Report No: FIN-2021-10(E)

28 January 2021

ISLAND AVIATION SERVICES LIMITED

FINANCIAL YEAR 2018

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AUDITOR GENERAL'S OFFICE

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AUDITOR GENERAL'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF ISLAND AVIATION SERVICES LIMITED AND ITS SUBSIDIARIES

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Island Aviation Services Limited (the "Company") and consolidated financial statements of the Company and its subsidiary (the "Group"), which comprise the statement of financial position as at 31 December 2018 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 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Company

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Group

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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/Group in accordance with the International Ethics Standards Board for Accountants' International 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 opinion.
This report is made solely to the Group's shareholders, as a body, in accordance with section 71 of the Companies Act No.10 of 1996. Our audit work has been undertaken so that we might state to the Group's shareholders those matters we required to state to them in an auditor's report and for no other purpose. Therefore, we do not accept or assume responsibility to anyone other than the Group's shareholders, for our audit work, for this report, or for the opinion's we have formed.

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 management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Board is responsible for

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assessing the Company's/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 the Board either intends to liquidate the Company/Group or to cease operations, or has no realistic alternative but to do so. The Board of Directors is 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 consolidated 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/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 Company's/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 Company/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 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.

28th January 2021

Hassan Ziyath
Auditor General

ISLAND AVIATION SERVICES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	MVR	MVR	MVR	MVR
Revenue	6	2,225,550,458	2,029,327,726	2,185,263,530	2,029,327,726
Expenditure					
Aircraft fuel cost		(544,411,992)	(406,319,413)	(544,411,992)	(406,319,413)
Employee cost		(388,537,925)	(316,284,473)	(375,078,960)	(316,284,473)
Airport, enrout and passenger cost		(351,509,728)	(325,336,099)	(351,509,728)	(325,336,099)
Rentals on lease aircraft		(138,583,426)	(156,980,971)	(138,583,426)	(156,980,971)
Aircraft maintenance and overhaul cost		(259,480,091)	(247,894,051)	(259,480,091)	(247,894,051)
Depreciation and amortisations		(133,851,569)	(133,408,728)	(132,887,096)	(133,408,728)
Selling, marketing and advertisings expense		(38,195,687)	(32,575,912)	(35,732,106)	(32,575,912)
Crew expense		(7,319,455)	(6,127,068)	(7,319,455)	(6,127,068)
Other operating expense		(226,368,683)	(198,922,862)	(210,908,390)	(198,922,862)
Operating profit		**137,291,902**	**205,478,149**	**129,352,286**	**205,478,149**
Other income	7	4,055,719	4,313,143	717,285	4,313,143
Finance Income	8	4,859,864	518,379	4,389,230	518,379
Finance cost	8	(32,272,914)	(21,733,577)	(31,690,303)	(21,733,577)
Profit before taxation		**113,934,571**	**188,576,094**	**102,768,498**	**188,576,094**
Business profit tax expense	10	(15,212,341)	(32,820,487)	(13,559,622)	(32,820,487)
Profit for the year		**98,722,230**	**155,755,607**	**89,208,876**	**155,755,607**

*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 7 to 37. The Report of the Independent Auditors is given on pages 1 and 2.

ISLAND AVIATION SERVICES LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

		Group		Company	
		2018	2017	2018	2017
ASSETS	**Note**	**MVR**	**MVR**	**MVR**	**MVR**
Non-Current Assets					
Property, Plant and Equipment	11	983,759,184	854,269,056	955,464,336	854,269,056
Investment property	12	18,359,163	-	-	-
Investment in Subsidiary		-	-	-	-
Intangible Assets	13	1,706,259	61,431	852,214	61,431
Rotable Spares	14	565,294,958	482,161,434	565,294,958	482,161,434
Deferred Tax Assets	10	42,442,808	27,735,452	42,442,808	27,735,452
Total Non-Current Assets		1,611,562,372	1,364,227,373	1,564,054,316	1,364,227,373
Current Assets					
Inventories	17	83,827,841	85,740,315	83,046,574	85,740,315
Trade and Other Receivables	18	856,364,557	444,861,581	772,339,617	444,861,581
Amount Due from Related Party	19	93,046,836	153,287,461	93,046,836	153,287,461
Financial assets held to maturity	20	16,144,233	-	-	-
Cash and Cash Equivalents	21	77,871,739	64,240,031	22,809,258	64,240,031
Total Current Assets		**1,127,255,206**	**748,129,388**	**971,242,285**	**748,129,388**
Total Assets		**2,738,817,578**	**2,112,356,761**	**2,535,296,601**	**2,112,356,761**
EQUITY AND LIABILITIES					
Equity					
Share Capital	22	100,000,000	100,000,000	100,000,000	100,000,000
General Reserve	23	266,767,903	220,041,221	266,767,903	220,041,221
Retained Earnings		584,052,178	513,369,386	527,974,559	513,369,386
Attributable to the Parent company		950,820,081	833,410,607	894,742,462	833,410,607
Non-controlling Interest		413	-	-	-
Total Equity		**950,820,494**	**833,410,607**	**894,742,462**	**833,410,607**
Non-Current Liabilities					
Loan from Shareholder	24	122,516,719	122,516,719	122,516,719	122,516,719
Loans and Borrowings	25	229,727,309	241,670,656	229,727,309	241,670,656
Deferred tax liability		28,605,394	5,143,162	28,342,966	5,143,162
Total Non-Current Liabilities		**380,849,422**	**369,330,537**	**380,586,994**	**369,330,537**
Current Liabilities					
Loan from Shareholder	24	18,078,022	14,157,487	18,078,022	14,157,487
Loans and Borrowings	25	73,072,235	60,543,544	73,072,235	60,543,544
Trade and Other Payables	27	1,278,124,071	778,336,553	1,134,915,585	778,336,553
Current Tax Liabilities		(1,137,299)	14,246,701	(5,109,330)	14,246,701
Bank Overdraft	28	39,010,633	42,331,332	39,010,633	42,331,332
Total Current Liabilities		**1,407,147,662**	**909,615,617**	**1,259,967,145**	**909,615,617**
Total Liabilities		**1,787,997,084**	**1,278,946,154**	**1,640,554,139**	**1,278,946,154**
Total Equity and Liabilities		**2,738,817,578**	**2,112,356,761**	**2,535,296,601**	**2,112,356,761**

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 7 to 37. The Report of the Independent Auditors is given on pages 1 and 2.

These Financial Statements were approved by the Board of Directors and signed on its behalf by;

Name of the Director **Signature**

AHMED SHAMHEED

MOHAMED MIHAD

25 January 2021
Male'

AUDITOR GENERAL'S OFFICE

Island Aviation Services Limited
Rep. of Maldives

ISLAND AVIATION SERVICES LIMITED
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2018

Group	Attributable to the Owners of the Company				Non-controlling interest	Total Equity
	Share Capital MVR	General Reserve MVR	Retained Earnings MVR	Total MVR	MVR	MVR
As at 1st January 2017	100,000,000	167,453,824	430,201,176	697,655,000	-	697,655,000
Profit for the year	-	-	155,755,607	155,755,607	-	155,755,607
Transactions Directly Recognized in Equity				-	-	-
Transferred During the Year **(Note 23)**	-	52,587,397	(52,587,397)	-	-	-
Transactions with the Owners of the Company				-	-	-
Dividend Declared during the year **(Note 22.3)**	-	-	(20,000,000)	(20,000,000)	-	(20,000,000)
As at 31st December 2017	**100,000,000**	**220,041,221**	**513,369,386**	**833,410,607**	**-**	**833,410,607**
As at 1st January 2018	100,000,000	220,041,221	513,369,386	833,410,607	-	833,410,607
Profit for the year		-	98,722,167	98,722,167	413	98,722,580
Gain on bargain purchase			52,197,005	52,197,005		52,197,005
Transactions Directly Recognized in Equity				-		-
Transferred During the Year **(Note 23)**	-	46,726,682	(46,726,682)	-		-
Changes on initial application of IFRS 9	-	-	(17,950,819)	(17,950,819)		(17,950,819)
Transactions with the Owners of the Company				-		-
Dividend Declared during theyear **(Note 22.3)**	-	-	(15,558,879)	(15,558,879)		(15,558,879)
As at 31st December 2018	**100,000,000**	**266,767,903**	**584,052,178**	**950,820,081**	**413**	**950,820,494**

Company	Share Capital MVR	General Reserve MVR	Retained Earnings MVR	Total MVR
As at 1st January 2017	100,000,000	167,453,824	430,201,176	697,655,000
Profit for the year	-	-	155,755,607	155,755,607
Transactions Directly Recognized in Equity				
Transferred During the Year **(Note 23)**	-	52,587,397	(52,587,397)	-
Transactions with the Owners of the Company				
Dividend Declared during the year **(Note 22.3)**	-	-	(20,000,000)	(20,000,000)
As at 31st December 2017	**100,000,000**	**220,041,221**	**513,369,386**	**833,410,607**
As at 1st January 2018	100,000,000	220,041,221	513,369,386	833,410,607
Profit for the year	-	-	89,208,876	89,208,876
Transactions Directly Recognized in Equity				
Transferred During the Year **(Note 23)**	-	46,726,682	(46,726,682)	-
Changes on initial application of IFRS 9	-	-	(17,877,021)	(17,877,021)
Transactions with the Owners of the Company				
Dividend Declared during theyear **(Note 22.3)**	-	-	(10,000,000)	(10,000,000)
As at 31st December 2018	**100,000,000**	**266,767,903**	**527,974,559**	**894,742,462**

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 7 to 37. The Report of the Independent Auditors is given on pages 1 and 2.

