Report No: FIN-2021-62(E)

30th August 2021

KULHUDHUFUSHI PORT LIMITED
FINANCIAL YEAR 2020

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AUDITOR GENERAL'S OFFICE

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AUDITOR GENERAL'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF KULHUDUFUSHI PORT LIMITED

Opinion

We have audited the financial statements of Kulhudhufushi Port Limited (the "Company"), which comprise the statement of financial position as at 31 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 Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for 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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Maldives, and we have fulfilled our other ethical requirements 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.

Emphasis of Matter

1- Material uncertainty related to going concern

We draw attention to the note no 2.1 to the financial statements, which indicates that the company has a continuous net operating cash loss of MVR 3,132,194/- (2019: MVR 4,139,856/-). Further, the company incurred a net loss of MVR 6,712,381/- (2019: MVR 9,349,179/-) during the year ended December 31, 2020. As stated in the no 2.1, these events or conditions along with other matters as set forth in said note, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

2- Land recognised as long-term assets

We draw attention to note no 6.3 to the financial statements, the infrastructure including buildings of the Company are on a land leased from the Government on nominal rent. Accordingly, the Right of Use (ROU) Asset and the corresponding lease liability including amortisation charged to the income statement were accounted based on the nominal rent. During the year, management has obtained the fair value of right to use the land and accounted on these financial statements. Our opinion is not modified in respect of this matter.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Group'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 scepticism 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 Group'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 Group'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 Group 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 management 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.

29 August 2021

H. Niyazy

Hussain Niyazy
Auditor General

Kulhudhufushi Port Limited
STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2020

	Note	Year ended 31.12.2020 MVR	Year ended 31.12.2019 MVR
Revenue	3	4,125,310	4,264,506
Other income	4	800,747	673,584
Operating expenses		(1,526,736)	(1,917,612)
Payroll related expenses		(6,549,401)	(7,160,334)
Depreciation and amortisation expenses		(3,559,571)	(5,200,492)
Interest on lease		(2,731)	(8,831)
Loss before tax from operations		**(6,712,381)**	**(9,349,179)**
Business profit tax expenses	5	-	-
Loss for the year		**(6,712,381)**	**(9,349,179)**
Other Comprehensive Income			
Remeasurement of defined benefit liability		(73,079)	-
Total comprehensive income for the year		**(6,785,460)**	**(9,349,179)**

The accounting policies and notes on pages 8 to 27 form an integral part of the financial statements.

Kulhudhufushi Port Limited
STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	As at 31.12.2020 MVR	As at 31.12.2019 MVR
Assets			
Non-current assets			
Property, plant and equipment	6	78,936,630	42,182,659
Right-of-use assets	6.3	-	160,033
		78,936,630	**42,342,692**
Current assets			
Trade receivables	7	202,886	84,902
Amount due from related parties	7.2	11,058,986	14,630,013
Cash and cash equivalents	8	660,525	618,039
		11,922,397	**15,332,954**
Total assets		**90,859,027**	**57,675,646**
Equity and liabilities			
Equity			
Share capital		102,040,800	102,040,800
Accumulated loss		(75,961,851)	(69,176,391)
Other component of capital		40,150,000	-
		66,228,949	**32,864,409**
Non-current liabilities			
Amount due to related parties	10.1	24,155,712	24,155,713
Employee retirement benefits obligations	13	134,599	167,274
		24,290,311	**24,322,987**
Liabilities			
Lease liability	6.3	-	162,786
Trade and other payables	10	339,767	325,464
		339,767	**488,250**
Total equity and liabilities		**90,859,027**	**57,675,646**

The Board of Directors is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the Board by:

Name of the director	**Signature**
Mr. Mohamed Shareef	
Mr. Shahid Ali	

The accounting policies and notes on pages 8 to 27 form an integral part of the financial statements.

