



Report No: FIN-2022-64 (E)

12 September 2022

ROAD DEVELOPMENT CORPORATION LIMITED

FINANCIAL YEAR 2020



آڈیٲر جنرل آف سٲنڊ

AUDITOR GENERAL'S OFFICE

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AUDITOR GENERAL'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF ROAD DEVELOPMENT CORPORATION LIMITED

Qualified Opinion

We have audited the financial statements of Road Development Corporation Limited (the “Corporation”) 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 3 to 20.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

Basis for Qualified Opinion

We were not invited to the year-end physical inventory count, and therefore, we were unable to observe the physical inventory count at the end of the year. Further, management has not kept adequate records to determine the unit cost of inventories. Therefore, we were unable to satisfy ourselves by alternative means concerning the inventory quantities held and unit cost at December 31, 2020, which are stated in the statements of financial position at MVR 16,292,793/-. As a result, we were unable to determine whether any adjustments might have been necessary in respect of recorded or unrecorded inventories or cost of sales.

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (*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 qualified opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Corporation’s ability

to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with the 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.

5th September 2022



Hussain Niyazy
Auditor General



Road Development Corporation Limited
 STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
 Year ended 31 December 2020

	Note	Year ended 31.12.2020 MVR	Year ended 31.12.2019 MVR
Revenue	4	31,314,843	-
Cost of sales		<u>(19,609,316)</u>	<u>-</u>
Gross Profit		11,705,527	-
Administrative expenses		(51,814,168)	(2,466,673)
Selling and distribution costs		(1,403,345)	(316)
Finance cost		(199,157)	(41,439)
Loss before tax	5	<u>(41,711,143)</u>	<u>(2,508,428)</u>
Income tax expense	6	-	-
Loss for the year		<u><u>(41,711,143)</u></u>	<u><u>(2,508,428)</u></u>

The accounting policies and notes on pages 7 to 19 form an integral part of the financial statements.



Road Development Corporation Limited
STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	31.12.2020 MVR	31.12.2019 MVR
Assets			
Non-current assets			
Property, plant and equipment	7	5,837,855	613,362
Intangible assets	8	4,371	-
Right-of-use assets	9	951,534	1,903,067
		<u>6,793,760</u>	<u>2,516,429</u>
Current Assets			
Inventory	9	16,292,793	44,540
Trade and other receivables	10	32,025,777	56,933
Cash and bank balances	11	3,536,519	141,849
		<u>51,855,089</u>	<u>243,322</u>
Total assets		<u><u>58,648,849</u></u>	<u><u>2,759,751</u></u>
Equity and liabilities			
Share capital and reserves			
Share capital	13	6,207,420	2,177,350
Accumulated losses		(44,219,572)	(2,508,428)
Total equity		<u>(38,012,152)</u>	<u>(331,078)</u>
Non-current liabilities			
Contract liabilities	12	70,795,368	-
Lease liabilities	9	-	1,114,253
		<u>70,795,368</u>	<u>1,114,253</u>
Current liabilities			
Trade and other payables	12	23,331,636	987,734
Contract liabilities		1,419,745	-
Lease liabilities	9	1,114,252	988,842
		<u>25,865,633</u>	<u>1,976,576</u>
Total liabilities		<u>96,661,001</u>	<u>3,090,829</u>
Total equity and liabilities		<u><u>58,648,849</u></u>	<u><u>2,759,751</u></u>

The Board of Directors is responsible for these financial statements.

Signed for and on behalf of the board by,

Name of the Director

Signature

MR. ABDULLA AFEEF

MR. SHAMVEEL MOHAMED

The accounting policies and notes on pages 7 to 19 form an integral part of the financial statements.

05 September 2022
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Road Development Corporation Limited
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2020

	Share capital MVR	Retained earnings MVR	Total equity MVR
Balance as at 01 January 2020	2,177,350	(2,508,429)	(331,079)
Calls in arrear received	4,030,070	-	4,030,070
Loss for the year	-	(41,711,143)	(41,711,143)
Balance as at 31 December 2020	<u>6,207,420</u>	<u>(44,219,572)</u>	<u>(38,012,152)</u>

The accounting policies and notes on pages 7 to 19 form an integral part of the financial statements.



