

1st Quarter 2020 Report

For the Quarter ended 31st March 2020

Business Center Corporation Limited

Financial Highlights

Details	Amount	Percentage
Revenue	1,935,080.65	100 %
Operating Profit	(1,345,056.73)	(62) %
Earnings per Share	(2.263)	(08)%
Net Profit	(1,345,056.73)	(62) %

Operational Highlights

1. Authentic Maldives Duty Free Shop

Authentic Maldives Duty Free Shop at Velaanaa International Airport was officially inaugurated by Minister of Economic Development Uz. Fayyaz Ismail and Minister of Finance Mr. Ibrahim Ameer, at a special ceremony on 9 January 2020. The ceremony was attended by Managing Director, Mr Moosa Solih of MACL as a special invitee.

This store operated by BCC for authentic Maldivian products from local manufacturers and suppliers, is the corporations' first income generating business activity. Authentic Maldives aim to uncover market opportunities and prospects for international markets for local producers. At this time, over 40 local suppliers have been engaged with the shop and BCC is currently under the process of reviewing more than 60 new proposals submitted by SMEs.

However due to the outbreak covid-19 pandemic, the operations of the shop have come to a halt and it is expected that the process of reviewing and accepting new products and suppliers will be slowed down in the upcoming months, until the airport operations return to normalcy.

During this quarter BCC also explored alternative avenues for marketing local products and expanding the Authentic Maldives operations to other regions of the country. As such, the preliminary feasibility study has been expanded to include Hanimadhoo, Maamigili and Addu city Airport. BCC will be working to increase market access opportunities and establish additional platforms during the course of this year.

2. Establishing incubation facility and co-working space

In line with the Strategic Action Plan 2019 - 2023, BCC has completed developing the strategy paper on the scope and requirements for establishing incubator and Co-workspace facilities in Maldives. This project intends to address the issue of high overhead costs that startups have to incur in their nascent stages. The facility can play to their advantage by offering subsidized office/work environment, facilitating the provision of seed assistance and training programs.

In order to gather public responses and opinions on this initiative from local entrepreneurs and potential startups, BCC hosted an informal session with relevant stakeholders of the business community on February 2020 at Solite Restaurant Male’.

During the session, focus group discussions were held and responses were obtained from more than 50 percent of the participants. It has helped BCC to gain insight on the market needs and requirements of the business community to better come up with strategies for creating an entrepreneurship culture through the establishment of facilities and programs such as incubation platforms and co-working space, in support of SMEs and startups.

BCC intends to seek consultancy support to develop operational framework to establish the facility and it is expected to come into operation at the beginning of year 2021 under the assistance of an ongoing world bank project.

3. Establishing Packaging Facility

The Maldivian business community is largely characterized by a significant number of micro businesses who have not completed the legal formalities in registering their businesses at Ministry of Economic Development. While the actual size of this informal sector is unknown, it is dominated by women in the food processing sector as self-employed home-based workers.

Based on the surveys conducted by the Business Centers established, almost half of the women in the islands are primarily engaged in home-based, income generating activities and play an important role as contributing family workers. The main types of production include rope and mat weaving, art and crafts, and food processing.

Access to market has been identified as one of the major challenges faced by these workers; quality and inconsistent supply being the primary reasons. In our efforts to address the issues, focus group discussions and meetings were held with business community of Addu city in mid- 2019, and the need for packaging services have been highlighted by participants.

To validate the issues raised, Business Center Hithadhoo conducted a survey among the home-based workers to identify the number of people willing to seek the service of packaging facility.

The objective of the survey is to comprehensively analyze the current situation of home-based workers and local producers and identify their views on establishing a packaging facility at Addu City and how the facility can address the supply chain gaps in the processing sector, to overcome the barriers in production and marketing faced by local producers. The total sample size of the survey is 90 local producers.

During the survey, the challenges facing these producers in accessing markets, existing production and packaging methods as well as condition of production facilities were identified. Additionally, information on total resident population, potential markets and transport mechanisms were obtained.