AUDITOR GENERAL'S OFFICE

Island Aviation Services Limited
Rep. of Maldives

ISLAND AVIATION SERVICES LIMITED
STATEMENT OF CASH FLOWS
Year ended 31 December 2018

		Group		Company	
		2018	**2017**	**2018**	**2017**
	Note	**MVR**	**MVR**	**MVR**	**MVR**
Cash Flows from Operating Activities					
Profit Before Tax		113,934,571	188,576,094	102,768,498	188,576,094
Adjustments for:		-			
Depreciation on Property, Plant and Equipment	**11**	87,745,637	85,002,506	87,047,472	85,002,506
Depreciation on Investment Property		261,206	-	-	-
Amortization of Intangible Assets	**13**	10,376	41,134	5,269	41,134
Depreciation on Rotable Spares	**14.2**	45,834,355	48,374,055	45,834,355	48,374,055
Provision of Impairment Loss on Trade Receivables	**18.1**	(15,337,586)	26,945,474	(15,337,586)	26,945,474
Provision of Impairment Loss on Other receivables	**18.2**	2,185,051	-	-	-
Disposal loss of Property, Plant and Equipment		21,217	278,694	21,217	278,694
Inventory Write-back during the year		17,925	(33,986,585)	-	(33,986,585)
Inventory Write-off during the year		33,476	29,712,893	-	29,712,893
Interest Expense	**8**	32,272,914	21,733,577	31,690,303	21,733,577
Interest Income	**8**	(4,859,864)	(518,420)	(4,389,230)	(518,420)
Operating Profit Before Working Capital Changes		262,119,279	366,159,422	247,640,298	366,159,422
Working Capital Changes		-			
Change in Inventories		2,752,659	(2,165,915)	2,693,741	(2,165,915)
Change in Amount Due from Related Party		60,240,625	(11,533,721)	60,240,625	(11,533,721)
Change in Trade and Other Receivables		(347,871,063)	(122,527,379)	(330,017,471)	(122,527,379)
Change in Trade and Other Payables		359,163,546	182,775,484	346,579,032	182,775,484
Cash from Operations		336,405,046	412,707,891	327,136,225	412,707,891
Interest Paid		(27,767,537)	(17,813,045)	(27,767,537)	(17,813,045)
Tax Paid		(25,754,844)	(50,727,456)	(24,423,205)	(50,727,456)
Net Cash from Operating Activities		282,882,665	344,167,390	274,945,483	344,167,390
Cash Flows from Investing Activities		-			
Purchase and Construction of Property, Plant and Equipment	**11**	(189,150,193)	(354,101,693)	(188,266,200)	(354,101,693)
Acquisition of Intangible Asset	**13**	(1,016,106)	(18,686)	(796,052)	(18,686)
Additions to Rotable Spares	**14**	(128,967,879)	(104,684,386)	(128,967,879)	(104,684,386)
Cash and Cash equivalents of POST LTD at the acquisition date		45,155,588			
Interest Received	**8**	4,389,230	518,420	4,389,230	518,420
Net Cash Used in Investing Activities		(269,589,359)	(458,286,345)	(313,640,901)	(458,286,345)
Cash Flows from Financing Activities		-			
Loan Obtained During the Year	**25**	59,829,600	189,601,483	59,829,600	189,601,483
Repayments of Borrowings During the Year	**25**	(59,244,256)	(48,351,980)	(59,244,256)	(48,351,980)
Repayment of Net Capital Portion of Finance Leases	**26**	-	(3,762,670)	-	(3,762,670)
Redemptions during the year		3,073,757			
Dividend Paid during the year		-	-	-	-
Net Cash from Financing Activities		3,659,101	137,486,833	585,344	137,486,833
Net Increase in Cash and Cash Equivalents		16,952,407	23,367,878	(38,110,074)	23,367,878
Cash and Cash Equivalents at Beginning of the Year		21,908,699	(1,459,179)	21,908,699	(1,459,179)
Cash and Cash Equivalents at End of the Year	**21**	**38,861,106**	**21,908,699**	**(16,201,375)**	**21,908,699**

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 7 to 37. The Report of the Independent Auditors is given on pages 1 and 2.

AUDITOR GENERAL'S OFFICE

Island Aviation Services Limited
Rep. of Maldives

1. CORPORATE INFORMATION

1.1. Parent Company

Island Aviation Services Limited (the " Company") is a Company incorporated under the Presidential Decree bearing No: 2000/55 of 13th April 2000 as Limited Liability Company and presently governed under the Companies' Act No. 10 of 1996, with its registered office at 26 Ameeru Ahamed Magu, Male', Republic Maldives.

The principal activity of the Company is to operating domestic, regional passenger and cargo services, ground handling, CIP lounge and departure control system at Male' International Airport.

1.2. Subsidiary Company

During the year 2018, the Company has acquired 99.9% control of Maldives Post Limited (POST) pursuant to the decision made by the Government of the Maldives. The Government transferred the control of assets and management of POST to the Company on 30th May 2018 without a consideration.

1.3. Consolidated Financial Statements

The consolidated financial statements of the Group for the year ended 31st December 2018 include the company and its subsidiary (together referred to as the "Group" and individually as "Group entities. The financial statements of all companies in the Group have a common financial year which ends on December 31st. Island Aviation Services Limited is the ultimate parent of the Group.

There were no significant changes in the nature of the principal activities of the Group during the financial year under review.

2. OTHER INFORMATION

2.1. Basis of preparation

The Consolidated Financial Statements comprises the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows together with accounting policies and notes.

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

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities which are stated at fair values and presented in Maldivian Rufiyaa ('MVR').

2.2. Comparative information

The accounting policies and estimates adopted by the Group/Company are consistent with those of the previous financial year.

Certain prior year figures and phrases have been rearranged wherever necessary for better presentation purposes.

2.3. Going concern

The Directors have made an assessment of the Group/Company's ability to continue as a going concern in the foreseeable future. When making that assessment, Directors have taken into consideration the existing and anticipated effects of the Covid-19 outbreak on the entity's business activities. Since the entity has a long history of profitable operations, therefore the Directors have concluded that the going concern basis of accounting is appropriate for the year 2019 and they do not intend either to liquidate or cease trading.

AUDITOR GENERAL'S OFFICE

Island Aviation Services Limited
Rep. of Maldives

2. OTHER INFORMATION (CONTINUED)

2.4. Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense and the disclosure of contingent liabilities at the reporting date. The key judgements, estimates and associated assumptions are assessed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following key judgements, estimates and assumptions addresses, amongst others, require subjective and complex judgment.

2.5. Basis of Consolidation

(a) Business Combinations

The Group accounts for business combination are prepared using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities

(b) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated and separate financial statements from the date that control commences until the date that control ceases.

(c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(d) Non-controlling interest

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction

AUDITOR GENERAL'S OFFICE

Island Aviation Services Limited
Rep. of Maldives

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Foreign currency translations

The financial statements are presented in Maldivian Rufiyaa ('MVR'), which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are accounted for in the statement of comprehensive income.

3.2. 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.

Trade payable and employee accruals, should there be any, are considered as current.

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.3. Revenue from contracts with customers

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.

3.4. Other income

Other income is recognised at the point in time when services have been delivered to customers; in case of revenue from supply of goods it is recognised at the point in time when the control of the assets are transferred to the customer.

3.5. Contract balances

(a) 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.

(b) 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 l) Financial instruments – initial recognition and subsequent measurement.

