Report No: FIN-2019-54(E)

04 July 2019

ADDU INTERNATIONAL AIRPORT PRIVATE LIMITED FINANCIAL YEAR 2018

AUDITOR GENERAL'S OFFICE

Contents

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AUDITOR GENERAL'S OFFICE

AUDITOR GENERAL'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF ADDU INTERNATIONAL AIRPORT PRIVATE LIMITED

Qualified Opinion

We have audited the accompanying financial statements of Addu International Airport Private Limited (the "Company"), which comprise the statement of financial position as at 31 December 2018, the statements of comprehensive income, changes in equity and 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 8 to 40.

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 Company as at 31 December 2018 and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

As per Note 13 to the financial statements the net carrying value of property, plant and equipment relating to the airport operation is MVR 575,781,158/- as at 31 December 2018. As per IAS 36 "Impairment of Assets", the Company shall assess as at end of each reporting period whether there is any indication that an asset may be impaired. The Company has been making losses for last few years and recorded as accumulated losses of MVR 305,761,774/- as at 31 December 2018. These factors should have been considered as impairment indications. However, the Company has not performed an impairment assessment to measure the recoverable amount of the property plant and equipment relating to the airport operation as at 31 December 2018. Therefore, we were unable to determine the possible effects on these financial statements as at 31 December 2018.

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Relating to Going Concern

We draw attention to Note 28 to the financial statements. The Company has incurred a loss of MVR 84,500,201/- during the year ended 31 December 2018 and accumulated losses of MVR 305,274,203/- as at 31 December 2018. Further, the Company's Current Liabilities excess its Current assets by MVR 304,677,103/- and total liabilities exceeded its total assets by MVR

7,274,203/- as at 31 December 2018. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors (the "Board") is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Board 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, the Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board 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.

3rd July 2019

Hassan Ziyath
Auditor General

ADDU INTERNATIONAL AIRPORT PRIVATE LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER	Note	2018 MVR	2017 MVR (Restated)*
Revenue	7	52,609,106	44,292,080
Other Operating Income	8	6,258,150	8,703,762
Operating Expenses	9	(109,569,612)	(87,064,079)
Impairment Loss on Trade Receivable	10	(3,550,063)	(9,800,526)
Result from Operating Activities		(54,252,419)	(43,868,763)
Finance Costs	11	(30,247,782)	(34,377,238)
Loss before Tax		(84,500,201)	(78,246,001)
Tax Expense	12	-	-
Loss (Total Comprehensive Income) for the Year		(84,500,201)	(78,246,001)

* Refer Note 27

The figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Company set out on pages 8 to 40. The Reports of the Independent Auditors is given on pages 1 and 3.

ADDU INTERNATIONAL AIRPORT PRIVATE LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER	Note	31/12/2018 MVR	31/12/2017 MVR (Restated)*	1/1/2017 MVR (Restated)*
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	13	575,781,158	590,095,275	606,383,561
Intangible Assets	14	1,219,835	483,798	5,032
Total Non-Current Assets		577,000,993	590,579,073	606,388,593
Current Assets				
Inventories	15	12,539,578	13,537,022	3,093,576
Trade and Other Receivables	16	14,624,865	42,779,353	65,870,127
Cash and Cash Equivalents	17	1,790,887	4,759,222	2,878,801
Total Current Assets		28,955,330	61,075,597	71,842,504
Total Assets		605,956,323	651,654,670	678,231,097
EQUITY AND LIABILITIES				
Equity				
Share Capital	18	298,000,000	283,000,000	266,000,000
Accumulated Losses		(305,274,203)	(218,395,220)	(140,149,219)
Total Equity		(7,274,203)	64,604,780	125,850,781
Non-Current Liabilities				
Loans and Borrowings	19.3	279,598,093	339,736,093	341,109,361
Total Non-Current Liabilities		279,598,093	339,736,093	341,109,361
Current Liabilities				
Loans and Borrowings	19.3	96,134,768	29,713,251	7,694,880
Trade and Other Payables	20	237,497,665	217,600,546	203,576,075
Total Current Liabilities		333,632,433	247,313,797	211,270,955
Total Liabilities		613,230,526	587,049,890	552,380,316
Total Equity and Liabilities		605,956,323	651,654,670	678,231,097

* Refer Note 27

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Company set out on pages 8 to 40. The Reports of the Independent Auditors is given on pages 1 and 3.

These financial statements were aproved by the Board of Directors and signed on its behalf by;

Name of the Director	Signature
Ms. Aishath Zara Nizar	....
Ms. Fathimath Mizna Ali	....

3 July 2019

ADDU INTERNATIONAL AIRPORT PVT LTD
Registration Number: C-0160/2011

AUDITOR GENERAL'S OFFICE

ADDU INTERNATIONAL AIRPORT PRIVATE LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Share Capital MVR	Accumulated Losses MVR	Total Equity MVR
As at 31 December 2016		266,000,000	(137,684,540)	128,315,460
Impact of correction of error in land improvement	27	-	(2,464,679)	(2,464,679)
Restated balance at 31 December 2016		266,000,000	(140,149,219)	125,850,781
Loss (Total Comprehensive Income) for the Year		-	(78,246,001)	(78,246,001)
Transactions with owners of the Company				
Proceeds received for shares issued earlier	18	17,000,000	-	17,000,000
Restated balance as at 31 December 2017		283,000,000	(218,395,220)	64,604,780
Restated balance as at 1 January 2018		283,000,000	(218,395,220)	64,604,780
Adjustment due to Initial Application of IFRS 9 **(Note 3 (b))**		-	(2,378,782)	(2,378,782)
Loss (Total Comprehensive Income) for the Year		-	(84,500,201)	(84,500,201)
Transactions with owners of the Company				
Proceeds received for shares issued earlier	18	15,000,000	-	15,000,000
Balance as at 31 December 2018		298,000,000	(305,274,203)	(7,274,203)

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Company set out on pages 8 to 40.
The Reports of the Independent Auditors is given on pages 1 and 3.

