



Report No: FIN-2022-63(E)

1 September 2022

# BUSINESS CENTER CORPORATION LIMITED FINANCIAL YEAR 2020



آڈیٹر جنرل آف پاکستان

AUDITOR GENERAL'S OFFICE

# Contents

Auditor General's Report.....	1
Statement of Comprehensive Income .....	3
Statement of Financial Position .....	4
Statement of Changes in Equity .....	5
Statement of Cash Flows.....	6
Notes to the Financial Statements .....	7 - 20

## **AUDITOR GENERAL'S REPORT**

### **TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF BUSINESS CENTER CORPORATION LIMITED**

#### **Opinion**

We have audited the financial statements of Business Center Corporation Limited (“the Corporation”) which comprise the statement of financial position as at 31<sup>st</sup> December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 31<sup>st</sup> 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 Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (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 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 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.

Those charged with governance 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

1 September 2022



Hussain Niyazy  
Auditor General



# BUSINESS CENTER CORPORATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

(All amounts in MVR unless otherwise stated)

	Notes	2020	2019
Revenue	5	6,124,274	4,832,566
Cost of Sales	6	4,393,437	-
<b>Gross Profit/(Loss)</b>		<b>1,730,837.19</b>	<b>4,832,566</b>
Other Income	7	1,293,627	82,168
Selling and Marketing costs	8	(34,921)	(7,957)
Administrative costs	9	(11,529,555)	(5,653,782)
Other operating expenses	10	-	-
<b>Results from operating activities</b>		<b>(8,540,012)</b>	<b>(747,005)</b>
Finance cost	11	(304,096)	(51,574)
<b>Profit/(loss) before tax</b>		<b>(8,844,108)</b>	<b>(798,579)</b>
Income tax expense	23	-	-
<b>Net profit/(loss) for the period</b>		<b>(8,844,108)</b>	<b>(798,579)</b>
Loss per share		(5.89)	(1.99)

The accounting policies and notes on pages 7 through 20 form an integral part of the financial statements.



**BUSINESS CENTER CORPORATION LIMITED**  
**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2020

(All amounts in MVR unless otherwise stated)

	Notes	2020	2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	1,495,516	734,300
Right-of-use Asset	13	12,031,189	2,028,812
Intangible assets	14	-	-
		<b>13,526,705</b>	<b>2,763,112</b>
<b>Current Assets</b>			
Trade & other receivables	15	1,385,037	1,371,314
Cash and cash equivalents	16	5,426,081	1,827,845
Inventory Asset	17	312,133	229,950
		<b>7,123,251</b>	<b>3,429,109</b>
<b>Total Assets</b>		<b>20,649,956</b>	<b>6,192,220</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	18	15,020,230	4,020,230
Retained earnings		(10,652,876)	(1,808,769)
		<b>4,367,354</b>	<b>2,211,461</b>
<b>Non-current liabilities</b>			
Long term borrowings	19	-	-
Lease Liabilities	20	9,297,294	1,696,890
		<b>9,297,294</b>	<b>1,696,890</b>
<b>Current liabilities</b>			
Trade and other payables	21	3,569,920	1,234,294
Lease liabilities	20	2,851,959	355,274
Deferred income	22	563,429	694,300
		<b>6,985,307</b>	<b>2,283,868</b>
<b>Total Equity and Liability</b>		<b>20,649,956</b>	<b>6,192,220</b>

The accounting policies and notes on pages 7 through 20 form an integral part of the financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 31 August 2022 and signed on its behalf by:

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 Fathmath Fazleena Fakir  
 Managing Director

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 Ahmed Mafawiz  
 Non-Executive Board Member



**BUSINESS CENTER CORPORATION LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
Year ended 31 December 2020  
(All amounts in MVR unless otherwise stated)

Details	Notes	Share Capital	Retained Earnings	Total
As at 1st January 2019		1,020,230	(1,010,190)	10,040
Issued and Paid up share capital	18	3,000,000	-	3,000,000
Profit / Loss for the year		-	(798,579)	(798,579)
<b>As at 31st December 2019</b>		<b>4,020,230</b>	<b>(1,808,769)</b>	<b>2,211,461</b>
As at 1st January 2020		4,020,230	(1,808,769)	2,211,461
Issued and Paid up share capital	18	11,000,000	-	11,000,000
Profit / Loss for the year		-	(8,844,108)	(8,844,108)
<b>As at 31st December 2020</b>		<b>15,020,230</b>	<b>(10,652,876)</b>	<b>4,367,354</b>

The accounting policies and notes on pages 7 through 20 form an integral part of the financial statements.