Road Development Corporation Limited
STATEMENT OF CASH FLOWS
Year ended 31 December 2020

	Note	2020 MVR	2019 MVR
Operating activities			
Loss for the year		(41,711,143)	(2,508,428)
Adjustments to reconcile profit to net cash flows			
Non-cash			
Depreciation and amortisation		470,796	168,987
Finance cost		951,533	41,439
Operating loss before working capital changes		<u>(40,288,814)</u>	<u>(2,298,002)</u>
Working capital adjustments			
(Increase)/decrease in inventory		(16,248,253)	(44,540)
Increase in trade and other receivables		(31,968,845)	(56,933)
Increase in trade and other payables		22,343,902	987,734
Increase in contract liabilities		72,215,113	-
Cash flows used in operating activities		<u>6,053,103</u>	<u>(1,411,741)</u>
Business profit tax paid		-	-
Net cash flows used in operating activities		<u>6,053,103</u>	<u>(1,411,741)</u>
Investing activities			
Acquisition of property, plant and equipment		(5,693,660)	(623,760)
Acquisition of intangible assets		(6,000)	-
Net cash flows used in investing activities		<u>(5,699,660)</u>	<u>(623,760)</u>
Financing activities			
Lease payments		(988,843)	
Proceeds from call in arrears		4,030,070	2,177,350
Net cash flows from financing activities		<u>3,041,227</u>	<u>2,177,350</u>
Net decrease in cash and cash equivalents		3,394,670	141,849
Cash and cash equivalents at the beginning of the year		141,849	-
Cash and cash equivalents at 31 December	11	<u><u>3,536,519</u></u>	<u><u>141,849</u></u>

The accounting policies and notes on pages 7 to 19 form an integral part of the financial statements.



Road Development Corporation Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

1. Corporate information

Road Development Corporation Limited (RDC) was incorporated in 15 October 2019 as a manufacturing Corporation, which is a state-owned corporation with 100% shares owned by the Government of Maldives. The address of its registered office is MSL Building 1 st floor, Orchid Magu, Male', Republic of Maldives.

Principal activities and nature of operations

The principal purpose of the Corporation is to promote construction of roads.

2.1 Basis of preparation

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

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

2.2 Comparative information

The accounting policies have been applied by the Corporation in accordance with IAS 01 - Presentation of Financial Statements. Comparative information is not available as this is the initial year.

2.3 Significant accounting judgments, estimates and assumptions

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

Estimates and assumptions

Leases- Estimating the incremental borrowing rate

Since the Corporation cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Corporation would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions between willing buyers of similar assets or observable market prices less incremental costs for disposing of the asset.

Conversion of foreign currencies

The Corporation's financial statements are presented in Maldivian Rufiyaa, which is the Corporation's functional and presentation currency. Transactions in foreign currencies are initially recorded by the Corporation at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.



Road Development Corporation Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

3. Summary of significant accounting policies

a. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

Sale of goods

Sale of goods are recognized when the corporation has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

Construction Projects

Sales relating to long term contracts are accounted for under the percentage completion method. The stage of completion is measured by reference to work completion certificates issued after surveys of work performed for each contract.

Other income

Other income is recognised on an accrual basis.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

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

Contract liabilities

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

b. Expenditure recognition

Expenses are recognized in the income statement on the basis of direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been recognized in income statement

c. Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.



Road Development Corporation Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

3. Summary of significant accounting policies (Continued)

c) Taxes (Continued)

Current income tax

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

Deferred tax

Deferred taxation is the tax attributable to the temporary differences that arise when taxation authorities recognise and measure assets and liabilities with rules that differ from those of the financial statements. Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, unused tax credits and tax losses carried forward to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the unused tax credits and tax losses carried forward can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

d. Property, plant and equipment

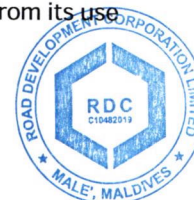
Property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met.

