



Report No: FIN-2023-77(E)

27<sup>th</sup> November 2023

# KADHDHOO AIRPORT COMPANY LIMITED

## FINANCIAL YEAR 2020



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AUDITOR GENERAL'S OFFICE

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## **AUDITOR GENERAL'S REPORT**

### **TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF KADHDHOO AIRPORT COMPANY LIMITED**

#### **Disclaimer of Opinion**

We were engaged to audit the financial statements of Kadhdhoo Airport Company Limited (“the Company”), which comprise the statement of financial position as at 31<sup>st</sup> December 2020, the statements 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 exhibited on pages 4 to 21.

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### **Basis for Disclaimer of Opinion**

1. As per certificate of registration issued by the Ministry of Economic Development, the Government of Republic of Maldives, the Company was registered on 18<sup>th</sup> September 2011. However, as informed to us by the Company’s letter dated 16<sup>th</sup> October 2018, owing to lack of handover of operations of Kadhdhoo Airport to the Company until 1<sup>st</sup> September 2015, financial statements have not been prepared and presented for any of the previous periods since its registration to 31<sup>st</sup> December 2014. Therefore, we were unable to determine whether any adjustments required to and any impact on the financial statements as at 31<sup>st</sup> December 2014 in the absence of sufficient appropriate audit evidence.
2. As per Note 13 to the financial statements, the Company has recorded issued and paid-up share capital amounting to MVR 310,730,136/- (2019: MVR 291,730,136/-) as at 31<sup>st</sup> December 2020. Included in the issued and paid-up share capital amount is MVR 188,000,000/-, which has been recognised based on the Memorandum of Association of the Company, which states that MVR 188,000,000/- has been issued by the Company and fully paid by the Government of Maldives. The Company recorded the said MVR 188,000,000/- towards the value of the property plant and equipment. However, in absence of valuation of these assets by a certified valuer, we were unable to verify existence, completeness, accuracy, valuation and allocation of the said MVR 188,000,000/-. Accordingly, we were unable to determine whether any adjustments might have been necessary on the amounts shown in the financial statement as share capital.
3. As per Note 8 to the financial statements, the Company has recorded cost value of property, plant and equipment amounting to MVR 194,480,546/- and accumulated depreciation charges

## **Basis for Disclaimer of Opinion (Continued)**

amounting to MVR 141,635,857/- and net carrying value of MVR 52,844,690/- as at 1<sup>st</sup> January 2020. On the grounds of unavailability of sufficient appropriate audit evidence for audit inspection, a disclaimer of opinion was issued on the financial statements of the company for the financial year ended 31<sup>st</sup> December 2019. Owing to the nature of the company's records, we were not able to extend our audit procedures to verify the existence, rights and obligation, completeness, accuracy, valuation and allocation of the said balances as at 1<sup>st</sup> January 2020. Consequently, we were not able to satisfy ourselves as to the existence, rights and obligation, completeness, accuracy, valuation and allocation of net carrying value of property plant and equipment as at 31<sup>st</sup> December 2020.

Further, the company has recognised depreciation charges amounting to MVR 3,745,312/- (2019: MVR 4,052,643/-) for the financial year ended 31<sup>st</sup> December 2020. Owing to the above matter, we were not able to satisfy ourselves as to the completeness, occurrence and accuracy of the said depreciation charges. Accordingly, we were not able to determine whether any adjustments might have been necessary on the amounts stated in the financial statement as depreciation charges, loss for the year and consequently on the retained earnings.

4. As per note 8 to the financial statements, the net carrying value of property, plant and equipment is MVR 49,185,710/- as at 31 December 2020. As per IAS 16 "Property, Plant and Equipment", the residual value and the useful value of an asset shall be reviewed at least at each financial year-end and, if expectations differ from the previous estimates, the changes(s) shall be accounted for as a change in an accounting estimate. in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Error". Also, the standard says if an error is made in a prior period, unless it is impracticable to determine the effects of the error, an entity shall correct material prior period errors retrospectively by restating the comparative amounts for the prior period(s) presented in which the error occurred. However, it was observed that a significant part of the assets recorded in the fixed asset register of the Company are fully depreciated years ago, but are still in use. Company has not performed a review of these fully depreciated assets and have not accounted for changes in accounting estimates or error. Therefore, we were unable to determine the possible effects of such changes of estimate or error on these financial statements as at 31 December 2020.

## **Other Matter**

As at the reporting date the company recorded an accumulated loss of MVR 219,540,915 including a loss of MVR 18,752,748 from its operations during the year. The company was unable to generate sufficient funds on its own and hence relied upon Government of Maldives for funding the company's operations. As recorded in the Statement of Changes in Equity, during the year the Government of Maldives granted MVR 19,000,000 to the Company for funding the operations of the Company.