Island Aviation Services Limited
Rep. of Maldives

AUDITOR GENERAL'S OFFICE

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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.

3.6. 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 ordinary course of business and in maintaining the property, plant and equipment in a state of efficiency has been charged to statement of comprehensive income in arriving at the profit for the year.

3.7. Taxes

(a) Current income tax

Current income tax asset and liability for the current year is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

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.

(b) 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 reporting date.

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 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 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Deferred tax (Continued)

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 reporting date.

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

(d) Goods and Service tax

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

- When the goods and service tax incurred on purchase of assets or services is not recoverable from the taxation authority, in which case, the goods and service 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 goods and service tax included

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

3.8. Cash dividend

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws of Maldives, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

3.9. Property, plant and equipment

(a) Cost
Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects, if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of comprehensive income as incurred.

Property, plant and equipment include, amongst others, the following:

i. **Aircraft rotable spares**
Aircraft rotable spares, which are treated as tangible assets, are initially recorded at cost and depreciated over the estimated useful life.

ii. **Capital work-in-progress**
Capital work-in-progress is stated at cost which includes all costs incurred from the date of acquisition to the date on which it is commissioned. When commissioned, capital work-in-progress is transferred to the appropriate category under property, plant and equipment and depreciated over the estimated useful life.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iii. Engines

For aircraft engines covered under a replacement contract, the related capital expenditure is treated as capital work-in-progress and initially recorded at cost based on the utilised flying hours. When replacement engines are received, the appropriate value is capitalised and transferred to the appropriate category under property, plant and equipment and depreciated over the estimated useful life.

For other engines, the cost is capitalised on expenditure being incurred and engines received, net of insurance claims if any.

iv. Major overhaul

Cost of major overhauls that provide future economic benefits for more than one period are capitalised, net of refunds and warranty claims, and amortised over extended useful life.

(b) Depreciation

Depreciation is charged to the statement of comprehensive income which is calculated on straight line basis over the estimated useful life of the assets as follows:

- Leasehold Building - Over 25 years
- Seaplane Infrastructure - Over 5 years
- Plant and Equipment - Over 5 years
- Engine Overhual - Flying Hours
- Furniture and Fixers - Over 10 years
- Computer and Accessories - Over 5 years
- Motor Vehicles - Over 5 years
- Aircrafts - Over 14 years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively if appropriate.

(c) De- recognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from such de-recognition or disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognized or disposed, whichever is earlier.

3.10. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in statement of comprehensive income in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company's policy applied to the amortisation of Computer software is as follows:

- Useful life - Over 3 years
- Amortisation - Straight-line basis

3.11. Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of that asset.

3.12. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

3.13. 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.

(a) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, and loan to an associate and loan to a director included under other non-current financial assets.

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 recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and amount due from related parties, the Company applies a simplified approach in calculating ECLs. 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.

The Company considers a financial asset in default when contractual payments are 90 -120 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.14. Financial liabilities

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

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. This category generally applies to interest-bearing loans and borrowings. Please refer note 17 for more information.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15. Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items.

Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. The value of each category of Inventory is determined on FIFO basis.

3.16. Impairment of 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 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. 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 collaborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. 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 (the "cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in statement of comprehensive income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.17. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts and restricted cash as they are considered an integral part of the Company's cash management. Bank overdraft are disclosed in the statement of financial position.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18. 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.

3.19. Defined contribution plans

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

4. DETERMINATION OF FAIR VALUES

A number of the Group/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.

4.1. Investments in Equity Securities

The fair value of financial assets at fair value thought profit and loss, and available- for- sale financial assets are determined by using the appropriate valuation method.

4.2. Trade and other receivables

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

4.3. 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.

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5. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

5.1. FRS 9 - Financial Instruments

IFRS 9 - Financial Instruments sets out requirements for recognition, classification, measurement and impairment of financial assets, recognition, classification and measurement of financial liabilities and hedge accounting. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

5.1.1. Classification - Financial assets and financial liabilities

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized costs, Fair Value through Other Comprehensive Income ("FVOCI") and Fair value through profit or loss ("FVTPL"). The standard eliminates the existing 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 of financial liabilities.

5.1.2. Impairment - Financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward looking "expected credit loss" (ECL) model. This will require considerable judgment about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortized cost, FVOCI except for investments in equity instruments, and to contract assets. The amendment to this impairment model will have an impact on the existing impairment method Under IAS 39.

The Company / Group 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 MVR 17,950,819.

5.2. IFRS 15 - Revenue from Contracts with Customers

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 1st January 2018.

5.3. IFRS 16 – Leases

IFRS l6 replaces existing leasing guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an arrangement contains a Lease", SIC l5 "Operating Leases - Incentives" and SIC 27 "Evaluating the substance of Transactions involving the legal form of a Lease". The standard is effective for annual periods beginning on or after 1st January 2019. Early adoption is permitted for entities that apply IFRS 15 at of before the date of initial application of IFRS 16.

The Company is in the preliminary stage of assessing the impact on its financial statements from adopting IFRS 16 and plans to adopt the standard as at 1st January 2019.

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6 REVENUE

	Group		Company	
	2018	2017	2018	2017
	MVR	MVR	MVR	MVR
Passenger Income - Domestic Services	1,123,475,668	1,064,659,819	1,123,475,668	1,064,659,819
Passenger Income - Regional Services	633,821,204	667,892,438	633,821,204	667,892,438
Commercially Important Passengers Revenue	83,433,607	65,453,135	83,433,607	65,453,135
Ground Handling Revenue	56,170,836	45,554,874	56,170,836	45,554,874
Cargo Handling Income	31,154,130	26,581,820	31,551,918	26,581,820
Seaplane Operation Revenue	256,810,297	159,185,640	256,810,297	159,185,640
Postal Income	40,684,716	-		
	2,225,550,458	**2,029,327,726**	**2,185,263,530**	**2,029,327,726**

7 OTHER INCOME

	Group		Company	
	2018	2017	2018	2017
	MVR	MVR	MVR	MVR
Other Operating Income	4,055,719	4,313,143	717,285	4,313,143
	4,055,719	**4,313,143**	**717,285**	**4,313,143**

8 NET FINANCE COSTS

Finance Income				
Foreign Exchange Gain	4,389,230	518,379	4,389,230	518,379
Interest Income on Savings Deposits	470,634	-	-	-
	4,859,864	**518,379**	**4,389,230**	**518,379**
Finance Costs				
Interest on Loans and Borrowings	(24,513,260)	(20,817,319)	(24,513,260)	(16,896,784)
Interest on Loan from Shareholder	(3,920,535)	-	(3,920,535)	(3,920,535)
Interest on Bank Overdraft	(3,256,508)	(916,258)	(3,256,508)	(916,258)
Foreign Exchange Loss	(582,611)	-	-	-
	(32,272,914)	**(21,733,577)**	**(31,690,303)**	**(21,733,577)**

9 PROFIT BEFORE TAX

	Group		Company	
	2018	2017	2018	2017
	MVR	MVR	MVR	MVR
Profit before tax is stated after charging all the expenses including the following;				
Lease Rent of Aircrafts	138,583,426	156,980,971	138,583,426	156,980,971
Directors' Remuneration	765,047	442,500	430,355	442,500
Amortization of Intangible Assets **(Note 13)**	10,376	41,134	5,269	41,134
Depreciation on Property, Plant and Equipment (Including Depreciation on Rotables) **(Note 11 and 14)**	133,851,569	133,417,695	132,887,096	133,417,695
Provision for Impairment Loss on Trade Receivables **(Note 18)**	(15,337,586)	26,945,474	(15,337,586)	26,945,474
Provision for Impairment Loss on Other Receivables	-	-	-	-
Loss on Disposals of Property, Plant and Equipment	21,217	278,694	21,217	278,694
Personnel Costs **(Note 9.1)**	388,537,925	316,284,473	375,078,960	316,284,473

ISLAND AVIATION SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

9 PROFIT BEFORE TAX (CONTINUED)

9.1 Personnel Costs

	Group		Company	
	2018 MVR	2017 MVR	2018 MVR	2017 MVR
Staff Salaries and Allowances	356,462,826	290,194,046	343,881,806	290,194,046
Uniform, Tailoring and Laundry Costs	975,863	2,787,662	892,393	2,787,662
Training Costs	14,579,390	10,803,478	14,343,228	10,803,478
Traveling Expenses	7,937,830	3,927,337	7,937,830	3,927,337
Pension Fund	5,258,304	4,409,496	4,699,991	4,409,496
Staff Recreation Expenses	1,123,967	1,681,914	1,123,967	1,681,914
Staff Medical Expenses	182,638	137,384	182,638	137,384
Staff Insurance	2,017,107	2,343,156	2,017,107	2,343,156
	388,537,925	316,284,473	375,078,960	316,284,473