# BUSINESS CENTER CORPORATION LIMITED

## STATEMENT OF CASH FLOWS

Year ended 31 December 2020

(All amounts in MVR unless otherwise stated)

(in Maldivian Rufiya)	Notes	2020	2019
<b>Cash Flow from Operating Activities</b>			
Profit/(Loss) Before Tax		(8,844,108)	(798,579)
Adjustments for:			
Depreciation of right-of-use assets	13	928,643	106,780
Gain on termination of lease	7	(37,756)	
Interest expense on lease liabilities	20	304,096	51,574
Depreciation on Property, Plant and Equipment	12	240,018	-
Amortisation of deferred income	22	(130,871)	
<b>Operating Cash Flow Before Working Capital Changes</b>		<b>(7,539,978)</b>	<b>(640,225)</b>
<b>Working capital changes</b>			
Change in accounts receivable	15	393,845	(1,239,734)
Change in security deposit	15	(407,568)	(90,000)
Change in inventory asset	17	(82,183)	(229,950)
Change in accounts payables	21	2,335,626	961,234
<b>Net Cash Used in Operating Activities</b>		<b>(5,300,257)</b>	<b>(1,238,675)</b>
<b>Cash Flows from Investing Activities</b>			
Acquisition of Property, Plant and Equipment	12	(1,001,235)	(40,000)
<b>Net Cash from Used in Investing Activities</b>		<b>(1,001,235)</b>	<b>(40,000)</b>
<b>Cash Flows from Financing Activities</b>			
Lease liability paid	20	(1,100,272)	(135,000)
Proceeds from capital contributed	18	11,000,000	3,000,000
<b>Net Cash from Financing Activities</b>		<b>9,899,728</b>	<b>2,865,000</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>3,598,236</b>	<b>1,586,325</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>		<b>1,827,845</b>	<b>241,520</b>
<b>Cash and Cash Equivalents at End of the Year</b>		<b>5,426,081</b>	<b>1,827,845</b>

The accounting policies and notes on pages 7 through 20 form an integral part of the financial





# **BUSINESS CENTER CORPORATION LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2020

(All amounts in MVR unless otherwise stated)

### **1 Corporate Information**

Business Center Corporation (BCC) is a limited liability company, which is fully owned by the Government of the Maldives. The company is incorporated on May 10, 2017 under the Presidential Decree bearing No: 2017/3 and governed under the Companies' Act No. 10 of 1996. The registered office of the Corporation is H. Ministry of Finance and Treasury, Ameeneemagu 20379, K. Male', Maldives.

The Business Center Corporation (BCC) was established in 2017 under a presidential decree, which would be the legal vehicle mandated for the operations and management of the Regional Business Centers (BC), established as per the SME Act (2013) and would be steering the governments' SME support efforts, under the overall direction of the responsible Minister and through the advisory support of the SME Council.

The purpose of the BCC is to provide support in the development of the SME sector under the supervision of Ministry of Economic Development.

### **2 Basis of Preparation**

#### **2.1 Statement of compliance**

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 the historical cost basis. No adjustment is made for inflationary factors affecting these financial statements. The Financial Statements are presented in Maldivian Rufiyaa and the all the values are rounded to nearest integral, except when otherwise indicated.

#### **2.2 Basis of measurement**

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair value.

#### **2.3 Functional and presentation currency**

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

#### **2.4 Use of estimates and judgements**

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements. The areas involving significant estimates or judgements are:

- Estimated useful life of leasehold buildings - note 3.2
- Estimated useful life of property plant and equipments - note 3.2
- Estimation uncertainties and judgements made in relation to lease accounting - note 3.16



# BUSINESS CENTER CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

(All amounts in MVR unless otherwise stated)

### 3 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, unless otherwise stated.

#### 3.1 Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Maldivian Rufiyaa, which is the Company's functional and presentation currency.

Transactions in foreign currencies are translated into Maldivian Rufiyaa at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies as at the reporting date are translated into Maldivian Rufiyaa at the exchange rates ruling as at that date. Foreign exchange differences arising on translations are recognised in profit or loss.