30 August 2021
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Kulhudhufushi Port Limited
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2020

	Share capital	Capital contribution	Accumulated loss	Total
	MVR	MVR	MVR	MVR
Balance as at 1 January 2019	102,040,800	-	(59,827,212)	42,213,588
Loss for the year	-	-	(9,349,179)	(9,349,179)
Balance as at 31 December 2019	102,040,800	-	(69,176,391)	32,864,409
Loss for the year	-	-	(6,712,381)	(6,712,381)
Other Comprehensive Income	-	-	(73,079)	(73,079)
Total Comprehensive Income	-	-	(75,961,851)	26,078,949
Other contribution by the Government (Note no 10)	-	40,150,000	-	40,150,000
Balance as at 31 December 2020	**102,040,800**	**40,150,000**	**(75,961,851)**	**66,228,949**

The accounting policies and notes on pages 8 to 27 form an integral part of the financial statements.

Kulhudhufushi Port Limited
STATEMENT OF CASH FLOWS
Year ended 31 December 2020

	Note	Year ended 31.12.2020 MVR	Year ended 31.12.2019 MVR
Cash flows from operating activities			
Loss before tax		(6,712,381)	(9,349,179)
Adjustments for:			
Depreciation and amortisation	6	3,559,571	5,200,492
Interest on lease		2,731	8,831
Provision for employee retirement benefit		17,886	-
Operating loss before working capital changes		**(3,132,194)**	**(4,139,856)**
Working capital adjustments			
(Increase) / decrease in trade receivables and contract assets		(118,009)	261,481
Increase / (decrease) in trade and other payables		14,304	(92,395)
Decrease in amount due to related parties		3,571,028	3,717,291
Cash flows from / (used in) operating activities		**335,129**	**(253,479)**
Retirement benefits paid	13	(123,640)	-
Net cash flows from / (used in) operating activity		**211,489**	**(253,479)**
Cash flows from investment activities			
Purchase of property, plant and equipment	6	(30,778)	(53,693)
Net cash flows used in investment activities		**(30,778)**	**(53,693)**
Financing activities			
Settlement of lease liabilities	0	(138,225)	(180,659)
Net cash flows used in financing activities		**(138,225)**	**(180,659)**
Net decrease in cash and cash equivalents		42,486	(307,172)
Cash and cash equivalents at the beginning of the year		618,039	925,211
Cash and cash equivalents at the end of the year	8	**660,525**	**618,039**

The accounting policies and notes on pages 8 to 27 form an integral part of the financial statements.

1. Corporate information

1.1 General

Kulhudhufushi Port Limitcd (the "Company") is a limited liability Company incorporated and domiciled in the Republic of Maldives since 12 July 2009 and governed under thc Companies' Act No. 10 of 1996, with its registered office at Bandaara Magu, H. Dh. Kulhudhufushi, Republic of Maldives.

1.2 Principal activities and nature of operations

Principal business activities of the Company include providing harbour facilities, storage, supplies and repair and maintenance services to ships.

1.3 Immediate and ultimate parent entity

The Company's immediate parent undertaking is Maldives Ports Limited, incorporated and domiciled in the Republic of Maldives and ultimate parent undertaking and controlling party is Government of Maldives.

1.4 Date of authorisation for issue

The financial statements of Kulhudhufushi Port Limited for the year ended 31 December 2020 were authorised for issue on 30 August 2021 in accordance with resolution of the board of directors.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements are prepared on a historical cost basis. No adjustment is made for inflationary factors affecting these financial statements. The Financial Statements are presented in Maldivian Rufiyaa (MVR) and all the values are rounded to nearest integral, except when otherwise indicated.

2.1 Going concern

The Company has a continuous net operating cash loss of MVR 3,132,194/- (2019: MVR 4,139,856/-). Further, the company incurred a net loss and accumulated loss of MVR 6,712,381/- (2019: MVR 9,349,179/-) 75,961 ,81/- (2019: MVR 69,176,391/, respectively during the year ended December 31, 2020. This indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

In this regard, parent of the Company has provided assurances that they will continue to provide financial supports to the Company, as it is necessary to maintain the company as a going concern for the foreseeable future and to meet its debt and liabilities as and when they fall due, Hence, the financial statements have been prepared under going concern basis.

2.2 Statement of compliance

The financial statements of Kulhudhufushi Port Limited have been prepared in accordance with International Financial Reporting Standards.