10 TAX EXPENSE

	Group		Company	
	2018 MVR	2017 MVR	2018 MVR	2017 MVR
Current Tax Expense **(Note 10.1)**	5,999,116	31,769,729	5,067,174	31,769,729
Under/ (Over) Provision in Respect of Previous Year	-	40,879	-	40,879
Deferred Tax Asset Recognized **(Note 10.3)**	(14,720,050)	(1,927,231)	(14,707,356)	(1,927,231)
Deferred Tax Liability Recognized **(Note 10.4)**	23,933,275	2,937,110	23,199,804	2,937,110
	15,212,341	32,820,487	13,559,622	32,820,487

10.1 Reconciliation Between Accounting Profit and Taxable Income:

	Group		Company	
	2018 MVR	2017 MVR	2018 MVR	2017 MVR
Profit Before Tax	113,934,571	188,576,094	102,768,498	188,576,094
Aggregate Disallowable Items	180,617,594	190,994,436	177,821,273	190,994,436
Aggregate Allowable Items	(254,160,113)	(167,272,334)	(246,558,611)	(167,272,334)
Tax Free Allowance	(397,945)	(500,000)	(250,000)	(500,000)
Taxable Income	**39,994,107**	**211,798,196**	**33,781,160**	**211,798,196**
Income Tax @ 15%	**5,999,116**	**31,769,729**	**5,067,174**	**31,769,729**

In accordance with the provisions of the Business Profit Tax Act No. 5 of 2011, relevant regulations and subsequent amendments thereto, the Company is liable for income tax on its taxable profits at the rate of 15%.

10.2 Net Deferred Tax Assets

	Group		Company	
	2018 MVR	2017 MVR	2018 MVR	2017 MVR
Deferred Tax Asset **(Note 10.3)**	42,455,502	27,735,452	42,442,808	27,735,452
Deferred tax Liabilities **(Note 10.4)**	(29,076,437)	(5,143,162)	(28,342,966)	(5,143,162)
	13,379,065	**22,592,290**	**31,084,738**	**22,592,290**

10.3 Deferred Tax Asset

	Group		Company	
	2018 MVR	2017 MVR	2018 MVR	2017 MVR
As at 1st January	27,735,452	25,808,221	27,735,452	25,808,221
Recognised During the Year	14,720,050	1,927,231	14,707,356	1,927,231
As at 31st December	**42,455,502**	**27,735,452**	**42,442,808**	**27,735,452**

10 TAX EXPENSE (CONTINUED)

10.3 Deferred Tax Asset (Continued)

Deferred tax asset are attributable to the following;

	Group			
	2018		2017	
	Temporary Difference MVR	Tax Effect MVR	Temporary Difference MVR	Tax Effect MVR
Property, Plant and Equipment	283,036,683	42,455,502	184,903,014	27,735,452
	283,036,683	**42,455,502**	**184,903,014**	**27,735,452**

	Company			
	2018		2017	
	Temporary Difference MVR	Tax Effect MVR	Temporary Difference MVR	Tax Effect MVR
Property, Plant and Equipment	282,952,055	42,442,808	184,903,014	27,735,452
	282,952,055	**42,442,808**	**184,903,014**	**27,735,452**

10.4 Deferred Tax Liabilities

	Group		Company	
	2018 MVR	2017 MVR	2018 MVR	2017 MVR
As at 1st January	5,143,162	2,206,052	5,143,162	2,206,052
Recognised During the Year	23,933,275	2,937,110	23,199,804	2,937,110
As at 31st December	**29,076,437**	**5,143,162**	**28,342,966**	**5,143,162**

Deferred tax liabilities are attributable to the following;

	Group			
	2018		2017	
	Temporary Difference MVR	Tax Effect MVR	Temporary Difference MVR	Tax Effect MVR
Rotable Spares	(188,953,109)	(28,342,966)	(34,287,747)	(5,143,162)
Intangible Assets	-	-	-	-
Investment Property	(4,889,806)	(733,471)	-	-
	(193,842,915)	**(29,076,437)**	**(34,287,747)**	**(5,143,162)**

	Company			
	2018		2017	
	Temporary Difference MVR	Tax Effect MVR	Temporary Difference MVR	Tax Effect MVR
Rotable Spares	(188,953,109)	(28,342,966)	(34,287,747)	(5,143,162)
Intangible Assets	-	-	-	-
	(188,953,109)	**(28,342,966)**	**(34,287,747)**	**(5,143,162)**

11 PROPERTY, PLANT AND EQUIPMENT

11.1 Group

	Leasehold Buildings MVR	Seaplane Infrastructure MVR	Plant and Equipment MVR	Engine Overhaul MVR	Furniture and Fixtures MVR	Computers and Accessories MVR	Motor Vehicles MVR	Aircrafts MVR	Capital Work-in-Progress MVR	Total 2018 MVR	Total 2017 MVR
Cost											
As at 1st January	37,920,472	54,137,566	37,814,290	462,007,688	25,694,058	23,722,128	18,354,422	741,219,959	197,363,660	1,598,234,243	1,245,487,280
Acquisition date balance of POST LTD	32,319,249		7,272,834		7,423,577	4,928,873	986,059			52,930,592	
Additions During the Year	85,059	-	15,027,222	145,888,603	820,473	2,172,831	2,032,169	18,689,965	4,433,873	189,150,195	354,101,693
Transferred from Capital Work in Progress **(Note 11.2)**	-	-	-	-	-	-	-	197,283,480	(197,283,480)	-	-
Disposals During the year	-	-	(635,655)		(109,036)	(425,243)	-	-	-	(1,169,934)	(1,354,730)
As at 31st December	**70,324,780**	**54,137,566**	**59,478,691**	**607,896,291**	**33,829,072**	**30,398,589**	**21,372,650**	**957,193,404**	**4,514,053**	**1,839,145,096**	**1,598,234,243**
Accumulated Depreciation											
As at 1st January	4,588,072	15,225,483	19,524,624	405,029,050	25,694,058	20,571,515	10,067,349	243,265,036	-	743,965,187	660,038,717
Acquisition date balance of POST LTD	6,164,172		5,882,803		7,184,496	4,604,043	986,059			24,821,573	
Charge for the Year	1,446,016	5,183,782	4,166,259	46,865,266	408,826	1,576,388	1,721,413	26,377,688	-	87,745,638	85,002,506
Disposals During the year	-	-	(628,408)	-	(103,398)	(414,680)	-	-	-	(1,146,486)	(1,076,036)
As at 31st December	**12,198,260**	**20,409,265**	**28,945,278**	**451,894,316**	**33,183,982**	**26,337,266**	**12,774,821**	**269,642,724**	**-**	**855,385,912**	**743,965,187**
Net Carrying Value											
As at 31st December 2018	58,126,520	33,728,301	30,533,413	156,001,975	645,090	4,061,323	8,597,829	687,550,680	4,514,053	983,759,184	
As at 31st December 2017	33,332,400	38,912,083	18,289,666	56,978,638	-	3,150,613	8,287,073	497,954,923	197,363,660		854,269,056

11.2 The Capital Work-in- Progress at end of the reporting period comprises of following projects;

	Year ended 31.12.2018 MVR	Year ended 31.12.2017 MVR
Moonimaa Lounge	2,811,168	80,180
Seaplane Hangar at MLE	1,702,885	-
Aircrafts under Modification	-	197,283,480
	4,514,053	**197,363,660**

11.3 Aircrafts which are mortgaged to obtain loans and borrowings by the Company are disclosed under Note 25 and 26 to the Financial Statements.