AUDITOR GENERAL'S OFFICE

ADDU INTERNATIONAL AIRPORT PVT LTD

ADDU INTERNATIONAL AIRPORT PRIVATE LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER	Note	2018 MVR	2017 MVR (Restated)*
Cash flows From Operating Activities			
Loss Before Tax		(84,500,201)	(78,246,001)
Adjustments for:			
Depreciation	11	23,659,997	22,256,631
Amortization of intangible asset	12	622,712	26,800
Interest expenses	8	30,247,782	34,377,238
Write off of trade receivable	10	641,954	2,649,452
Impairment loss on trade receivable	10	3,550,063	7,151,074
Impairment loss on other receivable	16.3	13,266,774	-
Cash Flows before Working Capital Changes		(12,510,919)	(11,784,806)
Changes in;			
Inventories		997,444	(10,443,447)
Trade and other receivables		8,316,915	10,631,854
Trade and other payables		19,897,119	16,682,865
Cash generated from Operating Activities		16,700,559	5,086,466
Interest paid	11	(30,247,782)	(34,377,238)
Net cash used in operating activities		(13,547,223)	(29,290,772)
Cash flows from investing activities			
Purchase of Property, Plant and Equipment	11	(9,345,880)	(5,968,344)
Purchase of intangible assets	14	(1,358,749)	(505,566)
Net cash used in investing activities		(10,704,629)	(6,473,910)
Cash flows from financing activities			
Proceeds from issue of share capital	18	15,000,000	17,000,000
Proceeds from loans and borrowings	19.1	-	28,339,983
Repayment of borrowings	19.1	(29,713,251)	(7,694,880)
Proceeds from shareholders loan	19.2	35,996,768	-
Net Cash from operating Activities		21,283,517	37,645,103
Net (Decrease) / Increase in Cash and Cash Equivalents		(2,968,335)	1,880,421
Cash and Cash Equivalents at Beginning of the Year		4,759,222	2,878,801
Cash and Cash Equivalents at End of the Year	17	1,790,887	4,759,222

* Refer Note 27

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Company set out on pages 8 to 40. The Reports of the Independent Auditors is given on pages 1 and 3.

ADDU INTERNATIONAL AIRPORT PRIVATE LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Addu International Airport Private Limited (the "Company") is a Company incorporated and domiciled in the Republic of Maldives since 21 March 2011 as a private limited liability Company under the Companies' Act No. 10 of 1996 with its registered office at Building No. 100 Gan International Airport, Addu City,Republic of Maldives.

The rights, interests, liabilities and ownership of Gan Airport Company Limited were transferred to Addu International Airport Private Limited in accordance with Clause B of the Memorandum of Understanding between Gan Airport Company Limited and Addu International Airport Private Limited dated with effect from 31 March 2013.

The principal activity of the Company is operating the Gan International Airport at Gan Island in Addu City in the Republic of Maldives.

The main objectives of the Company are to develop, manage; operate either on its own or by way of third party engagements, Gan Airport as an International Airport and develop any and all ancillary or related facilities in the same manner together with the airport, and to enter into the business of tourism; to own, develop, manage and operate tourist resorts, city hotels, safari vessels and any other tourist properties or developments.

2. BASIS OF PREPARATION

(a) Statement of Compliance

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

This is first set of financial statements in which IFRS 15 "Revenue from contract with customers" and IFRS 9 "Financial instrument" have been applied. Changes to significant accounting policies are described in the in Note 3.

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

2. BASIS OF PREPARATION (CONTINUED)

(d) Use of Estimates and Judgments (Continued)

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

Information about assumptions and estimation of uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the relevant notes.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Company has initially adopted IFRS 15 - "Revenue from contract with customers" and IFRS 9 – "Financial Instruments" on 1 January 2018. Under the transition method chosen, comparative information has not been restated to reflect the requirements of the new standards. The impact of initially applying these standards are summarized below.

(a) IFRS 15 - Revenue from Contracts with Customers

I IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time – requires judgment.

IFRS 15 did not have a material impact on the balances presented as at 1 January 2018

(b) IFRS 9 – Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 "Financial instruments": Recognition and measurement.

As result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss. Previously, the Company's approach was to include the impairment of trade receivables in sales and marketing expenses. Consequently, the Company recognized impairment losses amounting to MVR 2,378,782/-, under IFRS 9 in the statement of changes in equity as at 1 January 2018.

Additionally, the Company has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9 – Financial Instruments (Continued)

The following table summarizes the impact, net of tax, of transition to IFRS 9 on the opening balance of retained earnings.

	Impact of adopting IFRS 9 as at 1 January 2018 MVR
Retained earnings	
Recognition of expected credit losses under IFRS 9	2,378,782
Impact as at 1 January 2018	**2,378,782**

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

The following table and the accompanying notes below explain the original classification under IAS 39 and the new classification under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018.