Non-monetary assets and liabilities, which are stated at historical cost, denominated in foreign currencies are translated into Maldivian Rufiyaa at the exchange rates ruling at the date of transaction. Non-monetary assets and liabilities, which are stated at fair value, denominated in foreign currencies are translated into Maldivian Rufiyaa at the foreign exchange rates ruling at the dates that the fair value was determined.

#### 3.2 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. 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.

##### (ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised 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 derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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 recognised in profit or loss on a straight-line basis over the estimated useful lives, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

##### (iii) Depreciation

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

Leasehold Buildings	25 years or lease term, whichever is shorter
Furniture and fittings	10 years
Office equipments	05 years
Motor vehicles	05 years
Low value assets	05 years



# BUSINESS CENTER CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

(All amounts in MVR unless otherwise stated)

Depreciation is provided from the month in which the property, plant and equipment is ready for use commencing from the month in which the assets were purchased up to the date of disposal and are recognised in profit or loss as incurred.

Gains and Losses on disposal of property, plant and equipment are determined by comparing the proceeds with carrying amount and are taken into account in determining the operating profit.

### 3.3 Intangible assets

#### (i) Recognition and measurement

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

#### (ii) Subsequent costs

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

#### (iii) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised 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 pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows.

Computer Software                      03 years

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

### 3.4 Impairment

The carrying amounts of the Company's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually 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 groups of assets.

### 3.5 Provisions

A provision is recognised 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.



# BUSINESS CENTER CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

(All amounts in MVR unless otherwise stated)

### 3.6 Trade 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 recognized 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.

### 3.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts.

### 3.8 Share capital

Ordinary shares are classified as equity.

### 3.9 Trade payable

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

### 3.10 Current and deferred business profit tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Company is liable to business profit tax at rate of 15%, if the taxable profit of the year exceeds MVR 500,000.

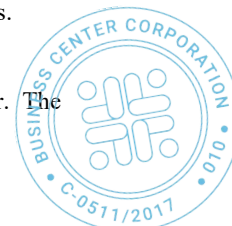
Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred business profit tax asset is realised or the deferred income tax liability is settled.

Deferred business profit tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 3.11 Revenue from contracts with customers

Revenue is measured based on the consideration specified in the contract with customer. The Corporation recognise revenue when it transfers control over a good or service to a customer.



# BUSINESS CENTER CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

(All amounts in MVR unless otherwise stated)

### 3.12 Fair value estimation

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market rate that is available to the Company for similar financial instruments.

### 3.13 Materiality and aggregation

In compliance with IAS 1- Presentation of Financial Statements, each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or functions are also presented separately unless they are considered to be immaterial.

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by accounting standards.

### 3.14 Going concern

The Board assessed the Corporations' ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board is not aware of any material uncertainties that may be significant upon the Corporations' ability to continue as a going concern, and it does not intend either to liquidate or to cease operations of the Corporation. Therefore, the financial statements are prepared on the going concern basis.

### 3.15 Leases

The Corporation adopted IFRS 16 Leases on 1 January 2020. On adoption of IFRS 16, the Corporation recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2020. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2020 was 10%. Right-of-use assets are measured at an amount equivalent to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

### 3.16 Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events that are not wholly within the control of the entity as per IAS 37. Contingent liabilities are not recognised by the Corporation in the Statement of Financial Position but are disclosed unless they are remote.

### 3.17 Contingent assets

As per the IAS 37, contingent assets are possible assets whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events that are not wholly within the control of the entity. Contingent assets are not recognised, but they are disclosed when it is more likely than not that an inflow of benefits will occur. Contingent assets are not recognised by the Corporation in the Statement of Financial Position as there was no occurrence of any event that fall to the entity.

### 3.18 Employee benefits

Salaries, wages, overtime, bonuses, government pension contributions, paid annual leaves, sick leaves and any non-monetary benefits are accrued in the year the services were provided by employees to the Corporation. All employee benefits are paid in accordance with the Employment



# BUSINESS CENTER CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

(All amounts in MVR unless otherwise stated)

Act, Maldives Pension Act and other relevant laws and regulations. The Corporation has no legal or constructive obligation to make benefit payments beyond what is stipulated in the laws.