11.4 Company

	Leasehold Buildings MVR	Seaplane Infrastructure MVR	Plant and Equipment MVR	Engine Overhaul MVR	Furniture and Fixtures MVR	Computers and Accessories MVR	Motor Vehicles MVR	Aircrafts MVR	Capital Work-in-Progress MVR	Total 2018 MVR	Total 2017 MVR
Cost											
As at 1st January	37,920,472	54,137,566	37,814,290	462,007,688	25,694,058	23,722,128	18,354,422	741,219,959	197,363,660	1,598,234,243	1,245,487,280
Additions During the Year	85,059	-	14,913,088	145,888,603	796,351	2,072,092	1,387,169	18,689,965	4,433,873	188,266,200	354,101,693
Transferred from Capital Work in Progress **(Note 11.5)**	-	-	-	-	-	-	-	197,283,480	(197,283,480)	-	-
Disposals During the year	-	-	(635,655)		(109,036)	(425,243)	-	-	-	(1,169,934)	(1,354,730)
As at 31st December	**38,005,531**	**54,137,566**	**52,091,723**	**607,896,291**	**26,381,373**	**25,368,977**	**19,741,591**	**957,193,404**	**4,514,053**	**1,785,330,509**	**1,598,234,243**
Accumulated Depreciation											
As at 1st January	4,588,072	15,225,483	19,524,624	405,029,050	25,694,058	20,571,515	10,067,349	243,265,036	-	743,965,187	660,038,717
Charge for the Year	1,079,111	5,183,782	4,144,827	46,865,266	140,597	1,537,616	1,718,585	26,377,688	-	87,047,472	85,002,506
Disposals During the year	-	-	(628,408)	-	(103,398)	(414,680)	-	-	-	(1,146,486)	(1,076,036)
As at 31st December	**5,667,183**	**20,409,265**	**23,041,043**	**451,894,316**	**25,731,257**	**21,694,451**	**11,785,934**	**269,642,724**	**-**	**829,866,173**	**743,965,187**
Net Carrying Value											
As at 31st December 2018	32,338,348	33,728,301	29,050,680	156,001,975	650,116	3,674,526	7,955,657	687,550,680	4,514,053	955,464,336	
As at 31st December 2017	33,332,400	38,912,083	18,289,666	56,978,638	-	3,150,613	8,287,073	497,954,923	197,363,660		854,269,056

11.5 The Capital Work-in- Progress at end of the reporting period comprises of following projects;

	Year ended 31.12.2018 MVR	Year ended 31.12.2017 MVR
Moonimaa Lounge	2,811,168	80,180
Seaplane Hangar at MLE	1,702,885	-
Aircrafts under Modification	-	197,283,480
	4,514,053	**197,363,660**

11.6 Aircrafts which are mortgaged to obtain loans and borrowings by the Company are disclosed under Note 25 and 26 to the Financial Statements.

12 INVESTMENT PROPERTY

	Group		Company	
	2018	2017	2018	2017
	MVR	MVR	MVR	MVR
Cost				
As at 1st January	-	-	-	-
Acquisition date balance of POST LTD	21,045,869	-	-	-
As at 31st December	**21,045,869**	-	-	-
Accumulated depreciation				
As at 1st January	-	-	-	-
Acquisition date balance of POST LTD	2,238,922	-	-	-
Charge for the Year	447,784	-	-	-
As at 31st December	**2,686,706**	-	-	-
Net Carrying Value	**18,359,163**	-	-	-

13 INTANGIBLE ASSETS

13.1 Group

	Softwares	Capital Work-in-Progress	Total 2018	Total 2017
	MVR	MVR	MVR	MVR
Cost				
As at 1st January	14,362,584	18,686	14,381,270	14,362,584
Acquisition date balance of POST LTD	903,964	-	903,964	
Additions During the Year	31,376	1,483,228	1,514,604	18,686
As at 31st December	**15,297,924**	**1,501,914**	**16,799,838**	**14,381,270**
Accumulated Amortization				
As at 1st January	14,319,839	-	14,319,839	14,278,705
Acquisition date balance of POST LTD	763,364		763,364	
Charge for the Year	10,376	-	10,376	41,134
As at 31st December	**15,093,579**	-	**15,093,579**	**14,319,839**
Net Carrying Value			**1,706,259**	**61,431**

13.2 Company

	Softwares	Capital Work-in-Progress	Total 2018	Total 2017
	MVR	MVR	MVR	MVR
Cost				
As at 1st January	14,362,584	18,686	14,381,270	14,362,584
Additions During the Year	-	796,052	796,052	18,686
As at 31st December	**14,362,584**	**814,738**	**15,177,322**	**14,381,270**
Accumulated Amortization				
As at 1st January	14,319,839	-	14,319,839	14,278,705
Charge for the Year	5,269	-	5,269	41,134
As at 31st December	**14,325,108**	-	**14,325,108**	**14,319,839**
Net Carrying Value			**852,214**	**61,431**

13.3 The amount paid by the Company to acquire the Software Module for Inventory, Acctrack Accounting Software and Software for flight scheduling and reservations have been recognized as intangible assets and amortized over the period of 3 years commencing from the date of acquisition.

14 ROTABLE SPARES

	Group		Company	
	2018	2017	2018	2017
	MVR	MVR	MVR	MVR
Rotable Spares **(Note 14.1)**	941,265,681	812,297,802	941,265,681	812,297,802
Less: Provision for Depreciation on Rotable Spares **(Note 14.2)**	(375,970,723)	(330,136,368)	(375,970,723)	(330,136,368)
	565,294,958	**482,161,434**	**565,294,958**	**482,161,434**

14.1 Movement of Rotable Spares

	Group		Company	
	2018	2017	2018	2017
	MVR	MVR	MVR	MVR
As at 1st January	812,297,802	707,613,416	812,297,802	707,613,416
Additions During the Year	128,967,879	104,684,386	128,967,879	104,684,386
As at 31st December	**941,265,681**	**812,297,802**	**941,265,681**	**812,297,802**

14.2 Accumulated Depreciation on Rotable Spares

	Group		Company	
	2018	2017	2018	2017
	MVR	MVR	MVR	MVR
As at 1st January	330,136,368	281,762,313	330,136,368	281,762,313
Charge for the Year	45,834,355	48,374,055	45,834,355	48,374,055
As at 31st December	**375,970,723**	**330,136,368**	**375,970,723**	**330,136,368**

15 INVESTMENT AVAILABLE FOR SALE

	Group		Company	
	2018	2017	2018	2017
	MVR	MVR	MVR	MVR
Madivaru Holdings Private Limited	2,242,548	2,242,548	2,242,548	2,242,548
Less: Provision for Impairment Loss **(Note 15.1)**	(2,242,548)	(2,242,548)	(2,242,548)	(2,242,548)
	-	-	-	-

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15.1 Madivaru Holdings Private Limited

The Company has acquired 25,200 and 14,400 ordinary shares of Madivaru Holdings Private Limited at a costs of MVR. 100/- per share during the year ended 31st December 2006 and 2007 respectively. The Management of the Company has taken a decision to make a full provision for the above investment since the recoverability is doubtful.

16 INVESTMENTS IN EQUITY ACCOUNTED INVESTEE	**Group**		**Company**	
	2018 MVR	**2017 MVR**	**2018 MVR**	**2017 MVR**
Airport Investment Maldives Private Limited	-	1,500,000	-	1,500,000
Less: Provision for Impairment Loss **(Note 16.1)**	-	(1,500,000)	-	(1,500,000)
	-	-	-	-

16.1 Airport Investment Maldives Private Limited

The Company has agreed to acquire 50,000 shares at a price of MVR. 100/- each, which represents 33.33% of the share capital of Airport Investment Maldives Private Limited in which the Company has acquired 15,000 ordinary shares at a price of MVR. 100/- per share during the year 2009. The Management of the Company has taken a decision to make a full provision for the above investment since the recoverability is doubtful, as the investee has not commenced its operations yet.