2.3 Comparative information

The financial statements provide comparative information in respect of the previous year. The accounting policies and estimates adopted by the Company are consistent with those of the previous financial year. Further, comparative information is reclassified wherever necessary to comply with the current year presentation.

2.4 Summary of significant accounting policies

a. Conversion of foreign currencies

The Company's financial statements are presented in Maldivian Rufiyaa, which is the Company's functional and presentation currency.

The decision has been taken by management of the Company to maintain the reporting currency as Maldivian Rufiyaa in the financial statements since most of the business transactions are dealt in Maldivian Rufiyaa.

Transactions in currencies other than Maldivian Rufiyaa are translated to Maldivian Rufiyaa at the exchange rate ruling at the date of transaction.
Monetary assets and liabilities denominated in currencies other than Maldivian Rufiyaa are translated to Maldivian Rufiyaa at the exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income.

Non-monetary assets and liabilities, which are measured at historical cost, denominated in currencies other than Maldivian Rufiyaa, are translated to Maldivian Rufiyaa at the exchange rates ruling at the dates of transactions. Non-monetary assets and liabilities, which are stated at fair value, denominated in currencies other than Maldivian Rufiyaa, are translated to Maldivian Rufiyaa at the exchange rates ruling at the dates the values were determined.

b. Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

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The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

c. Revenue from contracts with customers

The Company is in the business of providing harbour facilities, storage, supplies and repair and maintenance services to ships. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements.

The Company's main sources of revenue consist; services rendered for stevedoring, port handling, wharf age, port dues and equipment hiring.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

Rendering of services

Revenue from rendering of services is recognised at the point in time when the services have been rendered or performed.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the services delivered, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

Other income

Other income is recognised on an accrual basis.

d. 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.

e. Expenditure recognition

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

f. Taxes

Current business profit tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the end of the reporting period.

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

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. Deferred tax relating to items recognised outside profit or loss is recognised outside income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income (OCI) or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables that are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

g. Property, plant and equipment

Recognition and measurement

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

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

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

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

• Port infrastructure and buildings	Over 25 years
• Vehicles and vessels	Over 8 years
• Furniture and office fittings	Over 4-5 years
• Machinery, equipment and tools	Over 3-4 years
• Kitchen equipment	Over 3 years

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

h. Financial Instruments - Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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 Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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 Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (c) Revenue from contracts with customers.

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.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 Company commits to purchase or sell the asset.
The Company's financial assets include cash at bank and cash in hand, trade and other receivables.

- **Subsequent measurement**

For purposes of subsequent measurement financial assets of the Company are classified into the following:

Financial assets at amortised cost

This category is the most relevant to the Company. The Company 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 Company'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 group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company 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 Company 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 Company could be required to repay.

When the loan to which the financial asset relates is settled completely, the unamortised amount of financial asset is charged to the statement of comprehensive income at time immediately.

- **Impairment of financial assets**

The Company applies a simplified approach in calculating ECLs for contract assets including trade receivables. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.
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 statement of comprehensive income, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Company's financial liabilities include trade and other payables.

- ***Subsequent measurement***

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

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

- ***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. Share capital

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

i. Impairment of non-financial assets

The Company assesses, at the end of each reporting period, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account.

If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

j. Cash and cash equivalents

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

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

k. Provisions

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

When the Company expects some or all of the provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the re-imbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any re-imbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate the risk specific to the liability. Where discounting is used any change in the provision resulting from the unwinding effect is dealt in the statement of comprehensive income.

I. Pension and other post-employment benefits

All local (Maldivian National) Employees are eligible for Maldives Retirement Pension Scheme (MRPS) contribution according to the terms of the Maldives Pension Act Law No. 8/2009 handled by Maldives Pension Administration Office (MPAO) from May 2011.

2.4 Summary of significant accounting judgments, estimates and assumptions

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

(a) Going concern

The financial statements are prepared on the assumption that the Company is a going concern, i.e. as continuing in operation for foreseeable future. However, The Company has continues operating cash flow loss MVR 3,391,580/- (2019: MVR 4,139,856/-). Further, current liabilities exceeded its current assets by MVR 13,096,727/- (2019: MVR 9,525,731/-). This indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

However, Maldives Ports Limited ("MPL"), Parent Company, continued to demonstrate its commitment to the Company through financial support. Based on the continued support extended by MPL, the management of the Company are confident that the Company shall continue in operation as a going concern into the foreseeable future. Therefore, the financial statements are prepared on the going concern basis.