The cost of the self-constructed assets includes the cost of materials, direct labour cost and appropriate proportion of production overheads. The cost of property, plant and equipment acquired by the Corporation includes cost of acquisition together with any incidental expenses incurred in bringing the assets to its working condition for the intended use.

When a major inspection of plant and machinery is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are met. Depreciation on property, plant and equipment of the Corporation is charged on a straight-line basis to write off the cost over the estimated useful life of the assets as follows:

Plant & Machinery loose tools	33.33%
Furniture and Fitting	10%
Office & Other Equipment	20%

Depreciation is charged from the date asset put into use for operational activities. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use.



Road Development Corporation Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

3. Summary of significant accounting policies (Continued)

d) Property, plant and equipment (Continued)

or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

e. Intangible assets

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

f. Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of the business less the estimated cost of completion and the estimated cost necessary to make the sale. The value of each category of Inventory is determined on weighted average cost (WAC) basis.

g. Leases

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

Corporation as a lessee

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

Right-of-use assets

The Corporation recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised,

initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows;

Buildings 02 years

If ownership of the leased asset transfers to the Corporation at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.



Road Development Corporation Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

3. Summary of significant accounting policies (Continued)

Lease liabilities

At the commencement date of the lease, the Corporation recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Corporation and payments of penalties for terminating the lease, if the lease term reflects the Corporation exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Corporation uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Corporation applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

g. Financial Instruments - Initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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

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

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- ▶ Financial assets at amortised cost (debt instruments)
- ▶ Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)



Road Development Corporation Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

3. Summary of significant accounting policies (Continued)

g. Financial Instruments - Initial recognition and subsequent measurement (continued)

Financial assets at amortised cost (debt instruments)

- ▶ Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- ▶ Financial assets at fair value through profit or loss

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

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

And

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

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

The Corporation's financial assets at amortised cost includes trade receivables.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a Corporation of similar financial assets) is primarily derecognised (i.e., removed from the Corporation's statement of financial position) when:

- ▶ The rights to receive cash flows from the asset have expired

Or

- ▶ The Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Corporation has transferred substantially all the risks and rewards of the asset, or (b) the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Corporation has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Corporation continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Corporation also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Corporation has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Corporation could be required to repay.



Road Development Corporation Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

3. Summary of significant accounting policies (Continued)

g. Financial Instruments - Initial recognition and subsequent measurement (continued)

Impairment of financial assets

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

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Corporation's financial liabilities include trade and other payables.

De-recognition

Financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

h. Cash and cash equivalents

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

Statement of cash flows is prepared in "indirect method". For the purpose of statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if any.

i. Government grants

Government grants are initially recognized as deferred income at fair value when there is reasonable assurance that they will be received, and the Corporation will comply with the conditions associated with the grant, and are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset.

j. Employee benefits

Employees are eligible for Maldives Retirement Pension Scheme in line with the respective statutes and regulations. The Corporation contributes 7% of basic salary of Maldivian employees to Maldives Retirement Pension Scheme

k. Share capital

Ordinary shares

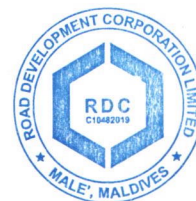
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.



Road Development Corporation Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2020

	Year ended 31.12.2020 MVR	Year ended 31.12.2019 MVR
4 Revenue		
Project revenues	19,908,403	-
Labour Management Facility	7,484,101	-
Product sales	3,922,339	-
	<u>31,314,843</u>	<u>-</u>
5 Profit from operating activities stated after charging,		
Staff costs (Note 5.1)	37,345,464	1,611,362
Depreciation and amortisation	1,422,330	168,987
Director remuneration- Basic	714,705	124,833
Director remuneration- Allowance	826,098	180,800
	<u>37,345,464</u>	<u>1,611,362</u>
5.1 Staff costs		
Salaries and wages	14,463,089	708,880
Staff allowance	22,826,288	901,482
Staff training & development expenses	56,087	1,000
	<u>37,345,464</u>	<u>1,611,362</u>
6 Income tax expense		
Current tax on business profit (Note 6.1)		-
Deferred tax on temporary differences (Note 6.2)		-
Income tax reported in the statement of comprehensive income		<u>-</u>
6.1 Current tax on business profit		
Loss before tax	(41,711,143)	(2,508,428)
Add: Depreciation charge for the year	469,168	168,987
Other disallowable expenses	-	-
Less: Capital allowances	-	-
Other allowable expenses	-	-
Taxable profit before adjustments	-	-
Less: Tax free allowance	-	-
Taxable profit	-	-
Income tax on taxable profit @ 15%	-	-
6.2 Deferred tax		

The Company has not recorded the deferred tax as its not probable that the future taxable profits would be available to offset the deferred tax assets.