### 3.19 Financial instruments (a) Financial assets (non-derivatives)

#### Classification

When the Corporation recognises a financial asset for the first time, it classifies it based on the Corporation's business model for managing the asset and the asset's contractual cash flow characteristics, as follows and as per IFRS 9 – Financial Instruments:

- Amortised cost - a financial asset is measured at amortised cost if two conditions are met (given under Amortised Cost).
- Fair value through other comprehensive income - financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Fair value through profit or loss - any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

The exception is for trade receivables that do not contain a significant financing component, as defined by IFRS 15, Revenue from Contracts with Customers. The Corporation presumes that a trade receivable does not have a significant financing component if the expected term is less than one year.

#### Initial measurement

All financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs.

#### Amortised Cost

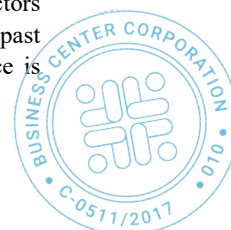
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

*Business Model Test:* The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

*Cash Flow Characteristics Test:* The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount

#### Business Model Test

The business model reflects how the Corporation manages the assets in order to generate cash flows. The Corporation's objective is solely to collect the contractual cash flows from the assets. Factors considered by the Corporation in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed.



# **BUSINESS CENTER CORPORATION LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2020

(All amounts in MVR unless otherwise stated)

### **Cash Flow Characteristics Test**

For the purposes of this test, '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 as well as a profit margin.

### **Subsequent measurement**

The Corporation divides all financial assets that are currently in the scope of IAS 39 into two classifications according to IFRS 9 – those measured at amortised cost and those measured at fair value.

Where assets are measured at fair value, gains and losses are either recognised entirely in profit or loss (fair value through profit or loss, FVTPL), or recognised in other comprehensive income (fair value through other comprehensive income, FVTOCI).

For debt instruments the FVTOCI classification is mandatory for certain assets unless the fair value option is elected. Whilst for equity investments, the FVTOCI classification is an election. Furthermore, the requirements for reclassifying gains or losses recognised in other comprehensive income are different for debt instruments and equity investments.

The classification of a financial asset is made at the time it is initially recognised, namely when the Corporation becomes a party to the contractual provisions of the instrument.

### **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. Financial assets at amortised cost comprise trade and other receivables, bank deposits and investment in fixed deposits.

### **De-recognition of financial assets**

The Corporation derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognised as a separate asset or liability.

### **(b) Financial liabilities (non-derivative)**

#### **Classification, subsequent measurement and gain and losses**

The Corporation initially recognises debt securities issued and subordinated liabilities on the date that they are originated.

All other financial liabilities are recognised initially on the trade date at which the Corporation



# BUSINESS CENTER CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

(All amounts in MVR unless otherwise stated)

becomes a party to the contractual provisions of the instrument. The Corporation derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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. 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.

The Corporation has the non-derivative financial liabilities such as trade and other payables and amounts due to related party. Such financial liabilities are recognised initially at fair value plus any directly attributable to transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

### De-recognition

A financial liability is derecognised when its contractual obligations are discharged or cancelled or expire. The Corporation also de-recognises 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 recognised at fair value. On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

### 3.20 Inventories

The Corporation adopts IAS 2 – Inventories for the recognition and valuation of inventories. Therefore, the Corporation measures inventories at the lower of cost and Net Realisable Value (NRV). The cost of the inventories includes costs of purchase, costs of conversion (direct labour and production overhead) and other costs incurred in bringing the inventories to their present location and condition. The carrying amount of those inventories is to be recognised as an expense in the period in which the related revenue is recognised when inventories are sold as per IAS 2. Moreover, any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The primary revenue generating activity of the Corporation does not maintain a stock as sales are made on consignment basis. Hence this is not recognised under inventories.

### 3.21 Government grants and assistance

The Corporation adopts IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance to account for all government grants and any other assistance. Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.

### 4 Events after the reporting date

No events have arisen since the reporting date which require adjustments to/ or disclosure in the Financial Statements.





# BUSINESS CENTER CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

(All amounts in MVR unless otherwise stated)