Financial assets	Original Classification under IAS 39	New Classification under IFRS 9	Original carrying amount under IAS 39 MVR	New carrying amount under IFRS 9 MVR
Trade and other receivables	Loans and Receivables	Amortised costs	19,625,301	19,501,843
Cash and cash equivalent	Loans and Receivables	Amortised costs	4,697,035	4,697,035
Total financial assets			24,322,336	22,406,584

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial assets and financial liabilities

Financial Liabilities	Original asset classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 MVR	New carrying amount under IFRS 9 MVR
Loans and Borrowings	Other financial liabilities	Other financial liabilities	369,449,344	369,449,344
Trade and other payables	Other financial liabilities	Other financial liabilities	215,876,194	215,876,194
Total financial liabilities			585,325,538	585,325,538

(ii) Impairment of financial assets

a. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets, and debt investments classified as FVOCI but not to the investments in equity instruments. "Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The Company has determined that the application of IFRS 9's impairment requirements at 1st January 2018 results in an additional allowance for impairment is recognized as follows.

Charge	Company MVR
Loss allowance as at 31 December 2017 under IAS 39	**16,388,023**
Additional impairment recognized as at 1 January 2018 on;	
- Trade Receivable	2,255,324
- Amounts Due from Related Parties	123,458
Loss allowance as at 1 January 2018 under IFRS 9	**18,766,805**

Additional information about how the Company measures the allowance for impairment is described in financial instruments and risk management note.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

The Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company except for the changes in accounting policies resulted from the adoption of IFRS 9 from 1 January 2018.

4.1 Foreign Currency Transactions

Transactions in currencies other than Maldives Rufiyaa are translated to Maldives Rufiyaa at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in currencies other than Maldives Rufiyaa are translated to Maldives Rufiyaa at the exchange rate ruling at the reporting date. Foreign exchange differences arising on translations are recognized in profit or loss.

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

4.2 Financial Instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI (fair value through other comprehensive income) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Financial Instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

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

Financial assets – Subsequent measurement and gains and losses Policy applicable from 1 January 2018

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

The Company classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;

Financial assets - Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Held to maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de-recognition is also recognized in profit or loss.

(iii) Derecognition

Financial assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Financial Instruments (Continued)

(iii) Derecognition

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharges or cancelled, or expire. The Company also derecognizes a financial liability when its terms are

modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in profit or loss.

4.3 Impairment

(i) Financial Assets (including receivables) – Policy applicable from 1 January 2018

The Company recognize loss allowance for ECLs (Expected Credit Loss) on financial assets measured at amortized cost.

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

- Debt instruments that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information.

ECLs are probability- weighted estimate of credit losses. Credit losses are measured as the present value of all the cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

Policy applicable before 1 January 2018

(i) Non-derivative financial assets (including receivables)

A financial asset not carried at fair value through profit or loss was assessed at each reporting date to determine whether there is objective evidence that it was impaired. A financial asset was impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Impairment

(i) Non-derivative financial assets (including receivables)

The Company considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables were assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant were collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost was calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

4.4 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Property, Plant and Equipment

(i) Recognition and Measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, 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.

(ii) Subsequent Costs

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized.

Other subsequent expenditure is capitalized only if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Property, Plant and Equipment

(iii) Depreciation

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

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

Land Improvement	Over the lease period
Runway and Island Infrastructure	Over 25 years
Buildings	Over 25 years
Plant and Machinery	Over 10 years
Office Equipment	Over 5 years
Computer Equipment	Over 5 years
Tools and Electrical Equipment	Over 5 years
Furniture and fittings	Over 10 years
Vehicles	Over 10 years

The charge for the deprecation commences from the month subsequent to the month on which the property, plant and equipment is ready for use.

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

4.6 Intangible Assets

(i) Recognition & Measurement

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

(ii) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Intangible Assets (Continued)

(i) Amortization (Continued)

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

Computer software - Over 3 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

4.7 Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

4.8 Provisions

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

4.9 Revenue

Type of product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1st January 2018)	Revenue recognition under IAS 18 (applicable before 1st January 2018)
Sale of Goods	The performance obligation is satisfied when the goods are handed over to customers.	Revenue from the sale of goods is recognized when the Company satisfies its performance obligation towards the customer.	Revenue from the sale of goods is recognized when the significant risks and rewards incidental to the ownership of the goods are transferred to the buyer.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Revenue (Continued)

Type of product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1st January 2018)	Revenue recognition under IAS 18 (applicable before 1st January 2018)
Ground handling charge, Landing fees, Parking fee, Ground power unit charges, Passenger service charge, Airport pass, Cargo handling /terminal income, Monthly Training Income	The performance obligation relating to the rendering of services is satisfied when the services are consumed by the customer.	Revenue from the services rendered is recognized with reference to the tome of services rendered.	Revenue from the services rendered is recognized when the performance obligation relating to the same is satisfied.

4.10 Tax Expense

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

Current tax

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

Deferred tax

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

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

4.11 Finance Costs

Finance cost comprises interest expense on borrowings. Borrowings costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognized in profit or loss using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.13 Operating Expenses

All expenses incurred in the running of the business and in maintaining the capital assets in a state of efficiency has been charged to the profit or loss for the year.

Expenses incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenses.

4.14 Employment Benefit

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

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

5. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i. Receivables

The fair value of receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

ii. Financial liabilities (Non-derivative)

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

6. NEW STANDARDS AND INTERPRATATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019. None of these is expected to have a significant effect on the Financial Statements of the Company.

(i) IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 leases, IFRIC 4 – Determining whether an arrangement contains a lease, SIC 15 – Operating leases incentive and SIC 27 – Evaluating the substance of transactions involving the legal form of a leases with effect from 1 January 2019.

The Company is in the process of assessment of the potential impact and not yet completed the detail assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Company's borrowing interest rate at 1 January 2019 and other relevant factors.

