations of the Company are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

AUDITOR GENERAL'S OFFICE

WASTE MANAGEMENT CORPORATION LIMITED WAMCO C-48/2009

4.16 Employee benefits (continued)

(b) Defined contribution plans - employees' retirement pension scheme

A defined contribution plan is a post-employment contribution plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees. Employees are eligible for Employees' Retirement Pension Scheme Contributions in accordance with the respective statutes and regulations. The Company contributes 7% of gross emoluments of employees to the Employees' Retirement Pension Scheme.

4.17 Events occurring subsequent to the reporting date

The materiality of the events occurring subsequent to the reporting date has been considered and appropriate adjustments and provisions have been made in the consolidated financial statements wherever necessary.

4.18 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the General Manager - Finance.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Company's audit committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

5. New and amended standards and interpretations

5.1 New and amended standards and interpretations issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

AUDITOR GENERAL'S OFFICE

WASTE MANAGEMENT CORPORATION LIMITED WAMCO C-48/2009

5.1 New and amended standards and interpretations issued but not yet effective (continued)

- IFRS 17, 'Insurance contracts'
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018–2020

6. Capital management

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends payable to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the statement of financial position), less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

The gearing ratio at 31 December 2020 and 31 December 2019 are as follows:

	2020 MVR	2019 MVR
Trade and other payables (Note 19)	107,360,489	87,111,703
Less: cash and bank balances (Note 17)	(10,964,569)	(21,197,419)
Net debt	96,395,919	65,914,284
Total equity	163,217,447	224,420,125
Total capital	259,613,366	290,334,409
Gearing ratio	37%	23%

The increase in gearing ratio as at 31 December 2020 compared with 31 December 2019 is mainly due to the reduction in equity resulting from loss incurred during the year and increase in the net debt balance.

7 Revenue

	2020 MVR	2019 MVR
Waste management income	204,143,755	228,938,613
	204,143,755	**228,938,613**

8 Other operating income

	2020 MVR	2019 MVR
Recycling income	171,861	150,000
Fine income	2,301,005	1,543,473
Other income	15,635	-
Subsidy income	12,100,000	
-As previously reported	-	-
-Prior year adjustment (Note 26)	-	13,200,000
-As restated	-	13,200,000
	14,588,502	**14,893,473**

9 Expenses by nature

	2020 MVR	2019 MVR
Direct expenses	169,158,537	163,590,766
Directors' remuneration	456,716	400,813
Depreciation charge of right-of-use assets (Note 15.1)	3,110,875	3,287,308
Travelling and transport	1,791,305	3,068,804
Advertisement and sales promotion expenses	1,061,708	3,468,742
Professional fee	195,580	121,953
Staff costs (Note 9.1)	55,113,111	55,647,419
Labour contracts	-	7,560
Rent	319,390	140,000
Water and electricity	5,833,674	5,798,141
Communication expenses	2,575,039	2,020,787
Printing and stationery	817,505	966,964
License and permits	502,662	503,708
Dues and subscriptions	7,318	-
Insurance charges	130,718	102,726
Bank charges	1,022,191	1,102,752
Repair and maintenance	5,273,656	4,747,990
Office expense	78,695	126,963
Fines and penalties	1,855,654	4,701,166
Fire protection	-	12,266
Sundry expenses	1,146,748	390,990
Customer duty and clearing	92,637	75,294
Sponsorship	25,000	346,300
Impairment of capital work in progress	1,279,837	-
Impairment loss on trade receivables (Note 16.1)	39,944,800	4,552,154
Impairment of other receivable	3,932,100	-
Depreciation (Note 12.2)	15,753,689	15,640,520
Amortization (Note 14.2)	65,722	60,072
Total direct expenses, administrative expenses and selling and distribution expenses	**311,544,866**	**270,882,158**

Classified as:

	2020 MVR	2019 MVR
- Direct expenses	169,158,537	163,590,766
- Administrative expenses	101,379,821	99,270,496
- Selling and distribution expenses	1,061,708	3,468,742
- Impairment loss on trade receivables	39,944,800	4,552,154
	311,544,866	**270,882,158**

AUDITOR GENERAL'S OFFICE

WASTE MANAGEMENT CORPORATION LIMITED
WAMCO
C-48/2009

9 Expenses by nature (continued)

9.1 Staff costs (continued)

	2020 MVR	2019 MVR
Salaries and wages	42,804,162	42,040,520
Staff expenses	12,308,949	13,606,899
	55,113,111	**55,647,419**