(b) Depreciation of property, plant and equipment

Management assigns useful lives and residual values to property, plant and equipment based on the intended use of assets and the economic lives of these assets.

Subsequent changes in circumstances such as technological advances or utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Management reviews annually the residual values and useful lives of major items of property, plant and equipment.

2.5New and amended standards and interpretations

The new and amended standards that are issued, but not yet effective to the date of issuance of these financial statements are disclosed below. None of the new or amended pronouncements are expected to have a material impact on the consolidated financial statements of the Company in the foreseeable future. The Company intends to adopt these amended standards, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

• What is meant by a right to defer settlement
• That a right to defer must exist at the end of the reporting period
• That classification is unaffected by the likelihood that an entity will exercise its deferral right
• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

Reference to the Conceptual Framework - Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use- Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment-Proceeds Before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.
The amendments are not expected to have a material impact on the Company.

Onerous Contracts- Costs of Fulfilling a Contract -Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.
IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

		Year ended 31.12.2020 MVR	Year ended 31.12.2019 MVR
3	**Revenue**		
	Handling income	655,496	860,226
	Stevedoring	1,194,702	1,636,439
	Wharfage	444,072	578,621
	Entry permits	19,575	16,859
	Other Income from salary	3,784	893
	Equipment hire charges	789,560	590,692
	Cargo gear hire charges	45,329	21,220
	Shifting charge	2,013	9,047
	Hauling & Re-floating	13,000	12,000
	Dockage charges	35,700	6,500
	Berting charges	362,158	419,523
	Storage income	429,326	29,977
	Pilotagge	70,685	35,830
	Port state control permit	10,000	8,600
	Sales of water	33,752	24,512
	Miscellaneous Income	11,154	691
	Electricity charges	2,399	626
	Yacht mooring	1,898	8,453
	Document ammendment charge	708	-
	Fine charge	-	3,797
		4,125,310	**4,264,506**
4	**Other income**		
	Rent income	751,084	673,584
	Other income	49,663	-
		800,747	**673,584**
5	**Business profit tax expenses**		
	Current tax expense (Note 5.1)	-	-
	Deferred tax	-	-
		-	-

5.1 Current tax on business Income tax

Income tax has been calculated at 15% on the taxable profit for the year ended in accordance with the income Tax Act No.25/2019. A reconciliation between tax expense and the product of accounting profit multiplied by Maldives's docmestic tax rate for the year ended on 31 December are as follows.

5 Business profit tax expenses (continued...)

5.1 Current tax expense (continued...)

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

	Year ended 31.12.2020 MVR	Year ended 31.12.2019 MVR
Accounting loss before tax	(6,712,381)	(9,349,179)
Aggregate disallowable items	3,751,569	5,220,223
Aggregate allowable items	(5,999,887)	(5,998,403)
Tax losses	**(8,960,699)**	**(10,127,359)**

5.2 Tax losses carried forward

At 1 January	37,073,178	34,859,282
Tax losses for the year	8,960,699	10,127,359
Written off during the year	-	(6,950,597)
At 31 December	**46,033,877**	**38,036,044**

5.3 Deferred tax

The deferred tax is arrived at by applying the Business Profit Tax rate at 15% on temporary differences between the tax bases and liabilities and their carrying amounts for financial reporting purposes at 31 December.

	Year ended 31.12.2020 MVR	Year ended 31.12.2019 MVR
On property, plant and equipment	2,921,677	2,469,305
On bedtor provision	221,372	221,372
On accumulated tax losses	6,905,082	5,705,407
	10,048,130	**8,396,084**

Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Company can utilise the benefits there from.