6. NEW STANDARDS AND INTERPRATATIONS NOT YET ADOPTED (CONTINUED)

(ii) OTHER STANDARDS

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- IFRIC 23 - Uncertainty over income tax treatments.
- Amendments to References to Conceptual Framework in IFRS Standards.
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

7 REVENUE

	2018 MVR	2017 MVR
Jet fuel revenue	34,255,454	28,614,128
Ground handling charge	8,662,901	7,621,070
Landing fees	3,595,597	3,492,929
Parking fee	3,079,550	2,736,189
Ground power unit charges	1,402,449	1,512,471
Passenger service charge	750,424	197,764
Airport pass	60,300	63,950
Cargo handling /terminal income	653,242	53,579
Monthly fee on flight training	149,189	-
	52,609,106	44,292,080

8 OTHER INCOME

	2018 MVR	2017 MVR
Rent income	5,434,306	7,632,323
Lounge income	497,645	461,188
Miscellaneous income	254,624	451,690
Electricity charges	71,575	158,561
	6,258,150	8,703,762

9 OPERATING EXPENSES

	2018 MVR	2017 MVR (Restated)
Jet fuel expenses	25,534,264	20,925,570
Employee benefit expense **(Note 9.1)**	30,826,605	29,660,191
Depreciation of propert,Plant and equipment **(Note 13)**	23,659,999	22,256,631
Amortization of intangible assets **(Note 14)**	622,713	26,800
Impairment loss on other receivable **(Note 16.3)**	13,266,774	-
Electricity charges	3,648,852	4,036,989
Supplies and requisites	1,802,150	1,911,931
Subscription expenses	2,101,011	965,994
Consultancy expenses	1,933,137	208,870
Freight and duty charges	759,586	831,619
Repair and maintenance expenses	362,503	490,681
Fuel expenses	425,818	421,681
Telephone expenses	365,841	372,376
Uniform expenses	60,152	319,740
Balance carried forward	105,369,405	82,429,073

9 OPERATING EXPENSES (CONTINUED)

	2018 MVR	2017 MVR (Restated)
Balance carried forward	105,369,405	82,429,073
Insurance expenses	2,646,507	2,790,875
Bank charges	49,985	67,875
Travelling expenses	254,506	391,890
Directors' remuneration **(Note 26.4)**	401,710	360,000
Printing & stationery	133,926	189,841
Fines and penalties	77	119,729
Others	713,496	714,796
	109,569,612	87,064,079

9.1 Employee benefit expense

	2018 MVR	2017 MVR (Restated)
Wages and salaries	15,872,731	14,162,685
Allowances	13,416,340	13,173,922
Training expenses	133,540	966,851
Pension contribution	1,113,752	993,973
Staff insurance	290,242	362,760
	30,826,605	29,660,191

10 IMPAIRMENT LOSS ON TRADE RECEIVABLE

	2018 MVR	2017 MVR (Restated)
Write off of trade receivable	641,954	2,649,452
Impairment loss on trade receivable **(Note 16.1)**	2,904,073	7,151,074
Impairment loss on relatd party receivables **(Note 16.2)**	4,036	-
	3,550,063	9,800,526

11 FINANCE COSTS

	2018 MVR	2017 MVR
Finance costs	30,247,782	34,377,238

FOR THE YEAR ENDED 31 DECEMBER 2018

12 TAX EXPENSE

	2018 MVR	2017 MVR (Restated)
Current Tax Expense (**Note 12.1**)	-	-
Deferred Tax Asset (**Note 12.3**)	-	-
	-	-

In accordance with the provisions of the Business Profit Tax Act No. 5 of 2011, the relevant regulations and subsequent amendments thereto, the Company is liable for income tax on its taxable profits at the rate of 15%. However, no tax provision has been recognized since the Company has incurred tax loss for the year.

12.1 Reconciliation between Accounting profit and Taxable profit

	2018 MVR	2017 MVR (Restated)
Loss Before Tax	(84,500,201)	(78,246,001)
Aggregate Disallowable Items	73,166,425	67,372,439
Aggregate Allowable Items	(57,732,249)	(54,087,172)
Tax Free Allowance	-	
Total Taxable Loss	(69,066,025)	(64,960,734)
Business Profit Tax @ 15%	-	-

12.2 Accumulated Tax Losses

	31/12/2018 MVR	31/12/2017 MVR (Restated)	1/1/2017 MVR (Restated)
Opening Balance	185,871,686	120,910,952	81,678,445
Loss for the Year	69,066,025	64,960,734	39,232,507
Closing Balance	254,937,711	185,871,686	120,910,952

12 TAX EXPENSE (CONTINUED)

12.3 Unrecognised Deferred Tax Assets

	31/12/2018 MVR	31/12/2017 MVR (Restated)	1/1/2017 MVR (Restated)
Deferred Tax Assets (**Note 12.4**)	43,481,910	30,358,081	19,567,668
Deferred Tax Liabilities (**Note 12.4**)	(831,889)	(971,121)	(371,779)
	42,650,021	29,386,960	19,195,889

The above net deferred tax assets are not recognized since the management is not certain whether the Company will have sufficient taxable profits in the future against which these benefits could be claimed.