	FY 2020	FY 2019
<b>5 Revenue</b>		
Consignment Sales	6,124,274	-
Sponsorship	-	3,675,000
Event Management	-	1,157,566
	<b>6,124,274</b>	<b>4,832,566</b>
<b>6 Cost of sales</b>		
Payment to suppliers	4,377,437	-
Shopping bags	16,000	-
	<b>4,393,437</b>	<b>-</b>
<b>7 Other income</b>		
Grant income	695,718	-
Inspection fees	474,959	82,168
Exchange gain	40,799	-
Incentive income	8,419	-
Gain on termination of lease	37,756	-
Retention fee	18,476	-
Reduced rent	17,500	-
	<b>1,293,627</b>	<b>82,168</b>
<b>8 Selling and marketing costs</b>		
Marketing	5,150	7,957
Catalog	2,756	-
Flyers/brochures/banner/posters	4,542	-
Promotional	4,224	-
Social media	4,025	-
New shop opening	14,225	-
	<b>34,921</b>	<b>7,957</b>
<b>9 Administrative costs</b>		
Bank service charges	121,690	880
Catering	24,067	-
Cleaning and garbage disposal	69,011	11,986
Depreciation (lease)	928,643	106,780
Depreciation of property, plant and equipment (Note 12)	240,018	-
Event management	10,065	4,596,364
Exchange gain or loss	5,249	-
Fines and penalties	5,893	1,228
Inspections	176,070	-
Insurance	1,000	-
Interior design	105,980	-
Internet & lease line	288,091	-
License fee	607,120	-
Material printing	21,114	-
Meals and entertainment	5,107	464
Miscellaneous	178,265	45,547
Office supplies	197,269	18,695
Professional fees and consultancy	55,510	-
Repairs and maintenance	146,154	-
Software and subscriptions	111,520	-
Survey and data collection	8,972	-
Trade and registration fees	13,594	2,300



# BUSINESS CENTER CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

(All amounts in MVR unless otherwise stated)

Training / workshop expense	4,300	3,000
Travel and logistics	94,694	3,362
Uniform	29,346	9,060
Utilities	243,268	24,800
	<b>3,692,011</b>	<b>4,824,465</b>

<b>9.1 Personnel costs</b>	<b>FY 2020</b>	<b>FY 2019</b>
Director remuneration	244,750	151,100
Chairman salary	-	-
Managing director salary	480,270	282,298
Pension	590,185	47,906
Salaries & wages	6,522,339	348,013
	<b>7,837,544</b>	<b>829,317</b>

<b>10 Other operating expenses</b>	<b>FY 2020</b>	<b>FY 2019</b>
	-	-
	-	-

<b>11 Finance cost</b>	<b>FY 2020</b>	<b>FY 2019</b>
Interest expenses on lease	304,096	51,574
	<b>304,096</b>	<b>51,574</b>



# BUSINESS CENTER CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

(All amounts in MVR unless otherwise stated)

### 12 Property, plant and equipment

	Leasehold Buildings	Office Equipment	Furniture and fitting	Motor vehicles	FY 2020	Leasehold Buildings	Office Equipment	Furniture and fitting	Motor vehicles	FY 2019
<b>Cost</b>										
As at 1 January	-	-	40,000	694,300	734,300	-	-	-	-	-
Acquisition during the period	570,600	143,401	287,234	-	1,001,235	-	-	40,000	694,300	734,300
Disposals during the period	-	-	-	-	-	-	-	-	-	-
<b>As at 31 December</b>	<b>570,600</b>	<b>143,401</b>	<b>327,234</b>	<b>694,300</b>	<b>1,735,535</b>	<b>-</b>	<b>-</b>	<b>40,000</b>	<b>694,300</b>	<b>734,300</b>
<b>Accumulated depreciation</b>										
As at 1 January	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the period	77,392	11,900	19,855	130,871	240,018	-	-	-	-	-
Depreciation on disposals	-	-	-	-	-	-	-	-	-	-
<b>As at 31 December</b>	<b>77,392</b>	<b>11,900</b>	<b>19,855</b>	<b>130,871</b>	<b>240,018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value at the end of the period</b>	<b>493,208</b>	<b>131,501</b>	<b>307,379</b>	<b>563,429</b>	<b>1,495,516</b>	<b>-</b>	<b>-</b>	<b>40,000</b>	<b>694,300</b>	<b>734,300</b>



# BUSINESS CENTER CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

(All amounts in MVR unless otherwise stated)

### 13 Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as right-of-use asset.

	FY 2020	FY 2019
<b>Cost</b>		
As at 1 January	2,135,591	-
Additions during the year	12,888,646	2,135,591
De-recognised during the year	(2,135,591)	
<b>As at 31 December</b>	<b>12,888,646</b>	<b>2,135,591</b>
<b>Accumulated depreciation</b>		
As at 1 January	106,780	-
Depreciation charge for the period	928,643	106,780
Derecognised during the year	(177,966)	
<b>As at 31 December</b>	<b>857,457</b>	<b>106,780</b>
Net book value at the end of the period	<b>12,031,189</b>	<b>2,028,812</b>

The office premises that fall to the scope of IFRS 16 — Leases as of 31 December 2020 were M. Kaneeru Villa (1st & 2nd floor) - Male' City, Ma. Maadheli (6th floor) - Male' City, Unit 11 of Centro Mini Mall - Hulhumale', Dh. Kudahuvadhoo Council – rented space and Aseyna - S.Hithadhoo.