6 Property, plant and equipment

Gross carrying amount At cost	Balance as at 01.01.2020 MVR	Additions MVR	Balance as at 31.12.2020 MVR
Port infrastructure and buildings	84,204,598	-	84,204,598
Vehicles and vessels	47,617,728	-	47,617,728
Furniture and office equipment	1,388,041	30,778	1,418,820
Machinery, equipment and tools	581,976	-	581,976
Kitchen equipment	4,720	-	4,720
Total value of depreciable assets	**133,797,063**	**30,778**	**133,827,841**

6 Property, plant and equipment (continued...) Depreciation At cost	Balance as at 01.01.2020 MVR	Charge for the year MVR	Balance as at 31.12.2020 MVR
Port infrastructure and buildings	42,159,906	3,368,184	45,528,090
Vehicles and vessels	47,617,727	-	47,617,727
Furniture and office equipment	1,255,287	54,797	1,310,084
Machinery, equipment and tools	576,763	3,826	580,589
Kitchen Equipment	4,720	-	4,720
Total depreciation	91,614,404	3,426,807	95,041,211
Net book value	42,182,659		38,786,630
Total value of property, plant and equipment	**42,182,659**		**38,786,630**

6.1 During the financial year, the Company acquired property, plant and equipment to the aggregate value of MVR 30,778/-

6.2 Company has fully depriciated asset total cost of MVR 47,617,726/- as at 31 december 2020.

6.3 Lease

The Company has booked land as right of use asset, there is no particular time period agreed with the government in using the land.

Right of use assets	**Year ended 31.12.2020 MVR**	**Year ended 31.12.2019 MVR**
As at 31 January	160,033	-
Addition during the year	40,150,000	334,614
Amortization charge	(130,936)	(174,581)
Lease termination	(29,097)	-
As at 31 December	**40,150,000**	**160,033**

Lease Obligation	**Year ended 31.12.2020 MVR**	**Year ended 31.12.2019 MVR**
As at 31 January	162,786	-
Addition during the year	-	334,614
Accretion of finance cost	2,688	8,831
Payments	(135,494)	(180,659)
Lease termination	(29,097)	-
Lease termination loss	884	-
As at 31 December	**-**	**162,786**

7 Trade receivables

	Year ended 31.12.2020 MVR	Year ended 31.12.2019 MVR
Trade receivables	1,678,697	1,560,713
Less: provision for impairment of trade receivables (7.1)	(1,475,811)	(1,475,811)
	202,886	**84,902**

7.1 Provision for impairment of trade receivables

	Year ended 31.12.2020 MVR	Year ended 31.12.2019 MVR
At 1 January	(1,475,811)	1,475,811
Provision during the year	-	-
At 31 December	**(1,475,811)**	**(1,475,811)**

7.2 Amounts due from related parties

Maldives Port Limited	**11,058,986**	**14,630,013**

Amounts due from related parties are unsecured, interest free and does not have any repayments terms. Accordingly, the entire amount due is shown as falling due within one year.

8 Cash and cash equivalents

	Year ended 31.12.2020 MVR	Year ended 31.12.2019 MVR
Cash in hand	16,838	21,235
Cash at bank	643,687	596,804
	660,525	**618,039**

9 Share capital

Authorised share capital		
2,500,000 ordinary shares of MVR.100/= each	250,000,000	250,000,000
Issued and fully paid		
1,020,408 ordinary shares of MVR.100/= each	102,040,800	102,040,800

10 Trade and other payables

Trade payables	1,148	-
GST payable	60,053	43,724
Other payables	278,567	281,739
	339,767	**325,463**

16 Financial risk management objectives and policies

Overview

The company has exposure to the following risk, from it's use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

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

16.1 Credit risk

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

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

	Year ended 31.12.2020 MVR	Year ended 31.12.2019 MVR
Trade receivables	1,678,697	1,560,713
Amount due from related parties	11,058,986	23,289,131
Balances with banks	643,687	596,804
	13,381,369	25,446,648

	2020		2019	
	Gross MVR	Impairment MVR	Gross MVR	Impairment MVR
Past due 0-30 days	21,436	-	21,436	-
More than 90 days	1,657,261	1,475,811	1,539,277	1,475,811
Total	**1,678,697**	**1,475,811**	**1,560,713**	**1,475,811**

10.1 Amount due to related parties	**Year ended 31.12.2020 MVR**	**Year ended 31.12.2019 MVR**
The Ministry of Finance and Treasury	24,155,713	24,155,713
	24,155,713	**24,155,713**

11 Capital commitments and contingent liabilities

The Company had no significant capital commitments and contingent liabilities as at 31 December 2020.