17 INVENTORIES	**Group**		**Company**	
	2018 MVR	**2017 MVR**	**2018 MVR**	**2017 MVR**
Consumables	17,693,053	28,911,517	17,693,053	28,911,517
Expendables	58,329,342	49,701,830	58,329,342	49,701,830
Other inventories	781,267	-	-	-
Tools and Equipment	7,024,179	7,126,968	7,024,179	7,126,968
	83,827,841	**85,740,315**	**83,046,574**	**85,740,315**

18 TRADE AND OTHER RECEIVABLES	**Group**		**Company**	
	2018 MVR	**2017 MVR**	**2018 MVR**	**2017 MVR**
Trade Receivables	427,712,961	275,509,879	342,080,729	275,509,879
Less: Provision for Impairment Loss on Trade Receivables **(Note 18.1)**	(59,310,144)	(55,007,514)	(57,546,949)	(55,007,514)
	368,402,817	**220,502,365**	**284,533,780**	**220,502,365**
Pre-Payments	8,680,369	8,829,505	8,680,369	8,829,505
Advance Payments	374,008,821	102,518,591	374,008,821	102,518,591
Security Deposits	49,836,688	67,986,342	49,836,688	67,986,342
Other Receivables	65,013,916	45,024,778	55,279,959	45,024,778
Air Maldives Receivable	3,527,165	3,527,165	3,527,165	3,527,165
Less: Provision for Impairment Loss **(Note 18.2)**	(12,641,421)	(3,527,165)	(3,527,165)	(3,527,165)
	856,828,355	444,861,581	772,339,617	444,861,581

18.1 Provision for Impairment Loss on Trade Receivables	**Group**		**Company**	
	2018 MVR	**2017 MVR**	**2018 MVR**	**2017 MVR**
As at 1st January	55,007,514	28,062,040	55,007,514	28,062,040
Acquisition date balance of POST LTD	1,763,195	-	-	-
Changes on initial application of IFRS 9	17,877,021	-	17,877,021	-
Provision/ reversed During the Year	(15,337,586)	26,945,474	(15,337,586)	26,945,474
As at 31st December	59,310,144	55,007,514	57,546,949	55,007,514

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18.2 Provision for Impairment Loss on Other Receivables

	Group		Company	
	2018 MVR	2017 MVR	2018 MVR	2017 MVR
As at 1st January	3,527,165	3,527,165	3,527,165	3,527,165
Acquisition date balance of POST LTD	7,302,188			
Provision During the year	1,926,372	-	-	-
Reversed during the year	(114,304)			
As at 31st December	12,641,421	3,527,165	3,527,165	3,527,165

19 AMOUNT DUE FROM RELATED PARTY

	Group		Company	
	2018 MVR	2017 MVR	2018 MVR	2017 MVR
Ministry of Finance and Treasury	**93,046,836**	**153,287,461**	**93,046,836**	**153,287,461**

Set out below is the information about the credit risk exposure on the company's trade receivables and contract assets using a provision matrix:

19.1 Group

	Trade receivables				
	Days past due				
31 December 2018	**< 30 days**	**31 - 60 days**	**61 - 90 days**	**> 91 days**	**Total**
Expected credit loss rate	2%	4%	7%	24%	
Estimated total gross carrying amount at default	126,112,454	71,952,197	27,008,094	210,054,820	435,127,565
Expected credit loss	3,008,740	2,694,271	1,766,682	50,077,247	57,546,940
31 December 2017					
Expected credit loss rate	2%	4%	8%	35%	
Estimated total gross carrying amount at default	127,076,835	81,680,908	39,526,830	180,512,768	428,797,340
Expected credit loss	3,057,179	3,484,537	3,073,231	63,269,579	72,884,526

19.2 Company

	Trade receivables				
	Days past due				
31 December 2018	**< 30 days**	**31 - 60 days**	**61 - 90 days**	**> 91 days**	**Total**
Expected credit loss rate	2%	4%	7%	24%	
Estimated total gross carrying amount at default	126,112,454	71,952,197	27,008,094	210,054,820	435,127,565
Expected credit loss	3,008,740	2,694,271	1,766,682	50,077,247	57,546,940
31 December 2017					
Expected credit loss rate	2%	4%	8%	35%	
Estimated total gross carrying amount at default	127,076,835	81,680,908	39,526,830	180,512,768	428,797,340
Expected credit loss	3,057,179	3,484,537	3,073,231	63,269,579	72,884,526

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20 FINANCIAL ASSETS HELD TO MATURITY

	Group		Company	
	2018 MVR	2017 MVR	2018 MVR	2017 MVR
MMA treasury bills	16,144,233	-	-	-
	16,144,233	-	-	-

The effective interest rate of short term fixed deposits are 7.80% for MMA per annum with the maturity period

21 CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 MVR	2017 MVR	2018 MVR	2017 MVR
Cash in Hand	2,849,191	816,641	835,549	816,641
Balances with Banks	74,932,705	63,312,073	21,883,866	63,312,073
Time Deposits	89,843	111,317	89,843	111,317
	77,871,739	**64,240,031**	**22,809,258**	**64,240,031**
Bank Overdraft **(Note 28)**	**(39,010,633)**	**(42,331,332)**	**(39,010,633)**	**(42,331,332)**
Cash and Cash Equivalents for the Purpose of Cash flows	**38,861,106**	**21,908,699**	**(16,201,375)**	**21,908,699**

22 SHARE CAPITAL

22.1 Authorized Share Capital

The authorized share capital comprises of 1,000,000 ordinary shares of MVR. 100/- each.

22.2 Issued and Fully Paid Share Capital

The issued and fully paid share capital comprises of 1,000,000 (2017: 1,000,000) ordinary shares of MVR. 100/- each.

22.3 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 declared dividend a amount of MVR. 20,000,000/- during the year ended 31st December 2018. (2017 : MVR. 10,000,000/-)

23 GENERAL RESERVE

The Company transfers 30% of its net profit of the previous year to general reserve in each financial year with the approval of the Board of Directors.

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24 LOAN FROM SHAREHOLDER

	Group		Company	
	2018 MVR	2017 MVR	2018 MVR	2017 MVR
As at 1st January	136,674,206	132,753,671	136,674,206	132,753,671
Accrued Interest During the Year	3,920,535	3,920,535	3,920,535	3,920,535
As at 31st December	**140,594,741**	**136,674,206**	**140,594,741**	**136,674,206**

In accordance with the loan agreement dated 22nd July 2015, the Group/Company has obtained a loan facility amounting to MVR. 130,684,500/- from the Ministry of Finance and Treasury at an interest rate of 3%, for the purpose of purchasing the DHC-8-300 Q series MSN 591/DHC 8-314 Aircraft. As per the agreement the loan capital is repayable in 16 semi annual installments of MVR. 8,167,781/- each, with the repayment starting from 15th November 2016. However the Group/Company has not made any repayments during the year.

24.1 Non-Current Liabilities

	Group		Company	
	2018 MVR	2017 MVR	2018 MVR	2017 MVR
Ministry of Finance and Treasury	**122,516,719**	**122,516,719**	**122,516,719**	**122,516,719**
Repayments of non current debts are scheduled as follows;				
More than one year but less than two years	16,335,563	16,335,563	16,335,563	16,335,563
More than two years but less than three years	16,335,563	16,335,563	16,335,563	16,335,563
More than three years but less than four years	16,335,563	16,335,563	16,335,563	16,335,563
More than four years but less than five years	16,335,563	16,335,563	16,335,563	16,335,563
More than five years	57,174,467	57,174,467	57,174,467	57,174,467
	122,516,719	**122,516,719**	**122,516,719**	**122,516,719**

24.2 Current Liabilities

	Group		Company	
	2018 MVR	2017 MVR	2018 MVR	2017 MVR
Ministry of Finance and Treasury	**18,078,022**	**14,157,487**	**18,078,022**	**14,157,487**

25 LOANS AND BORROWINGS

	Group		Company	
	2018 MVR	2017 MVR	2018 MVR	2017 MVR
As at 1st January	302,214,200	160,964,700	302,214,200	160,964,700
Add: Loans Obtained During the Year	59,829,600	189,601,483	59,829,600	189,601,483
Less: Loan Repayments During the Year	(59,244,256)	(48,351,980)	(59,244,256)	(48,351,980)
As at 31st December	**302,799,544**	**302,214,200**	**302,799,544**	**302,214,200**

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25 LOANS AND BORROWINGS (CONTINUED)

25.1 Sources of Finance

	Group		Company	
	2018	2017	2018	2017
	MVR	MVR	MVR	MVR
State Bank of India- Male' Branch - Term Loan I **(Note 25.4)**	111,925,688	126,429,012	111,925,688	126,429,012
Maldives Islamic Bank- Male' Branch - Term Loan II **(Note 25.5)**	25,333,009	33,332,901	25,333,009	33,332,901
State Bank of India- Male' Branch - Term Loan III **(Note 25.6)**	23,604,390	34,540,800	23,604,390	34,540,800
State Bank of India- Male' Branch - Term Loan IV **(Note 25.7)**	87,123,019	103,478,238	87,123,019	103,478,238
Term Loan from The Hongkong and Shanghai Banking Corporation Limited **(Note 25.8)**	-	1,863,251	-	1,863,251
Loan from Aerostar Bravo Limited **(Note 25.9)**	-	2,569,998	-	2,569,998
State bank of India - Male' branch - Term loan V	54,813,438	-	54,813,438	-
	302,799,544	**302,214,200**	**302,799,544**	**302,214,200**