10 Income tax (expense) / reversal

	2020 MVR	2019 MVR
Current tax expense	-	-
Deferred tax on temporary differences (Note 10.3)	-	414,231
Write off of deferred tax asssets	1,139,579	-
	1,139,579	**414,231**

10.1 Reconciliation between accounting profit and taxable income:

	2020 MVR	2019 MVR
Loss before tax from operating activities	(93,999,215)	(28,488,066)
Add: Depreciation and amortisation charge for the year	18,930,286	18,918,042
Other disallowable expenses	59,778,057	6,116,891
Less: Capital allowances	(13,357,731)	(12,556,273)
Other allowable expenses	(12,308,949)	(5,359,514)
Taxable profit before adjustments	(40,957,551)	(21,368,920)
Tax free allowance	-	-
Tax loss	(40,957,551)	(21,368,920)

In accordance with the provisions of the Income Tax Act No. 5 of 2011, relevant regulations and subsequent amendments thereto, the Company is liable for income tax on its taxable profits at the rate of 15%.

10.2 Deferred tax

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

	31.12.2020 MVR	31.12.2019 MVR
Temporary difference on property, plant and equipment	-	(7,597,195)
On debtors provision	-	-
	-	**(7,597,195)**
Tax rate	15%	15%
Deferred tax assets as at 31 December	-	**(1,139,579)**

10.3 Movement in deferred tax

	31.12.2020 MVR	31.12.2019 MVR
At 1 January	1,139,579	725,348
Provision made during the year	-	414,231
Write off during the year	(1,139,579)	
As at 31 December	-	**1,139,579**

10.4 Reflected in the statement of financial position as follows:

	31.12.2020 MVR	31.12.2019 MVR
Deferred tax assets	-	**1,139,579**

11 Loss per share

The calculation of loss per share is based on loss for the year attributable to the ordinary shareholders and weighted number of ordinary shares outstanding during the year and calculated as follows;

	MVR	MVR
Amount used as the numerator:		
Loss for the year attributable to shareholders	(95,138,794)	(28,073,835)
Weighted average number of ordinary shares in issue	50,000,000	50,000,000
Loss per share	**(1.90)**	**(0.56)**

12 Property, plant and equipment

Gross carrying amounts

12.1 At cost

	Balance as at 1.1.2020 MVR	Addition MVR	Transfers MVR	Balance as at 31.12.2020 MVR
Building	20,947,222	84,200	125,801	21,157,223
Earth moving vehicles	90,918,469	-	14,959,860	105,878,329
Motor vehicles	5,811,493	-	-	5,811,493
Plant and machinery	3,026,625	97,402	-	3,124,027
IT equipment	10,216,139	449,150	-	10,665,289
Furniture and fittings	1,919,329	30,192	-	1,949,521
Office equipment	2,607,310	185,024	-	2,792,334
Vessels	61,137,443	-	-	61,137,443
Total value of depreciable assets	**196,584,030**	**845,967**	**15,085,661**	**212,515,657**

12.2 Depreciation

	Balance as at 1.1.2020 MVR	Charge for the year MVR	Transfers MVR	Balance as at 31.12.2020 MVR
Building	1,735,216	1,058,802	-	2,794,019
Earth moving vehicles	16,264,354	6,655,777	-	22,920,130
Motor vehicles	3,987,134	1,282,202	-	5,269,336
Plant and machinery	429,030	205,121	-	634,151
IT equipment	6,682,881	2,692,049	-	9,374,930
Furniture and fittings	554,610	242,883	-	797,493
Office equipment	1,031,580	551,607	-	1,583,187
Vessels	5,622,048	3,065,247	-	8,687,295
Total depreciation	**36,306,852**	**15,753,689**	**-**	**52,060,541**

12.3 Net book value

Net book value	**160,277,178**			**160,455,117**

The value of fully depreciated property, plant and equipment of the Company at the reporting date amounted to MVR 1,308,312 (2019: MVR 988,780).