12.4 Deferred tax assets / (liability) are attributable to the followings;

	31/12/2018		31/12/2017		1/1/2017	
	Temporary Difference MVR	Tax Effect MVR	Temporary Difference MVR (Restated)	Tax Effect MVR (Restated)	Temporary Difference MVR (Restated)	Tax Effect MVR (Restated)
Deferred tax assets						
Impairment loss on trade receivable	21,674,914	3,251,237	16,515,517	2,477,328	9,540,166	1,431,025
Accumulated tax losses	254,937,711	38,240,657	185,871,686	27,880,753	120,910,952	18,136,643
Impairment loss on other receivable	13,266,774	1,990,016	-	-	-	-
	289,879,399	43,481,910	202,387,203	30,358,081	130,451,118	19,567,668
Deferred tax liablity						
Property, plant and equipment	(5,400,466)	(810,070)	(6,329,917)	(949,488)	(2,478,529)	(371,779)
Intangible assets	(145,463)	(21,819)	(144,221)	(21,633)	-	-
	(5,545,929)	(831,889)	(6,474,138)	(971,121)	(2,478,529)	(371,779)

13 PROPERTY, PLANT AND EQUIPMENT

	Land Imporovement MVR	Runway and Island Infrastructure MVR	Buildings MVR	Plant and machinery MVR	Office equipment MVR	Computer equipment MVR	Tools and electrical equipment MVR	Furniture and fittings MVR	Vehicles MVR	Total 31/12/2018 MVR	Total 31/12/2017 MVR (Restated)	Total 31/12/2016 MVR (Restated)*
Cost												
Opening balance	245,956,105	343,348,409	15,705,912	3,823,159	175,839	1,333,373	1,384,647	7,145,580	16,432,469	635,305,493	625,470,181	41,947,087
Additions during the year	-	-	-	28,545	73,277	6,238,021	5,620	86,037	2,914,380	9,345,880	1,358,823	2,695,069
Transferred from CWIP	-	-	-	-	-	-	-	-	-	-	8,476,489	580,828,025
Closing balance	245,956,105	343,348,409	15,705,912	3,851,704	249,116	7,571,394	1,390,267	7,231,617	19,346,849	644,651,373	635,305,493	625,470,181
Accumulated Depreciation												
Opening balance	7,380,569	21,643,757	3,127,170	1,096,951	83,931	878,308	862,793	3,145,088	6,991,653	45,210,218	22,953,587	8,925,951
Additions during the year	4,915,890	13,733,937	628,237	385,119	28,417	1,387,465	143,240	719,390	1,718,302	23,659,997	22,256,631	14,027,636
Closing balance	12,296,459	35,377,694	3,755,407	1,482,070	112,348	2,265,773	1,006,033	3,864,478	8,709,955	68,870,215	45,210,218	22,953,587
Net Carrying Value												
As at 31 December 2018	233,659,646	307,970,715	11,950,505	2,369,634	136,768	5,305,621	384,234	3,367,139	10,636,894	575,781,158		
As at 31 December 2017	238,575,536	321,704,652	12,578,742	2,726,208	91,908	455,065	521,854	4,000,492	9,440,816		590,095,275	
As at 31 December 2016	243,491,426	326,853,744	13,206,980	2,721,793	27,830	430,002	186,823	4,513,932	11,084,063			602,516,593
Capital Work In Progress (Note 13.1)												3,866,968
												606,383,561

13.1 Capital Work In Progress (CWIP)

	31/12/2018 MVR	31/12/2017 MVR	31/12/2016 MVR
Opening balance	-	3,866,968	494,794,111
Additions during the year	-	4,609,521	89,900,882
Capitalized during the year	-	(8,476,489)	(580,828,025)
Closing balance	-	-	3,866,968

The capital work in progress represents the cost incurred for the Gan International Airport upgrade project.

* Refer Note 27

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The buildings and certain other fixed assets are erected on land leased to the Company from the Gan Airport Company Limited for 50 years in accordance with Addendum to Memorandum of Agreement between Ministry of Finance and Treasury and Gan Airport Company Limited dated 21 July 2011. The Company operates from premises leased out by Gan Airport Company Limited, for a nominal fee of MVR 100 which was paid. The rights, interests, liabilities and ownership from Gan Airport Company Limited were transferred to Addu International Airport in accordance with Clause B of Memorandum of Understanding between Gan Airport Company Limited and Addu International Airport Private Limited dated 1 February 2012. The lease of the Airport island is for a period of 50 years commencing from 21 July 2011.

14 INTANGIBLE ASSETS

	31/12/2018 MVR	31/12/2017 MVR
Cost		
Opening Balance	553,673	48,107
Additions during the Year	1,358,749	505,566
Closing balance	1,912,422	553,673
Accumulated Amortization		
Opening Balance	69,875	43,075
Amortized during the Year	622,712	26,800
Closing balance	692,587	69,875
Net Carrying Value	1,219,835	483,798

The purchase cost of accounting software has been recognized as an intangible asset and amortized over a period of three years.

15 INVENTORIES

	31/12/2018 MVR	31/12/2017 MVR
Jet fuel	11,411,244	12,223,432
Spares and others	1,128,334	1,313,590
	12,539,578	13,537,022

ADDU INTERNATIONAL AIRPORT PRIVATE LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

16	TRADE AND OTHER RECEIVABLES	31/12/2018 MVR	31/12/2017 MVR
	Financial assets		
	Trade receivables	23,076,456	22,094,549
	Less: Impairment loss on trade receivable **(Note 16.1)**	(21,522,310)	(16,362,913)
		1,554,146	5,731,636
	Receivables from related parties **(Note 16.2)**	7,366,014	13,918,775
	Less : Impairment loss on amount due from related parties **(Note 16.2)**	(152,604)	(25,110)
		8,767,556	19,625,301
	Non-financial assets		
	Prepayments	1,093,175	4,126,281
	Other receivables	18,030,908	19,027,771
		19,124,083	23,154,052
	Less: Impairment loss on other receivable (**Note 16.3**)	(13,266,774)	-
		5,857,309	23,154,052
		14,624,865	42,779,353