25.2 Non-Current Liabilities

	Group		Company	
	2018	2017	2018	2017
	MVR	MVR	MVR	MVR
State Bank of India- Male' Branch - Term Loan I	91,879,688	107,925,011	91,879,688	107,925,011
Maldives Islamic Bank- Male' Branch - Term Loan II	17,333,175	25,333,006	17,333,175	25,333,006
State Bank of India- Male' Branch - Term Loan III	11,576,790	23,438,400	11,576,790	23,438,400
State Bank of India- Male' Branch - Term Loan IV	67,077,018	84,974,239	67,077,018	84,974,239
Loan from Aerostar Bravo	-	-	-	-
State Bank of India - Male' Branch - Term Loan V	41,860,638	-	41,860,638	-
	229,727,309	**241,670,656**	**229,727,309**	**241,670,656**
Repayments of non current debts are scheduled as follows;				
More than one year but less than two years	69,063,096	56,110,295	69,063,096	56,110,295
More than two years but less than three years	59,101,743	56,110,283	59,101,743	56,110,283
More than three years but less than four years	50,627,526	46,241,495	50,627,526	46,241,495
More than four years but less than five years	33,071,256	38,341,316	33,071,256	38,341,316
More than five years	17,863,688	44,867,267	17,863,688	44,867,267
	229,727,309	**241,670,656**	**229,727,309**	**241,670,656**

25.3 Current Liabilities

	Group		Company	
	2018	2017	2018	2017
	MVR	MVR	MVR	MVR
State Bank of India- Male' Branch - Term Loan I	20,046,000	18,504,000	20,046,000	18,504,000
Maldives Islamic Bank- Male' Branch - Term Loan II	7,999,834	7,999,895	7,999,834	7,999,895
State Bank of India- Male' Branch - Term Loan III	12,027,600	11,102,400	12,027,600	11,102,400
State Bank of India- Male' Branch - Term Loan IV	20,046,001	18,504,000	20,046,001	18,504,000
Term Loan from The Hongkong and Shanghai Banking Corporation Limited	-	1,863,251	-	1,863,251
	-		-	
Loan from Aerostar Bravo	-	2,569,998	-	2,569,998
State Bank of India - Male' Branch - Term Loan V	12,952,800	-	12,952,800	-
	73,072,235	**60,543,544**	**73,072,235**	**60,543,544**

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25 LOANS AND BORROWINGS (CONTINUED)

25.4 State Bank of India - Male' Branch - Term Loan 1

The Company obtained a loan of MVR. 133,383,000/- (US$ 8,650,000/-) from State Bank of India - Male' branch on 17th May 2017.

Facility	Term Loan Facility.
Facility Amount	MVR 133,383,000/- (US$ 8,650,000/-)
Purpose	To finance the acquisition of aircraft Dash 8-300.
Securities	Primary mortgage over the aircraft (DHC-6-300).
Interest	SBAR- US$, Minimum 7.25% per annum.
Repayments	84 equal quarterly installments of MVR 1,542,000/- each after a grace period of 6 months (May 2017 to November 2017).

25.5 Maldives Islamic Bank- Male' Branch - Term Loan II

The Company obtained a loan of MVR. 46,260,000/- (US$ 3,000,000/-) from Maldives Islamic Bank - Male' branch on 20th February 2017.

Facility	Term Loan Facility.
Facility Amount	MVR 46,260,000/- (US$ 3,000,000/-).
Purpose	To finance for the acquisition aircraft (DHC-6 300) MSN 658.
Securities	Mortagage over the aircraft DHC-6 300 MSN 658.
Bank Profit	USD 487,252/-
Repayments	60 Months.

25.6 State Bank of India - Male' Branch - Term Loan III

The Company obtained a term loan facility of MVR. 53,970,000/- (US$ 3,500,000/-) from State Bank of India - Male' branch during the year 2016.

Facility	Term Loan Facility.
Facility Amount	MVR. 53,970,000/-.
Purpose	To finance the acquisition of aircraft DHC-6-300.
Securities	Primary mortgage over the aircraft (DHC-6-300 to be Purchased out of term loan and MSN 544 Dash 8-300 aircraft).
Interest	SBAR-US$, Minimum 8% per annum.
Repayments	53 equal monthly installments of MVR. 925,200/- each and 4 equal monthly installments of MVR. 1,233,600/-.

25 LOANS AND BORROWINGS (CONTINUED)

25.7 State Bank of India - Male' Branch - Term Loan IV

The Company obtained a term loan of MVR. 95,725,251/- (US$ 3,500,000/-) from State Bank of India - Male' branch during the year 2016.

Facility	Term Loan Facility.
Facility Amount	MVR 95,725,251/-
Purpose	For expansion of capital expenditure such as acquisition of two new aircrafts (Dash 8 Wheeled Aircraft and DHC 6 300 (MSN-420) and upgrade, repair and modification of assets and overhauling of no of 8 aircraft engines.
Securities	1) Mortgage charge over the aircraft DHC-6-300 (MSN-420- ID: 8Q-ISH. 2) Mortgage charge over Dash 8 aircrafts purchased out of term loan. 3) Extension of mortgage charge over Dash-8-202 (MSN-542- ID: 8Q-IAQ).
Interest	0.75% below SBAR-US$, Min. 7.25% per annum.
Repayments	32 equal quarterly installments of MVR. 2,960,923/- each after a grace period of 12 months (September 2007 to August 2008).

25.8 Term Loan from The Hongkong and Shanghai Banking Corporation Limited (HSBC)

The Company obtained a loan facility of MVR. 22,359,000/- from HSBC - Male' branch on 18th February 2015.

Facility	Term Loan Facility.
Facility Amount	MVR. 22,359,000/- (US$ 1,450,000/-).
Purpose	Purchase of an air craft engine.
Interest	3 months LIBOR + 9.5% per annum.
Repayments	Repayable within 12 equal quarterly installments of US$ 120,833.33/- (MVR. 1,863,250/-) each together with accrued interest.

25.9 Aerostar Bravo Limited

The Company obtained a loan facility of MVR. 23,130,000/- from Aerostar Bravo Limited on 20th January 2014.

Facility	Term Loan Facility.
Facility Amount	MVR. 23,130,000/- (US$ 1,500,000/-).
Purpose	For capital expenditure towards the startup of sea plane operation.
Interest	Interest at 6% per annum.
Repayments	Repayable within 36 equal monthly installments of US$ 48,838/- (MVR. 753,082/-) each together with accrued interest.

26 FINANCE LEASE CREDITORS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	MVR	**MVR**	**MVR**	**MVR**
As at 1st January	-	3,935,649	-	3,935,649
Repayments During the Year	-	(3,935,649)	-	(3,935,649)
As at 31st December	-	-	-	-
Less: Interest In Suspense	-	-	-	-
Net Finance Lease Creditor	-	-	-	-

26.1 Sources of Finance

	Group		Company	
	2018	**2017**	**2018**	**2017**
	MVR	**MVR**	**MVR**	**MVR**
A.J. Walter Leasing Limited **(Note 26.3)**	-	3,762,670	-	3,762,670

26.2 Current Liabilities

	Group		Company	
	2018	**2017**	**2018**	**2017**
	MVR	**MVR**	**MVR**	**MVR**
Finance Lease Liability		3,935,649	-	3,935,649
Interest in Suspense		(172,979)	-	(172,979)
	-	3,762,670	-	3,762,670

26.3 A.J. Walter Leasing Limited

As per the lease agreement dated 9th November 2012, the Company has acquired aircraft rotable spare parts and equipments by way of financing from A.J. Walter Leasing Limited for a period of five years.

27 TRADE AND OTHER PAYABLES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	MVR	**MVR**	**MVR**	**MVR**
Trade Payables	469,790,267	463,850,273	415,733,388	463,850,273
Accrued Expenses	127,087	127,200	127,087	127,200
Dividend Payable	36,321,966	20,000,000	30,000,000	20,000,000
Lease Payable on Air Craft	30,663,830	31,209,544	30,663,830	31,209,544
GST Payable	20,076,909	8,297,823	20,076,909	8,297,823
Security Deposits Received	3,568,274	51,610,467	3,568,274	51,610,467
Advance Received from Customers	2,332,758	101,340,894	2,332,758	101,340,894
Other Payables	715,242,980	101,900,352	632,413,339	101,900,352
	1,278,124,071	**778,336,553**	**1,134,915,585**	**778,336,553**

	Group		Company	
28 BANK OVERDRAFT	**2018**	**2017**	**2018**	**2017**
	MVR	**MVR**	**MVR**	**MVR**
Bank Overdraft (Note 28.1)	**39,010,633**	**42,331,332**	**39,010,633**	**42,331,332**

28.1 State Bank of India - Male' Branch

The Company has renewed the bank overdraft limit with enhancement from the existing level of MVR. 20,046,000/- (US$: 1.3Mn) to MVR. 46,260,000/- (US$: 3Mn) for working capital purpose from State Bank of India - Male' Branch at an interest rate of above 6 month US$ LIBOR, minimum of 8% per annum at monthly rests. The Company has mortgage three aircrafts namely, MSN 542 Dash-8-200, MSN 491 Dash-8-300 and MSN 544 Dash-8-300 to obtain this facility.