13 Capital work in progress

	2020 MVR	2019 MVR
Balance as at 1 January	2,810,289	2,743,148
Addition during the year	15,820,386	-
Transfers during the year	(15,085,661)	67,141
Accumulated impairment	(1,279,837)	-
Balance as at 31 December	**2,265,177**	**2,810,289**

		31.12.2020 MVR	31.12.2019 MVR
14	**Intangible assets**		
14.1	**Cost**		
	As at 1 January	306,347	306,347
	Additions during the year	174,754	-
	As at 31 December	**481,101**	**306,347**
14.2	**Accumulated amortization with impairment**		
	As at 1 January	157,992	97,920
	Amortization for the year	65,722	60,072
	As at 31 December	**223,714**	**157,992**
14.3	**Net book value**	**257,387**	**148,355**

15 Leases

15.1 Right-of-use assets

	Balance as at 01.01.2020	Additions during the year	Disposal during the year	Balance as at 31.12.2020
Cost				
ROU assets	17,113,447	538,126	-	17,651,573
	17,113,447	**538,126**	**-**	**17,651,573**

	Balance as at 01.01.2020	Charge for the year	Disposal during the year	Balance as at 31.12.2020
Accumulated amortization				
ROU assets	3,287,308	3,110,875	-	6,398,183
	3,287,308	**3,110,875**	**-**	**6,398,183**
Net book value	**13,826,139**			**11,253,390**

15.2 Lease liabilities

	31.12.2020 MVR	31.12.2019 MVR
Non-current liabilities	10,689,784	11,741,895
Current liabilities	1,444,666	2,578,990
	12,134,450	**14,320,885**
Opening balance	14,320,885	17,113,447
Lease modification	538,126	-
Interest expense for the year	1,186,605	1,437,994
Payment of interest portion of lease liabilities	(1,186,605)	(1,437,994)
Principal element of lease payments	(2,724,561)	(2,792,562)
Closing balance	**12,134,450**	**14,320,885**

16 Trade and other receivables

	31.12.2020 MVR	31.12.2019 MVR
Trade receivables	130,839,794	
-As previously reported	-	103,660,862
-Prior year adjustment (Note 26)	-	14,600,000
-As restated	-	118,260,862
Refundable deposits	980,092	1,340,092
Advances and prepayments	22,202,685	23,413,825
	154,022,572	**143,014,779**
Less: Loss allowance for expected credit loss of trade and other receivables (Note 16.1)	**(56,505,825)**	**(16,561,025)**
	97,516,747	**126,453,754**

Receivables from Government Ministries and Departments

31 December 2020	0 - 30 days	31 - 60 days	61 - 90 days	Above 91 days	Total
Trade receivables	17,841,716	10,225,954	3,917,298	25,879,870	57,864,840
Loss allowances	1,945,689	1,681,907	345,953	5,482,738	9,456,286
Expected credit loss rate (%)	11%	16%	9%	21%	

Receivables from Household and Commercials

31 December 2020	0 - 30 days	31 - 60 days	61 - 90 days	Above 91 days	Total
Trade receivables	12,063,929	3,259,558	2,904,861	54,746,606	72,974,954
Loss allowances	40,521	44,608	44,879	46,919,531	47,049,539
Expected credit loss rate (%)	0%	1%	2%	86%	
				Total	**56,505,825**

16.1 Loss allowance for expected credit loss of trade and other receivables

	31.12.2020 MVR	31.12.2019 MVR
As at 1 January	16,561,025	12,008,871
Loss allowance made during the year	39,944,800	4,552,154
As at 31 December	**56,505,825**	**16,561,025**

- Receivables from Government Ministries and Departments

The expected loss rates of receivables from Government Ministries and departments are based on the payment profiles of revenue over a period of 36 months before 31 December 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted by considering the macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has selected GDP of Maldives to be most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factor.

- Receivables from Household and Commercials

As at 31 December 2020, Company's receivables from households and commercials amounted to MVR 72,974,954 of which MVR 25,925,415 have been realized subsequently. Full provision has been made for outstanding amounts not recovered.

17 Cash and cash equivalents

	31.12.2020 MVR	31.12.2019 MVR
Cash in hand	1,427,664	2,323,413
Cash at bank	9,536,906	18,874,006
	10,964,569	**21,197,419**

18 Share capital

18.1 Authorized

The authorized share capital comprises 150,000,000 (2019: 150,000,000) ordinary shares of MVR 10/- each.