16.1	**Impairment loss on trade receivables**		
	Opening Balance	16,362,913	9,582,118
	Adjustment due to Initial Application of IFRS 9	2,255,324	-
	Provision made during the year	2,904,073	7,151,074
	Write off during the Year		(370,279)
	Closing Balance	21,522,310	16,362,913
16.2	**Impairment loss on amount due from related parties**		
	Opening Balance	25,110	25,110
	Adjustment due to Initial Application of IFRS 9	123,458	-
	Provision made during the year	4,036	-
	Closing Balance	152,604	25,110
16.3	**Impairment loss on other receivable**		
	Provision made during the year	13,266,774	-
	Closing Balance	13,266,774	-

FOR THE YEAR ENDED 31 DECEMBER 2018

17 CASH AND CASH EQUIVALENTS	31/12/2018 MVR	31/12/2017 MVR
Cash in Hand	110,931	62,187
Balances with Banks	1,679,956	4,697,035
	1,790,887	4,759,222

18 SHARE CAPITAL

Authorized Share Capital

Authorized Share Capital comprises of 400,000/-(2017 : 400,000) ordinary shares of MVR.1,000/- each.

Issued Share capital

Issued and fully paid share capital comprises of 298,000 (2017 : 283,000) ordinary shares of MVR. 1,000/- each. Company has received proceeds amounting to MVR 15,000,000/-for shares issued earlier for the year ended 31 December 2018 . (2017 : 17,000,000)

Dividends and Voting Rights

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company. The Company has not declared any dividend for the year ended 31 December 2018 (2017: Nil).

19 LOANS AND BORROWINGS	31/12/2018 MVR	31/12/2017 MVR
Bank of Maldives Plc loan **(Note 19.1)**	339,736,093	369,449,344
Shareholders Loan **(Note 19.2)**	35,996,768	-
	375,732,861	369,449,344

19.1 Bank of Maldives Plc loan	31/12/2018 MVR	31/12/2017 MVR
Opening Balance	369,449,344	348,804,241
Proceeds from loans and borrowings	-	28,339,983
Repayment of borrowings	(29,713,251)	(7,694,880)
Closing Balance	339,736,093	369,449,344

19 LOANS AND BORROWINGS (CONTINUED)

19.1 Bank of Maldives Plc loan (Continued)

The Company has obtained a loan facility from Bank of Maldives Plc, amounting to US$ 7,069,800/- on 12 December 2013 for the purpose of issue standby letter of credit favoring Gulf Cobla Tennssor Maldives Private Limited to guarantee payment against the Gan International Airport Development Project phase I with the option to convert to a Demand Loan. This option has executed on 23 October 2014 by the existing combined standby letter of credit cum demand loan limit has been converted to a demand loan and enhanced the loan amount up to USD 16,000,000 to finance the Gan International Airport Development Project on 23 October 2014. Further, this demand Loan has enhanced upto USD 24,470,000 on 7 April 2015. As per the new saction letter dated on 7 April 2015, the loan carries an interest rate of 0.5% per annum above Bank of Maldives PLC base rate charged monthly. Base rate is 8.0% per annum for the USD at the time of the latest sanction letter and it is subject to change. Demand Loan is repayable monthly installments of US$ 327,100 from January 2017 after grace period of 36 Months. The Company has mortgaged the fixed and floating charge over the assets at Gan International Airport, Gan, Addu Atoll, Maldives including all improvements, developments, installations, equipment, machinery, fixtures and fittings (both movable and immovable). Further, loan is secured by the guarantees of the Government of Maldives for the full loan amount or to cover 70% of the loan amount (equivalent to shareholding percentage) and Corporate Guarantee of Kasa Holdings Private Limited to cover 30% of the loan amount (equivalent to shareholding percentage).

19.2 Shareholders loan

	31/12/2018 MVR	31/12/2017 MVR
Proceeds from loans and borrowings	35,996,768	-
Closing Balance	35,996,768	-

The Compnay has obtained a loan from Shareholder amounting to MVR 35,996,768/- during the year ended 31 December 2018. These loan is interest free and payable on demand. Hense, this classified under the Current liabilities.

19.3 Non-current liabilities

	31/12/2018 MVR	31/12/2017 MVR
Bank of Maldives Plc loan	279,598,093	339,736,093
Current liabilities		
Bank of Maldives Plc loan	60,138,000	29,713,251
Shareholders Loan	35,996,768	-
	96,134,768	29,713,251
Total Loans and borrowings	375,732,861	369,449,344

19 LOANS AND BORROWINGS (CONTINUED)

19.3 Non-current liabilities (Continued)

The repayment of non-current liabilities are scheduled as follows;

More than one year, less than two years	60,138,000	60,138,000
More than two years, less than three years	60,138,000	60,138,000
More than three years, less than four years	60,138,000	60,138,000
More than four years	99,184,093	159,322,093
	279,598,093	339,736,093

20 TRADE AND OTHER PAYABLES

	31/12/2018 MVR	31/12/2017 MVR
Trade payables	10,133,310	1,554,185
Contractor Payable	1,511,697	7,383,016
Customer Deposits	2,850,273	3,086,665
Redundancy benefit payable	960,366	960,366
Accrued expenses	1,242,316	472,328
Other payables	5,236,064	5,575,086
Amount due to related parties (**Note 20.1**)	215,563,639	198,568,900
	237,497,665	217,600,546

20.1 Amount due to related parties

State Trading Organisation PLC	214,726,179	195,739,589
Island Aviation Services Private Limited	675,617	737,969
Maldives Airports Company Private Limited	98,935	98,040
Maldives Airports Company	52,216	-
Hithadhoo Port Private Limited	7,670	3,439
Hithadhoo Regional Hospital	2,230	-
Maldives Post Limited	752	-
Bank of Maldives PLC	40	-
Fenaka Corporation Limited	-	302,122
Fuel Supplies Maldives Private Limited	-	1,532,020
Southern Utilities Limited	-	154,000
Other Government entities	-	1,721
	215,563,639	198,568,900