### 14 Intangible assets

	FY 2020	FY 2019
Intangible assets	-	-
	-	-

The Corporation did not have any intangible assets at the reporting date.

### 15 Trade and other receivables

	FY 2020	FY 2019
Trade receivables	887,469	1,281,314
Security deposit	497,568	90,000
	<b>1,385,037</b>	<b>1,371,314</b>

### 16 Cash and cash equivalents

	FY 2020	FY 2019
Balances at bank	5,259,570	1,825,755
Cash on hand	166,512	2,090
	<b>5,426,081</b>	<b>1,827,845</b>

### 17 Inventory asset

	FY 2020	FY 2019
As at 1 January	229,950	-
Additions	113,183	229,950
Deductions	(31,000)	-
<b>As at 31 December</b>	<b>312,133</b>	<b>229,950</b>

### 18 Share capital

	No. of Shares	Share Capital (MVR)
As at 31 December 2019	402,023	4,020,230
Additions	1,100,000	11,000,000
	<b>1,502,023</b>	<b>15,020,230</b>



## BUSINESS CENTER CORPORATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

(All amounts in MVR unless otherwise stated)

Authorised share capital comprises of MVR 50,000,000 (5 million shares @ 10/share).

The total paid up number of ordinary shares as at 31 December 2020 is 15,020,23 with a par value of MVR 10 per share.

The Corporation is owned by the Government of Maldives with a 100% shareholding.

#### 19 Long term borrowings

The Corporation did not seek any debt financing as at the reporting date.

#### 20 Lease liabilities

This note details information about leases for which the corporation is a lessee

	FY 2020	FY 2019
As at 1 January	2,052,165	-
Additions during the year	12,888,645	2,135,591
Interest on lease liabilities	304,096	51,574
Payments of lease liabilities	(1,100,272)	(135,000)
Derecognition of lease liabilities	(1,995,382)	-
<b>As at 31 December</b>	<b>12,149,252</b>	<b>2,052,165</b>

#### Lease liabilities included in the statement of financial position as at the year end

	FY 2020	FY 2019
Current	2,851,959	355,274
Non-current	9,297,294	1,696,890
	<b>12,149,252</b>	<b>2,052,165</b>

#### 21 Trade and other payables

	FY 2020	FY 2019
Other payables	3,301,360	965,734
Salaries & wages payable	185,400	185,400
Pension payable	83,160	83,160
	<b>3,569,920</b>	<b>1,234,294</b>

#### 22 Deferred income

	FY 2020	FY 2019
Deferred income	563,429	694,300
	<b>563,429</b>	<b>694,300</b>

#### 23 Income tax

A reconciliation between tax expense and the product of accounting profit multiplied by Maldives' domestic tax rate for the year ended 31 December 2020 is as follows:

	FY 2020	FY 2019
Loss before tax	(8,844,108)	(798,579)

#### Add:

Depreciation charge for the period	1,168,661	106,780
Other disallowable expenses	10,699,911	5,606,533



# BUSINESS CENTER CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2020

(All amounts in MVR unless otherwise stated)

Less:

Capital allowances	(1,168,661)	(106,780)
Other allowable expenses	(10,699,911)	(5,606,533)
Taxable loss before adjustments	(8,844,108)	(798,579)
Apportioned loss	-	-
Less: Tax free allowance	(500,000)	(500,000)
Taxable income for the year	-	-
Income tax at 15%	-	-

### 23.1 Unrecognised accumulated tax losses

	FY 2020	FY 2019
15% of tax loss carried forward from the previous tax year	(129,733)	(9,947)
15% of tax loss for the year of assessment	(1,326,616)	(119,787)
<b>As at 31 December</b>	<b>(1,456,350)</b>	<b>(129,733)</b>

### 24 Related party transactions

#### 24.1 Transactions with key management personnel

Remuneration	FY 2020	FY 2019
Director remuneration	244,750	151,100
Chairman salary	-	-
Managing director salary	480,270	282,298
	<u>725,020</u>	<u>433,398</u>

Balance outstanding	FY 2020	FY 2019
Managing director salary	185,400	185,400
	<u>185,400</u>	<u>185,400</u>

IAS 24 defines key management personnel as those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any directors (whether executive or otherwise) of the entity. The Corporation's Board of Directors and Managing Director have been identified as "Key Management Personnel". The details of the remuneration paid to Board of Directors in the year 2019 are provided in note 10.1.