Road Development Corporation Limited
 NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 December 2020

7	Property, plant and equipment	Balance as at 01.01.2020	Additions	Balance as at 31.12.2020
7.1	Gross carrying amounts	MVR	MVR	MVR
	At cost			
	Plant and machinery & loose tools	39,832	2,432,472	2,472,304
	Office & Other Equipment	494,691	1,845,144	2,339,835
	Earth Moving Vehicles	-	658,491	658,491
	Furniture and fittings	89,237	757,553	846,790
	Total value of depreciable assets	623,760	5,693,660	6,317,420
7.2	Depreciation	Balance as at 01.01.2020	Charge for the year	Balance as at 31.12.2020
		MVR	MVR	MVR
	Plant and machinery & loose tools	207	143,535	143,742
	Office & Other Equipment	9,163	264,733	273,896
	Earth Moving Vehicles	-	9,237	9,237
	Furniture and fittings	1,028	51,662	52,690
	Total depreciation	10,398	469,167	479,565
	Net book value	613,362		5,837,855
8	Intangible assets			2020
	Computer software			MVR
	Cost			
	As at 01 January			-
	Additions during the year			6,000
	As at 31 December			6,000
	Accumulated amortisation			
	As at 01 January			-
	Charge for the year			1,629
	As at 31 December			1,629
	Net book value			4,371



Road Development Corporation Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2020

9 Lease

The Corporation has two separate agreements with Maldives National Shipping Limited to lease two floors from M. Ship Plaza for its office. Lease of buildings generally have a lease term of 2 years. The Company's obligations under its leases are secured by the lessors' title to the leased assets.

Set out below are the carrying amounts of right of used assets recognised and the movements during the period.

9.1 Right-of-use assets		Buildings	Total
		MVR	MVR
As at 01 January 2020		2,061,656	2,061,656
Additions		-	-
As at 31 December 2020		2,061,656	2,061,656
Accumulated depreciation			
As at 01 January 2020		158,589	158,589
Depreciation for the year		951,533	-
As at 31 December 2020		1,110,122	158,589
Net book value		951,534	1,903,067
9.2 Lease liabilities		2020	2019
		MVR	MVR
As at 01 January		2,103,095	-
Additions		-	2,061,656
Accretion of interest		199,157	41,439
Payments		(1,188,000)	-
As at 31 December		1,114,252	2,103,095
Classification	Interest rate	Maturity	2020
Current			
Buildings	12.00%	2021	1,114,253
Non - current			
Buildings	12.00%	2022	-
Total			1,114,253
9.3 The following are the amounts recognised in profit or loss:		2020	2019
		MVR	MVR
Depreciation expense of right-of-use assets		951,533	158,589
Interest expense on lease liabilities		199,157	41,439
Total amount recognised in profit or loss		1,150,690	200,028



Road Development Corporation Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2020

9	Inventory	2020 MVR	2019 MVR
	Finished Goods	739,118	-
	Production Supplies	2,305,223	-
	Raw material	13,248,452	44,540
		<u>16,292,793</u>	<u>44,540</u>
10	Trade and other receivables	2020 MVR	2019 MVR
	Trade receivables	23,446,086	-
	Other receivables	24,248	56,933
	Retention receivable	784,770	-
	Advance receivable	7,770,673	-
		<u>32,025,777</u>	<u>56,933</u>
11	Cash and cash equivalents		
	Cash in hand	91,730	35,611
	Cash at bank	3,444,789	106,238
		<u>3,536,519</u>	<u>141,849</u>
12	Trade and other payables		
	Trade payable	19,817,709	400,112
	Other payables	3,513,927	587,622
	Advance for projects	1,419,745	-
	Contract liabilities	70,795,368	-
		<u>95,546,749</u>	<u>987,734</u>

12.1 Contract liabilities represent customer deposits and advance payments. These include non-refundable deposits received from customers on conditional exchange of contracts relating to sale of completed unit of property towards the purchase at completion date.