4. Opening of GA Villingili Business Center

Minister of Economic Development Uz Fayyaz Ismail on 23 February 2020 officially inaugurated a new Business Center in GA Villingili, at a special ceremony held to mark the occasion.

Business Centers are established under SME law (6/2013) to provide a range of business development services to support SMEs such as business advisory and consultancy, training programs, assist new businesses with the need to prepare a sound business plan and provide information required by SMEs in business related areas. GA Business Center will cater to all islands of GA with dedicated and trained staff for the particular area. There are currently 3 staff at BC Villingili, who were recruited during the course of this quarter.

There are currently 7 Business Centers operational located in Kulhudhuffushi, Naifaru, Kudahuvadhoo, Gan (L), Thinadhoo, Hithadhoo and Villingili (GA) and BCC head office in Male'. These BCs cover all regions of the Maldives.

5. Economic Profiling Baseline Survey and Minimum Wage Survey

Business Centers assisted minimum wage board to conduct minimum wage survey in their islands, to know the impacts of introducing minimum wage on labor and product markets especially with regard to SMEs. More than 300 SMEs were interviewed and the survey forms were shared with Ministry of Economic Development.

In order to develop and maintain a complete and accurate list of businesses in the formal and informal sector and categorize the existing businesses into MSMEs a baseline survey was conducted by BCs in 7 islands. Information was collected from over 400 businesses and it has been planned to cover and complete all regions of the Maldives during the second quarter of this year. This survey also intends to identify the specific areas requiring training and development for MSMEs.

MSME registration is being done on a voluntary basis by businesses and there is no mechanism to categorize the registered businesses in Ministry of Economic Development. This survey is expected to categorize all businesses as well as identify those business not in operation and analyze the opportunities within the islands.

6. Dubai Expo 2020

BCC is assisting Ministry of Economic Development to obtain participants and manage their logistics and administrative works for the upcoming Dubai Expo 2020. BCC received commendable support from local businesses with 37 registrations to participate in the Expo.

In response to the covid-19 outbreak however, the authorities have decided to postpone the opening of Dubai Expo by an additional one year.

7. Fannu Expo 2020

BCC completed designing the concept, procurement plan, timeline and action plan for Fannu Expo 2020. Similar to last year this year's expo aims to showcase the Maldivian talents and products with a mix of traditional and modern styles.

8. Training and other activities conducted by BCs

BCC provided consultations, trainings and advisory service and business visits to 1358 beneficiaries through its Business Centers, from 1st January 2020 to 31st March 2020. Also 109 inspections of SDFC loan applicants were conducted during this quarter, which is part of the loan application evaluation process of SDFC, prior to disbursements. The inspections are conducted by regional BC staff, upon request by SDFC and reports are shared once the inspection is completed.

9. Finalizing Sexual Harassment Policy and BCCs code of conduct.

BCCs board approved the sexual harassment policy developed by the legal team. This policy aims to prevent harassment in the workplace and establishes a procedure in reporting such incidents.

All staff were also briefed on BCCs code of conduct by human resource section, which is considered a part of employment agreement.

10. Enhancing Employability and Resilience of Youth (MEERY) Project

BCC has been engaged with World Bank Mission and Ministry of Higher Education in finalizing the components of MEERY Project funded by the World Bank. BCC will be co-implementing the skills development component of the project for entrepreneurs along with MoHE. This project aims to enhance employment opportunities through the development of required skills in different sectors, especially for the youth.

BCC will be establishing additional business centers in different regions of the Maldives under the assistance of this project and it will also provide funding for the establishment of packaging facility in 3 areas of Maldives and incubation facility as outlined in strategic action plan 2019 – 2023.

11. MOU between HDC and BCC

BCC entered into an MOU with HDC, for a period of 5 years, in assisting SMEs by creating a conducive business environment in Hulhumale’ by both parties. Under this agreement BCC and HDC will jointly implement activities to support SMEs.