FOR THE YEAR ENDED 31 DECEMBER 2018

21 COMMITMENT

21.1 Capital Commitment

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

21.2 Operating lease commitments	31/12/2018 MVR	31/12/2017 MVR
Less than 1 year	520,888	513,178
2 to 5 years	1,641,767	2,083,550
More than 5 years	-	79,105
	2,162,655	2,675,833

21 CONTINGENT LIABILITIES

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

22 EVENTS AFTER THE REPORTING DATE

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

23 COMPARATIVE FIGURES

Comparative figures of the financial statements have been reclassified wherever appropriate to conform with current year's presentation.

24 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Risk Management Framework

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

(i) Credit Risk

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

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

	Carrying Amount	
	31/12/2018 MVR	31/12/2017 MVR
Trade and Other Receivables	1,554,146	5,731,636
Amount Due From Related Parties	7,213,410	13,893,665
Cash at Bank	1,679,956	4,697,035
	10,447,512	24,322,336

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no concentration of credit risk geographically.

Comparative information under IAS 39

An analysis of the Trade receivables of not past due and past due together with the related impairment amounts of each as at 31 December 2017 is as follows;

Impairment losses	31/12/2017	
	Gross US$	Impairment US$
The aging of trade and related party receivables at the reporting date was:		
Not past due or Past due 1-30 days	3,134,876	-
Past due 31-120 days	896,565	-
Past due 121-180 days	12,624	-
Past due 181-365 days	4,086,422	-
Past due more than 365 days	27,882,837	16,388,023
	36,013,324	16,388,023

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(i) Credit Risk (Continued)

The Company believes that the outstanding amounts are still collectible, based on historic payment behavior. Based on historic default rates, the Company believes that no provision for impairment is necessary in respect of trade and other receivables.

Expected Credit loss assessment for the customers as at 1 January 2018 and 31 December 2018

Exposures within each credit risk grades are segmented by the type of the customers.

The Company uses an allowance Matrix to measure the ECLs of trade receivables from its customers in government and corporate segments.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately based on the type of the customer.

Non government

The following table provides information about the exposure to credit risk and ECLs for trade receivables for non government customers segment as at 31 December 2018 for the Company.

	Weighted average loss rate	Gross carrying amount MVR	Loss allowance MVR	Credit Impaired
Not past due or Past due 1-30 d	34%	2,089,041	701,904	No
Past due 31-120 days	58%	363,179	212,450	Yes
Past due 121-180 days	83%	98,287	82,007	Yes
Past due more than 181 days	100%	20,525,949	20,525,949	Yes
		23,076,456	21,522,310	

Loss rates are based on actual credit loss experience over past four years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables. Scalar factors are based on GDP forecast.

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(i) Credit Risk (Continued)

Expected credit loss assessment for individual specific corporate customers as at 31 December 2018

Special credit customers which are aged for a period of more than 12 months are assessed for specific impairment.

The Company has not recognized any specific incremental impairment for the year.(1 January 2018: Nil).

Government Segment

The following table provides information about the exposure to credit risk and ECLs for trade receivables for government customers segment as at 31 December 2018 for the Company.

	Weighted average loss rate	Gross carrying amount MVR	Loss allowance MVR	Credit Impaired
Not past due or Past due 1-30 days	0%	2,798,990	-	No
Past due 31-120 days	0%	2,273,710	-	No
Past due 121-180 days	0%	628,962	-	No
Past due more than 181 days	9%	1,664,352	152,604	Yes
		7,366,014	152,604	

Loss rates are based on actual credit loss experience over past four years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables. Scalar factors are based on GDP forecast.

Government customers which are aged for a period of more than 12 months are assessed for specific impairment.

The Company has recognized an specific incremental impairment of MVR 29,146 as at 31 December 2018 (1 January 2018: 123,458).

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(i) Credit Risk (Continued)

Cash and cash equivalent

The Company held Cash at Bank Balance of MVR 1,679,956/- as at 31 December 2018 (2017 - MVR 4,697,035/-). On the initial application of IFRS 9, the Company has no significant impact on cash and cash equivalent balances as at 1 January 2018.

On initial application of IFRS 9, the Company did not have a significant impact on impairment allowance on cash and cash equivalents as at 1 January 2018.

(ii) Liquidity Risk

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

31 December 2018	Carrying Amount MVR	0-12 Months MVR	1-2 Years MVR	2-5 Years MVR
Financial Liabilities				
Loans and borrowings	375,732,861	96,134,768	60,138,000	219,460,093
Trade and other payables	237,497,665	237,497,665	-	-
	613,230,526	333,632,433	60,138,000	219,460,093

31 December 2017	Carrying Amount US$	0-12 Months US$	1-2 Years US$	2-5 Years US$
Financial Liabilities				
Loans and borrowings	369,449,344	29,713,251	60,138,000	279,598,093
Trade and other payables	217,600,546	217,600,546	-	-
	587,049,890	247,313,797	60,138,000	279,598,093

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

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income. 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

Profile

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying Amount	
	31/12/2018 US$	31/12/2017 US$
Fixed rate instruments	339,736,093	369,449,344
Loans and borrowings	339,736,093	369,449,344

A change of 100 basis point in interest rates would have increased or decreased profit for the year ended 31 December 2018 by MVR 302,478/- (2017 : MVR 343,772/-). This analysis assumes that all the other variables remain constant.