13 Share Capital

Authorised share capital 5,000,000 shares of MVR 10/- each	50,000,000	50,000,000
Call in arrears 4,379,258 shares of MVR 10/- each	(43,792,580)	(47,822,650)
	<u>6,207,420</u>	<u>2,177,350</u>
Issued and fully paid share capital 620,742 shares @ MVR 10/- each	<u>6,207,420</u>	<u>2,177,350</u>

14 Financial instruments risk management objectives and policies

The Corporation's principal financial liabilities, comprise borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the entity's operations. The Corporation's principal financial assets include receivables and cash that derive directly from its operations.

The Corporation is exposed to market risk, credit risk and liquidity risk. The Corporation's Board of Directors oversees the management of these risks. The Corporation's Board of Directors is advised on the financial risks and provides an appropriate financial risk governance framework for the Corporation.

14.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings and debts.



Road Development Corporation Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2020

14 Financial instruments risk management objectives and policies (continued)

14.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Corporation has transactional currency exposures. Such exposures arises from purchases and borrowings of the Corporation in currencies other than the Corporation's functional currency.

14.3 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Corporation is exposed to credit risk from its operating activities and from its financing activities.

The Corporation has no significant concentrations of credit risk. Corporation trades only with recognised, creditworthy third parties. It is the Corporation's policy that all the customers who wish to trade on credit terms are subject to credit evaluation procedures.

14.4 Liquidity risk

The Corporation's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities and related party borrowings. As a part of its overall prudent liquidity management, the Corporation aims to maintain sufficient level of cash and cash equivalents to meet its working capital requirement.

As at 31 December 2020	Carrying amount MVR	Less than 3 months MVR	Over 1 year MVR
Other receivables	32,025,777	32,025,777	-
Balances with banks	3,536,519	3,536,519	-
	<u>35,562,296</u>	<u>35,562,296</u>	-
Trade and other payables	23,331,636	23,331,636	-
	<u>23,331,636</u>	<u>23,331,636</u>	-



Road Development Corporation Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2020

14.5 Capital risk management

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

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

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

	2020 MVR	2019 MVR
Loans and borrowings	-	-
Net debt	-	-
Total equity	(38,012,152)	(331,078)
Capital and net debt	(38,012,152)	(331,078)
Gearing ratio	0%	0%

15 Fair value of financial assets and financial liabilities

The fair value of short-term financial assets and liabilities approximate their carrying value because of their immediate or short-term maturity. The Directors believe the fair value of long-term financial assets would not differ significantly from their carrying amount recorded in the statement of financial position.