12. High Impact Community Development Project (HICD)

The Government of India has agreed to finance projects with High Impact Community Development potential in the Maldives. These projects would be financed on a grant basis and total funding is \$550,000.

Ministry of Foreign Affairs (MOFA) along with Indian Embassy is working with BCC to finalize the 2 proposals compiled and submitted. These project proposals developed by BCC are in line with Government’s pledge to create a conducive environment for SMEs. The two projects are:

a) Establishment of ICT incubators.

The Housing Development Corporation has agreed to provide BCC with 3 office units with an area of 620sqft each for the development of an Information and Communication Technology (ICT) incubator and co-workspace environment.



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This facility is planned to train, promote and accommodate entrepreneurs, principally catering to existing and potential micro, small and medium enterprises (MSMEs). The proposal is designed with the primary objective of purchasing the equipment required for the facility.

b) Establishment of Island Fish Processing Plants.

In order to facilitate the quality production of processed fish (including dried and smoked) and to enable fishermen to obtain true value for their catch, HA atoll has been proposed as a feasible location to execute pilot project of establishing a fish processing plant. The location was selected based on its established transportation networks, accessibility to markets and volume of fishing activities conducted.

Market Highlights

Authentic Maldives Duty free shop at Velaanaa International Airport, launched on 9 January 2020 is BCCs first income generating business activity. The operations were started with 39 suppliers and agreement was formulated with additional 5 suppliers for the supply of their products during the quarter.

Month	Total Sales	Payable to Suppliers	BCC Revenue
Jan-20	1,236,604.90	(889,597.00)	347,007.90
Feb-20	1,451,052.84	(1,036,390.00)	414,662.84
Mar-20	856,627.26	(604,721.00)	251,906.26
	3,544,285.00	(2,530,708.00)	1,013,577.00

BOARD activities

Directors Name	Designation	Board meeting	Audit Committee	Risk Committee	Remuneration Committee	Compliance Committee
Fazleena Fakir	Managing Director	5/6	N/A	N/A	N/A	N/A
Lamya Ibrahim	Executive Director	6/6	N/A	N/A	N/A	N/A
Ahmed Ifthikhar	Non-executive Director	6/6	N/A	N/A	N/A	N/A

Meeting	Number of Meetings
Board meeting	6
Audit committee	N/A
Risk committee	N/A
Remuneration committee	N/A
Compliance committee	N/A



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ONGOING PROJECT DETAILS

#	Project Name	Commencement Date	Completion date	Value	Completed Value	Completion %
1	Trade Facilitation Center	Signing of agreement with contractor for concept design, structure and BOQ, Complete.	12 Months from date of signing the contract with Architect	30 million	-	15%
2	Airport Duty Free Shop	August 2019	09 January 2020			100%

Business Center Corporation - Management Accounts for Quarter 1, 2020

STATEMENT OF PROFIT AND LOSS	Note	Quarter 1 2020
Revenue	1	1,935,080.65
Cost of Sales		<u>268,878.85</u>
Gross Profit		1,666,201.80
Other Income		
Exchange Gain / (Loss)		812.87
Selling and Marketing costs	2	156,932.37
Administrative costs	3	2,851,890.09
Furniture & fittings		0.00
Other operating expenses		<u>3,248.94</u>
		3,012,071.40
Operating profit/(loss)		(1,345,056.73)
Finance Income		0.00
Finance cost		<u>0.00</u>
		0.00
Profit/(loss) before tax		(1,345,056.73)
Business profit tax		<u>0.00</u>
Profit/(loss) after tax		(1,345,056.73)
Attributable to:		
Parent		(1,345,056.73)
Non-controlling interest		0.00
EPS		(2.263)



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STATEMENT OF FINANCIAL POSITION

As at

Notes 31st March 2020

ASSETS

Non-Current Assets

Property plant and equipment		229,950
Investment in Subsidiaries		-
Investment in Associates		-
Investment in joint ventures		-
Available for sales financial Assets		-
Deferred Tax Assets		-
Intangible Assets		-
		229,950