(b) Currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	31/12/2018 USD	31/12/2017 USD
Cash and cash equivalents	88,150	240,100
Trade and other receivables	280,142	151,102
Trade and other payables	367,198	-
Loans and borrowings	24,366,593	23,959,101
	25,102,083	24,350,303

The following significant exchange rate applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2018	2017	31/12/2018	31/12/2017
1 US$: MVR	15.42	15.42	15.42	15.42

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iii) Market risk (Continued)

(b) Currency Risk (Continued)

In respect of the monetary assets and liabilities denominated in MVR, the Company has limited currency risk exposure on such balances since the Maldivian Rufiyaa is pledged to the US Dollar within a band to fluctuate within ± 20% of the mid-point of exchange rate.

(iv) Capital management

The Board of Directors monitors the return on capital and the level of dividends to ordinary share holders.

26 RELATED PARTY TRANSACTIONS

The Government of Maldives holds 50% of the ordinary shares of the Company, and has significant interest in the voting power of Kasa Holding Limited, State Trading Organization Plc (STO) and Maldives Airport Company Limited (MACL).

26.1 (i) Transactions

The following transactions were carried out, on commercial terms and conditions, with related parties:

	2018 MVR	2017 MVR
Loan Received	35,996,768	-
Sale of jet fuel	13,897,638	19,166,761
Ground handling charges	5,909,510	6,469,890
Landing charges	2,492,905	3,217,697
Rent charges, vip lounge, sale of airport passes, electricity charges income	1,379,460	1,842,108
Parking fees	862,608	864,291
Ground power unit charges	749,720	1,502,062
Cargo handling	21,406	-
Terminal warehouse charge	19,493	2,549
Fuel purchase	4,214,685	-
Jet fuel purchases	23,756,708	30,325,302
Other purchases	1,690,040	1,978,019
	90,990,941	65,368,679

26.2 Receivables from related parties

	31/12/2018 MVR	31/12/2017 MVR
Island Aviation Service Private Limited	7,219,024	3,819,108
Other related Parties	146,990	10,099,667
	7,366,014	13,918,775

26 RELATED PARTY TRANSACTIONS (CONTINUED)

26.3 Payables to related parties	**31/12/2018 MVR**	**31/12/2017 MVR**
Fuel Purchases	214,726,179	197,573,731
Others goods and services purchased	837,460	995,169
	215,563,639	198,568,900

26.4 Transactions with the Key Management Personnel

Board of Directors of the Company are the members of the key management personnel of the Company. The Company has paid MVR. 401,710/- as remuneration to the key management personnel during the year ended 31 December 2018 (2017:MVR 360,000/-).

26.5 Collectively, but not individually, significant transactions

The Government of Maldives is the major shareholder of the parent company. The Company has transactions with entities directly or indirectly controlled by the Government of Maldives through its authorities, agencies, affiliations and other organizations, collectively referred to as government entities. The Company has transactions with other government related entities including but not limited to sales, purchases, rendering of services, lease of assets and use of public utilities.

27 RESTATEMENT OF COMPARATIVE INFORMATION

As per IAS 16 "Property, Plant and Equipment" land improvement on leasehold land should be depreciated over the shorter of the lease term and its useful life. However, the Company has not depreciated land imporvement over the period shorter of remaining lease period or useful lives of assets. Accordingly, this error has now been corrected retrospectively in accordance with International Accounting Standard 8, "Accounting Policies, changes in Accounting Estimates and Errors". The effect of the restatement of the balances referred to above is summarized below;

27.1 Statement of Financial Position

	Impact of correction of error		
1 January 2017	**As previously reported MVR**	**Adjustments MVR**	**Restated Balance MVR**
Property, Plant and Equipment	608,848,240	(2,464,679)	606,383,561
Total assets	680,695,776	(2,464,679)	678,231,097
Accumulated Losses	(137,684,540)	(2,464,679)	(140,149,219)
Total equity	128,315,460	(2,464,679)	125,850,781

27 RESTATEMENT OF COMPARATIVE INFORMATION (CONTINUED)

27.1 Statement of Financial Position (Continued)

31 December 2017	Impact of correction of error		
	As previously reported MVR	Adjustments MVR	Restated Balance MVR
Property, Plant and Equipment	597,475,843	(7,380,569)	590,095,275
Total assets	661,693,634	(7,380,569)	651,654,670
Accumulated Losses	(211,014,650)	(7,380,569)	(218,395,220)
Total equity	71,983,350	(7,380,569)	64,602,781

Statement of Comprehensive Income

27.2 For the year ended 31 December 2017

For the year ended 31 December 2017	Impact of correction of error		
	As previously reported 2017 MVR	Adjustments MVR	Restated Balance 2017 MVR
Operating Expenses	57,302,408	4,915,890	87,064,079
Loss for the Year	(73,330,110)	(4,915,890)	(78,246,001)

There is no material impact on the total operating, investing or financing cash flows for the year ended 31 December 2017.

28 GOING CONCERN

The Company has incurred a loss of MVR 84,500,201/- during the year ended 31 December 2018 and accumulated losses of MVR 305,274,203/- as at 31 December 2018. Further, the Company's Current Liabilities excess its Current assets by MVR 304,677,103/- and total liabilities exceeded its total assets by MVR 7,274,203/- as at 31 December 2018. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. However, the shareholders of the Company have confirmed by the letter that they will continue to provide financial support to the Company to enable it to meet its obligations as they fall due.

Ghaazee Building, Ameeru Ahmed Magu
Male', Republic of Maldives
Tel: +960 332 3939
Email: info@audit.gov.mv
www.audit.gov.mv