16 Events occurring after the reporting period

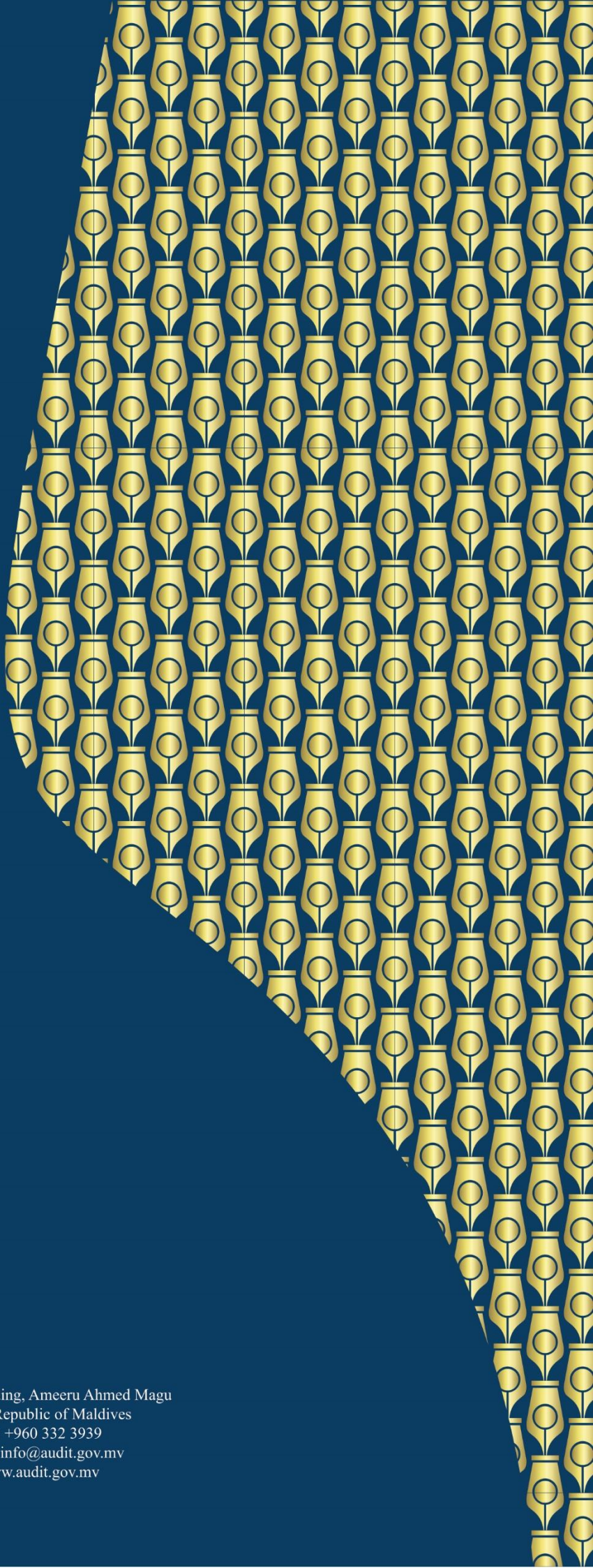
There have been no material events occurring after the reporting period, that require adjustments to or disclosure in the financial statements.



Road Development Corporation Limited
 DETAILED STATEMENT OF EXPENSES
 Year ended 31 December 2020

	2020 MVR	2019 MVR
I Administrative expenses		
Directors remuneration - basic	714,705	124,833
Directors remuneration - allowance	826,098	180,800
Basic salaries	14,463,089	708,880
Staff allowances	22,826,288	901,482
Retirement pension	806,232	36,144
Staff training and development	56,087	1,000
Utilities	2,165,454	12,762
Telecommunication Expenses	149,975	6,721
Repair and maintenance	1,956,100	181,880
General admin expense	2,267,889	93,467
Unclaimed GST	1,116,349	-
Depreciation	469,168	10,398
Depreciation on ROU	951,533	158,589
Staff Uniform & Amenities	210,967	-
Staff Medical	117,710	-
Staff Recruitment Expenses	937	-
Staff Entertainment	36,000	-
Staff Food Exp	404,533	-
Other Professional Services	53,403	-
Company Fees / Trade Fees	2,000	-
Vehicle Fees	533,847	-
Other License and Reg.	26,450	-
Insurance Expenses	156,000	-
Amortisation	1,629	-
Fines	-	2,467
Ramazan Allowance	768,000	-
Work Visa & Identity	243,850	-
Staff Welfare	11,292	-
Travel and Representation Allowances	398,583	-
Professional fees	80,000	47,250
	<u>51,814,168</u>	<u>2,466,673</u>
II Selling and distribution expenses		
Public Relations & Meetings	38,980	-
Sale and Marketing	-	316
Tradeshows, exhibits & Prom	6,854	-
Travelling, Boarding & Lodging	1,101,569	-
Other Representation Expenses	66,152	-
Purchase of Bid Documents	5,300	-
Marketing & Advertising	116,632	-
Delivery Petrol & Diesel	67,858	-
	<u>1,403,345</u>	<u>316</u>
III Finance cost		
Lease interest	199,157	41,439
	<u>199,157</u>	<u>41,439</u>





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