Current Assets

Inventories		-
Trade and other receivables	4	530,905
Cash and cash equivalent		3,220,182
		3,751,087

Total Assets

3,981,037

EQUITY & LIABILITY

Equity and Reserve

Share capital		5,943,530
Share premium		-
General reserve		-
Retained earning		(2,647,280)
		3,296,250.1

Non-Current Liabilities

Loans and borrowing

Current liabilities

Current tax liabilities		-
Derivative financial instrument		-
Trade and other payables	5	684,787
Borrowing		-
		684,787

Total liabilities

684,787

Total equity and liabilities

3,981,037



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STATEMENT OF CASHFLOW

	Notes	Quarter 1 2020
<u>Cash flow from operating activities</u>		
Profit before business profit tax		(1,345,056.73)
Adjustments for:		
Depreciation & amortization		
Interest income		
Interest expenses		
Dividend income		
Provision for impairment of receivables		
Profit on disposal of proper, plant and equipment		
Profit/loss on disposal of investment		
Change in working capital		
Inventories		
Trade and other receivables		(440,905.00)
Trade and other payables		574,300.50
Cash flow from operating activities		(1,211,661.23)
Interest paid		
Business profit tax paid		
Net cash generated from operating activities		
<u>Cash flow from investing activities</u>		
Purchase of Property plant and equipment		(2,200.00)
Loan repayment received from related parties		
Interest received		
Dividend received		
Net cash generated from investing activities		(2,200.00)
<u>Cash flow from financing activities</u>		
Proceeds from borrowing		
Repayment of loan		
Proceeds from share issuance		2,750,000.00
Net payment made from currency SWAP		
Dividend paid to shareholders		
Net cash generated from financing activities		2,750,000.00
Net increase/ decrease in cash and cash equivalent		1,536,138.77
Cash and cash equivalent at beginning of the period		1,684,043.15
Cash and cash equivalent at end of the period		3,220,181.92



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NOTES TO FINANCIAL STATEMENTS

Quarter 1 2020

Note 1: Revenue

Revenue from Operations	
Total Sales	3,544,285.00
Payable to Suppliers	(2,530,708.00)
(a) BCC Revenue	1,013,577.00
(b) Event Management	809,456.64
(c) Contribution from MED for Authentic Maldives	112,046.94
	<u>1,935,080.65</u>

Note 2: Selling and Marketing costs

Land Travel	13,390.00
Sea Travel	11,773.00
Local Travel Expense - Other	180.00
Catalog	2,756.00
Flyers/Brochures/Banner/Posters	2,093.50
Event Management	126,739.87
	<u>156,932.37</u>

Note 3: Administrative Cost

Salaries & Wages	1,604,239.83
Meals and Entertainment	1,897.43
Office Supplies	151,325.97
Rent Expense	262,500.00
Training/Workshop Expense	7,300.00
Repairs and Maintenance	380,258.90
Bank Service Charges	65,607.12
Vehicle repair and maintenance	8,040.99
Retirement Pension scheme	131,082.84
Uniform	14,657.20
Insurance Expense	1,000.00
Furniture & Equipment Fixes	72,974.03
Machinery & Equipment	17,103.40
Airport security pass	848.00
Miscellaneous	9,623.80
Custom charges	3,267.00
Duty Free shop Miscellaneous	63,068.60
Fuel Supplies	300.00
Catering	19,867.05
Cleaning	9,780.00
Garbage Disposal	1,274.00
Electricity	22,073.13



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Telephone	3,427.80
Water	<u>373.00</u>
	2,851,890.09

Note 4: Trade and other receivables

Accounts Receivable - SDFC	105,505.00
Security deposit	<u>425,400.00</u>
	530,905.00

Note 5: Trade and other payables

Authentic Maldives Suppliers	683,125.73
Accounts Payable - Other	<u>1,661.09</u>
	684,786.82



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Approved by:

Signature:

Name	Designation	Signature
Fathmath Fazleena Fakir	Managing Director, BCC	
Lamya Ibrahim	Board Director	
Ahmed Ifthikhar	Board Director	