#### 24.2 Transactions with Government of Maldives

Receivables	FY 2020	FY 2019
Ministry of Economic Development	348,110	1,157,566
	<u>348,110</u>	<u>1,157,566</u>

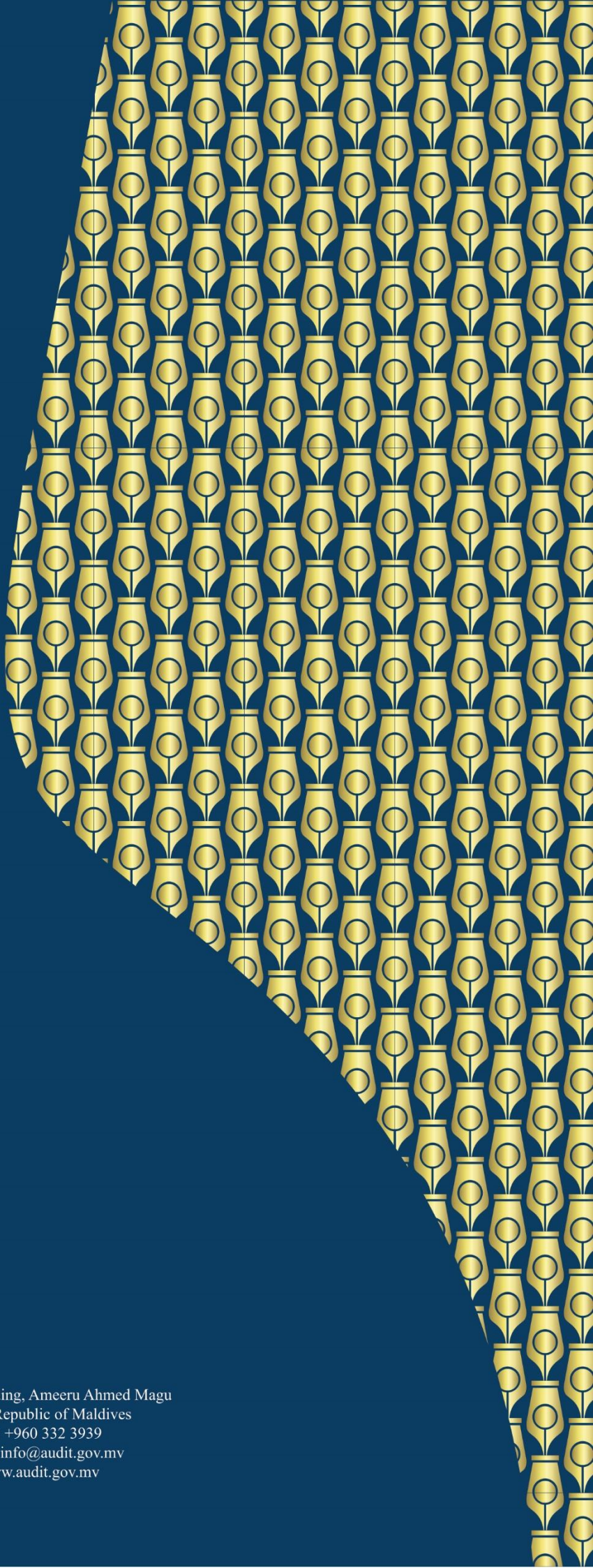
*This amount relates to part of the previous outstanding.*

#### Transactions with State Owned Enterprises

Receivables	FY 2020	FY 2019
SME Development Finance Corporation (SDFC)	426,256	82,168
	<u>426,256</u>	<u>82,168</u>

*This amount relates to the loan inspections BCC carries out for SDFC.*





Ghaazee Building, Ameeru Ahmed Magu  
Male', Republic of Maldives  
Tel: +960 332 3939  
Email: [info@audit.gov.mv](mailto:info@audit.gov.mv)  
[www.audit.gov.mv](http://www.audit.gov.mv)