29 COMMITMENTS

29.1 Lease Commitments

	31/12/2018			
	Less than One Year	**1 to 5 years**	**More than Five Years**	**Total**
Lease Rentals Falling due;	**MVR**	**MVR**	**MVR**	**MVR**
Maldives Airports Company Limited	7,460,442	9,081,578	-	16,542,020
Aero Centry MSN546	315,000	-	-	315,000
AS Airlease MSN499	15,358,320	10,238,880	-	25,597,200
AS Airlease MSN557	18,504,000	47,802,000	-	66,306,000
Air Lease A320 MSN2347	38,858,400	175,788,000	29,298,000	243,944,400
Air Lease A321 MSN2599	45,573,872	144,409,780	-	189,983,652
Total	**126,070,034**	**387,320,238**	**29,298,000**	**542,688,272**

Lease Commitments

	31/12/2017			
	Less than one Year	**1 to 5 years**	**More than Five Years**	**Total**
	MVR	**MVR**	**MVR**	**MVR**
Maldives Airports Company Limited	7,460,442	9,081,578	-	16,542,020
Aero Centry MSN546	8,959,020	-	-	8,959,020
AS Airlease MSN499	15,358,320	25,597,200	-	40,955,520
AS Airlease MSN557	18,504,000	58,596,000	-	77,100,000
Air Lease A320 MSN2347	39,598,560	32,998,800	-	72,597,360
Air Lease A321 MSN2599	44,505,820	190,538,772	-	235,044,592
Total	**134,386,162**	**316,812,350**	**-**	**451,198,512**

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(i) 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. Further, quantitative disclosures are included throughout these company's financial statements.

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINED)

(ii) Risk Management framework

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

(iii) 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:

	Gross Carrying Amount	
	Year ended 31.12.2018 MVR	Year ended 31.12.2017 MVR
Trade and Other Receivables	447,197,376	388,520,999
Amount Due from Related Party	93,046,836	153,287,461
Balances with Banks	21,973,709	63,423,390
	562,217,921	605,231,850

Impairment Losses	31/12/2018		31/12/2017	
	Gross MVR	Impairment MVR	Gross MVR	Impairment MVR
The aging of trade and other receivables at the reporting date was:				
Not Past Due	120,189,323	-	96,708,518	-
Past Due 0-30 days	72,698,003	-	82,614,067	-
Past Due 31-120 days	28,727,587	-	106,105,907	-
Past Due 121-365 days	576,604,339	-	60,923,705	-
More than one year	128,241,312	61,074,114	157,044,063	58,534,679
	926,460,564	61,074,114	503,396,260	58,534,679

The Company believes that the unimpaired amounts that are outstanding for less than one year are still collectible, based on historic payment behavior. Based on historic default rates, the Company believes that, apart from the above, no provision for impairment is required.

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iv) Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of interest bearing loans, bank overdrafts and related party borrowings. As a part of its overall prudent liquidity management, the Company maintains sufficient level of cash and cash equivalents to meet its working capital requirement. Due to the Covid-19 outbreak the Company may experience liquidity constraints in the short term. The company is in the process of adjusting the ways to manage liquidity to respond to the current market turmoil by way of alternative funding through working capital, negotiating supplier payments, debt restructuring etc.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

31st December 2018	Carrying Amount MVR	0-6 Months MVR	6-12 Months MVR	1-2 Years MVR	2-5 Years MVR
Financial Liabilities (Non- Derivative)					
Loans and Borrowings	302,799,544	36,536,118	36,536,118	69,063,096	160,664,213
Shareholder loan	140,594,741	7,078,744	7,078,744	32,671,125	89,845,594
Trade and Other Payables	1,134,915,585	1,134,915,585			
Bank Overdraft	39,010,633	39,010,633			
Total	1,617,320,503	1,217,541,079	43,614,861	101,734,221	250,509,807

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

31st December 2017	Carrying Amount MVR	0-6 Months MVR	6-12 Months MVR	1-2 Years MVR	2-5 Years MVR
Financial Liabilities (Non- Derivative)					
Loans and Borrowings	302,214,200	30,271,772	30,271,772	56,110,295	185,560,361
Shareholder loan	136,674,206	7,078,744	7,078,744	32,671,125	89,845,594
Finance Lease Creditors	-	-	-	-	-
Trade and Other Payables	778,336,553	778,336,553	-	-	-
Bank Overdraft	42,331,332	42,331,332	-	-	-
Total	1,259,556,291	858,018,401	37,350,516	88,781,420	275,405,955

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

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30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(v) Market risk

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

(a) Interest rate risk

Profile

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

	Carrying Amount	
	Year ended 31.12.2018 MVR	Year ended 31.12.2017 MVR
Variable Rate Instruments		
Financial Liabilities	302,799,544	302,214,200
Bank Overdraft	39,010,633	42,331,332
	341,810,177	**344,545,532**

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) the loss of the Company by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for

	Year ended 31.12.2018 MVR	Year ended 31.12.2017 MVR
100 Basis points increase in interest rate	**3,418,102**	**3,445,455**
100 Basis points decrease in interest rate	**(3,418,102)**	**(3,445,455)**

(b) Currency Risk

Exposure to currency risk

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

	31/12/2018		
	USD	LKR	INR
Cash and Cash Equivalents	760,272	4,604,164	1,439,647
Trade and Other Receivables	18,247,408	5,575,285	58,893,296
Bank Overdraft	(2,497,508)	-	-
Loans and Borrowings	19,636,806	-	-
Trade and Other Payables	(10,766,048)	(14,063,247)	(8,924,684)
	25,380,930	**(3,883,798)**	**51,408,259**

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(v) Market risk (Continued)

(b) Currency Risk (Continued)

Exposure to currency risk (Continued)	31/12/2017		
	USD	LKR	INR
Cash and Cash Equivalents	1,212,385	2,699,096	32,950,806
Trade and Other Receivables	12,442,541	5,002,534	38,425,199
Bank Overdraft	(2,786,684)	-	-
Loans and Borrowings	(19,598,846)	-	-
Trade and Other Payables	(10,080,029)	(1,067,718)	(3,869,415)
	(18,810,633)	**6,633,912**	**67,506,589**

The following significant exchange rate applied during the year:

	Average Rate		Reporting Date Spot Rate	
	Year ended 31.12.2018 MVR	Year ended 31.12.2017 MVR	Year ended 31.12.2018 MVR	Year ended 31.12.2017 MVR
1 USD: MVR.	15.42	15.42	15.42	15.42
1 LKR: MVR.	0.09	0.10	0.08	0.10
1 INR: MVR.	0.23	0.23	0.22	0.24

31 RELATED PARTY TRANSACTIONS

Name of the Related Party	Relationship	Nature of the Transaction	Amount		Balance outstanding (due)/ from	
			Year ended 31.12.2018 MVR	Year ended 31.12.2017 MVR	Year ended 31.12.2018 MVR	Year ended 31.12.2017 MVR
Ministry of Finance and Treasury	Shareholder	Fund Received	274,122,845	(2,351,846)	93,046,836	153,287,461
		Services Provided	(331,717,337)	13,885,567		
		Interest Expense	-	(3,920,535)	(140,594,741)	(136,674,206)

31.1 Transactions with Key Management Personnel

The Board of Directors of the Company are the members of the key management personnel. The Company has paid MVR 430,355/- as fees to the directors during the year ended 31st December 2018 (2017: MVR. 442,500/-).

32 EVENTS SUBSEQUENT TO THE REPORTING DATE

The Covid-19 pandemic that has been spreading in the recent months is expected to impact the global economy including Maldives. The possible impact of this event on the Company and these financial statements for the year ended 31 December 2018 cannot be assessed due to many uncertainties. However, no circumstances have arisen since the reporting date which may require adjustments to, or disclosure in, the financial statements

33 CONTINGENT LIABILITIES

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

34 DIRECTOR'S RESPONSIBILITY

The Board of Director's of the Company is responsible for the preparation and presentation of these financial statements.

35 COMPARATIVE FIGURES

The comparative information of the financial statements has been reclassified to conform with current year's presentation.

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