150,000,000 ordinary shares of MVR 10/- each	1,500,000,000	1,500,000,000

18.2 Issued share capital

50,000,000 ordinary shares of MVR 10/- each	500,000,000	500,000,000
At the beginning of the year	405,717,681	340,717,681
Issuance of shares during the year	33,936,116	65,000,000
Fully paid-up share capital	**439,653,797**	**405,717,681**

19 Trade and other payables

Trade payables	35,776,020	29,069,224
Accrued expenses	71,584,469	
- As previously reported	-	52,939,843
- Prior year adjustment (Note 26)	-	5,102,636
- As restated	-	58,042,479
	107,360,489	**87,111,703**

20 Financial instruments and risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further, quantitative disclosures are included throughout these Company's

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

20 Financial instruments and risk management (continued)

(i) Credit risk (continued)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	31.12.2020 MVR	31.12.2019 MVR
Trade and other receivables	97,516,747	126,453,754
Cash and bank balances	10,964,569	21,197,419
	108,481,316	**147,651,173**

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities,

31st December 2020	Carrying Amount MVR	0-12 Months MVR	1-2 Years MVR	2-5 Years MVR	>5 Years MVR
Financial liabilities (non- derivative)					
Trade and other payables	107,360,489	107,360,489	-	-	-
Lease liabilities	12,134,450	1,444,666	10,689,784	-	-
	119,494,939	**108,805,155**	**10,689,784**	**-**	**-**

31st December 2019	Carrying Amount MVR	0-12 Months MVR	1-2 Years MVR	2-5 Years MVR	>5 Years MVR
Trade and other payables	87,111,703	87,111,703	-	-	-
Lease liabilities	14,320,885	2,578,990	11,741,895	-	-
	101,432,588	**89,690,693**	**11,741,895**	**-**	**-**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(a) Interest rate risk

There are no interest bearing borrowing or lending by the Company. Hence, the Company is not exposed to interest rate risk as at the reporting date.

20 Financial instruments and risk management (continued)

(iii) Market risk (continued)

(b) Currency risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Management has set up a policy to require the Company to manage their foreign exchange risk against their functional currency.

21 Events subsequent to the reporting date

No circumstances have arisen since the reporting date which require adjustments to / or disclosure in the financial statements.

22 Comparative figures

Comparative figures have been reclassified wherever appropriate to confirm with the current year presentation.

23 Contingent liabilities

There were no contingent liabilities which require disclosure in the financial statements as at the reporting date.

24 Capital commitments

There were no material capital commitments approved or contracted as at the reporting date.

25 Director's responsibility

The Board of Director's of the Company is responsible for the preparation and presentation of these financial statements.

26 Prior year adjustments

The GST and BPT fine amounting to MVR 5,102,636 which is related to the prior periods had not been accounted in the books of Company. The correction of error amounting to MVR 4,344,602 has been accounted under prior period adjustment by restating prior year figures and adjusting the opening balance of retained earnings of 2019 (for the fines upto 2018) by MVR 758,034.

The Company did not recognise the subsidy income for operational loss incurred in Addu and Favamulah facilities for the financial year 2019 amounted to MVR 13,200,000 and for the period from 1 November 2018 to 31 December 2018 amounted to MVR 1,400,000. The correction of error amounting to MVR 13,200,000 has been accounted under prior period adjustment by restating prior year figures and adjusting the opening balance of retained earnings of 2019 (for the period upto 2018) by MVR 1,400,000.

AUDITOR GENERAL'S OFFICE

WASTE MANAGEMENT CORPORATION LIMITED
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C-48/2009

26 Prior year adjustments (continued)

	Trade and other payables
As previously stated as at 31 December 2019	82,009,067
Prior year adjustment	5,102,636
As restated as at 31 December 2019	87,111,703

	Retained earnings
Balance at 1 January 2019 - as previously stated	(153,865,687)
Prior year adjustment - Subsidy income	1,400,000
- Tax fine adjustment	(758,034)
1 January 2019 - as restated	(153,223,721)
Loss for the year 2019 - as previously stated	(36,929,233)
Prior year adjustment	
- Subsidy income	13,200,000
- Tax fine adjustment	(4,344,602)
Loss for the year - as restated	(28,073,835)
Balance at 31 December 2019 - as restated	(181,297,556)

	Administrative expenses
As previously stated	94,925,894
Prior year adjustment	4,344,602
As restated	99,270,496

	Other operating income
As previously stated	1,693,473
Prior year adjustment	13,200,000
As restated	14,893,473

	Trade and other receivables
As previously stated	111,853,754
Prior year adjustment	14,600,000
As restated	126,453,754

AUDITOR GENERAL'S OFFICE

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