12 Related party disclosures

The Government of Maldives has 49% of voting rights of the Company and Maldives Ports Limited (fully owned by Government of Maldives) has 51% voting rights of the Company. Significant transactions including the following have been carried out with entities controlled by Government of Maldives in the ordinary course of business.

Transactions with Maldives Port Limited	**Year ended 31.12.2020 MVR**	**Year ended 31.12.2019 MVR**
At 1 January	(8,659,118)	(4,937,272)
Payment on behalf of the company	(3,571,028)	(3,721,846)
At 31 December	**(12,230,145)**	**(8,659,118)**
Transaction with Ministry of finance and Treasury		
At 1 January	(24,155,713)	(24,155,713)
At 31 December	**(24,155,713)**	**(24,155,713)**
Balance Outstandings		
Maldives Port Limited - Share Capital Receivable	11,058,986	23,289,131
Maldives Port Limited - Other Liabilities	(12,230,145)	(8,659,118)
Ministry of finanace and Trasury-other Liabilities	(24,155,713)	(24,155,713)

13 Employee retirement benefits obligations	**Year ended 31.12.2020 MVR**
Opening liability	167,274
Service cost	12,031
Interest cost	5,855
Paid in the year	(123,640)
Re-measurement	73,079
	134,599

14 Transactions with key management personnel of the entity

The Board of Directors of the Company are the members of the key management personnel of the company. The company has not made any payment to key management personnel during the year eneded 31 December 2020

15 Events after the reporting period

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

16 Financial risk management objectives and policies (continued...)

16.2 Liquidity risk

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

The following are the contractual maturities of financial liabilities as at the reporting date.

31 December 2020	Carrying amount 2020 MVR	Carrying amount 2019 MVR
Financial liabilities (Non- derivative)		
Trade and other payables	339,767	325,464
Amount due to related parties	24,155,713	24,155,713
	24,495,481	**24,481,177**

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

16.3 Market risk

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

(a) Interest rate risk

There are no interest bearing borrowing or lending by the Company. Hence, the Company does not face any interest rate risk as at the reporting date.

(b) Currency risk

The Company does not have any assets and liabilities denominated in foreign currency as at the reporting date.

Kulhudhufushi Port Limited
DETAILED STATEMENT OF EXPENDITURES
Year ended 31 December 2020

i. Other operating expenses	Year ended 31.12.2020 MVR	Year ended 31.12.2019 MVR
Subcontract - Pilotage fee	1,650	-
Professional fees	126,995	194,809
Telephone	36,258	38,117
Electricity charges	452,424	479,680
Water charges	80,987	32,430
Fuel charges	102,192	85,542
License and fees	84,900	91,900
Sub-contract stevedoring expenses	3,925	3,196
Travelling	47,730	96,701
Printing and stationary	12,967	35,367
Repair and maintenance expenses	266,936	447,256
Other expenses	23,265	57,506
Recreation expenses	-	11,619
Bank charges	5,600	7,145
Food and accomadation	86,857	56,214
Insurance	181,688	103,400
Fines	300	2
Cleaning	7,854	6,726
Freight charge	1,875	1,060
Gratuity	-	167,274
Miscellaneous expenses	2,333	1,668
	1,526,736	**1,917,612**

ii. Payroll related expenses		
Salaries and wages	2,709,765	2,817,814
Overtime	308,433	290,740
Daily allowances	163,916	162,050
Special allowance	159,960	375,489
Food allowance	818,080	810,150
Loundry allowance	35,186	39,163
Provision fund contribution	188,967	194,313
Ramadan allowance	150,000	156,000
Hard ship allowance	1,231,739	1,400,100
Long term allowance	176,573	200,641
Uniform expenses	38,220	45,665
Risk allowance	217,986	249,840
Salaam allowance	207,529	177,354
Telephone allowance	20,700	22,827
Flag allowance	1,043	1,095
FMD allowance	103,417	65,200
Retirement compensation	17,886	123,952
Training Fees	-	27,941
	6,549,401	**7,160,334**

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