## **Responsibilities of Management and those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing and to issue an auditors' report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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

27<sup>th</sup> November 2023



Hussain Niyazy  
Auditor General



**KADHDHOO AIRPORT COMPANY LIMITED  
STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31 December 2020**

(All amounts are shown in Maldivian Rufiyaa unless otherwise stated)

	Note	2020 MVR	2019 MVR
Revenue	3	6,624,145	13,077,391
Operating expenses	4	(29,516,695)	(31,804,722)
Impairment loss on trade receivables		(3,400,773)	-
<b>Operating Profit / (Loss) before tax</b>		<b>(26,293,323)</b>	<b>(18,727,331)</b>
<b><u>Other Comprehensive Income</u></b>			
Deffered tax recognized	5	7,540,575	(182,549)
<b>Total comprehensive income for the year</b>		<b>(18,752,748)</b>	<b>(18,909,881)</b>
Earnings / (Loss) per share attributable to the equity holder of the Company during the year - basic	6	(8.46)	(6.42)



**KADHDHOO AIRPORT COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**

As at 31st December 2020

(All amounts are shown in Maldivian Rufiyaa unless otherwise stated)

	Note	2020 MVR	2019 MVR
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant & Equipment	8	49,185,710	52,844,690
Working Progress	8.1	3,004,269	3,004,269
Investment Properties	8.2	712,227	808,939
Intangible Asset	9	-	-
<b>Total Non-Current Assets</b>		<b>52,902,206</b>	<b>56,657,899</b>
<b>Current assets</b>			
Inventory	10	992,477	1,051,047
Trade and other receivable	11	33,876,501	36,585,079
Cash and balances with banks	12	1,378,289	1,714,211
<b>Total Current Assets</b>		<b>36,247,267</b>	<b>39,350,337</b>
<b>Total Assets</b>		<b>89,149,474</b>	<b>96,008,236</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Capital and Reserves</b>			
Share capital	13	310,730,136	291,730,136.31
Retained Earnings		(219,540,915)	(200,788,167.14)
<b>Total Equity</b>		<b>91,189,221</b>	<b>90,941,969</b>
<b>Current Liabilities</b>			
Trade and Other Payable	14	1,904,251	1,469,690
<b>Total Current Liabilities</b>		<b>1,904,251</b>	<b>1,469,690</b>
<b>Non-Current Liabilities</b>			
Deffered tax liability	5.3	(3,943,999)	3,596,577
<b>Total Liabilities</b>		<b>(2,039,748)</b>	<b>5,066,267</b>
<b>Total Equity and Liabilities</b>		<b>89,149,473</b>	<b>96,008,236</b>

These Financial Statements were approved by the board of directors and signed on behalf of;

Name of the Director

Ismail Naseer - Managing Director

Ahmed Waheed - Director

30-Oct-23



Signature

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The accounting policies and notes on pages 8 through 21 form an integral part of the financial statements.



**KADHDHOO AIRPORT COMPANY LIMITED****STATEMENT OF CHANGES IN EQUITY****For the year ended 31st December 2020**

(All amounts are shown in Maldivian Rufiyaa unless otherwise stated)

	<b>Share Capital MVR</b>	<b>Retained Earnings MVR</b>	<b>Total MVR</b>
<b>Balance as at 1st January 2020</b>	<b>291,730,136</b>	<b>(200,788,167)</b>	<b>90,941,969</b>
Contribution received for share capital	19,000,000		19,000,000
Loss for the year	-	(18,752,748)	(18,752,748)
<b>Balance as at 31 December 2020</b>	<b>310,730,136</b>	<b>(219,540,915)</b>	<b>91,189,221</b>





**KADHDHOO AIRPORT COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 31st December 2020**  
(All amounts are shown in Maldivian Rufiyaa unless otherwise stated)

	<b>2020</b>	<b>2019</b>
	<b>MVR</b>	<b>MVR</b>
<b>Operating Profit before Working Capital Changes</b>	<b>(22,451,299)</b>	<b>(14,577,976)</b>
<b>Working Capital Changes</b>		
(Increase)/ Decrease in inventory	58,570	636,840
(Increase)/ Decrease in Receivables	2,708,578	(7,651,281)
Increase/ (Decrease)in Trade and Other Payables	434,561	(106,288)
<b>Net Cash Used in Operating Activities</b>	<b>(19,249,590)</b>	<b>(21,698,704)</b>
<b>Cash Flows from Investing Activities</b>		
<b>Net book Value of Assets Transferred</b>		
Acquisition of property, plant and equipment	(86,332)	(568,439)
Addition to Working Progress	-	(1,892,092)
<b>Net Cash Used in Investing Activities</b>	<b>(86,332)</b>	<b>(2,460,532)</b>
<b>Cash flows from Financing Activities</b>		
Proceeds from issue of Ordinary Shares	19,000,000	12,000,000
<b>Net Cash from Financing Activities</b>	<b>19,000,000</b>	<b>12,000,000</b>
<b>Net Increase in Cash and Cash Equivalent</b>	<b>(335,922)</b>	<b>(12,159,236)</b>
Cash and Cash Equivalents at the Beginning of the Year	1,714,211	13,873,447
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>1,378,289</b>	<b>1,714,211</b>



**KADHDHOO AIRPORT COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31<sup>st</sup> December 2020**

**1. General information**

Kadhdhoo Airport Company limited is a limited liability company incorporated under companies Act 10/96 in Republic of Maldives on 18<sup>th</sup> day of September 2011, bearing Registration no: C-595/2011. The address of its registered office is Ministry of Defence and National Security, Bandaara Koshi, Male, Republic of Maldives and principal place of business is Kadhdhoo Airport at L.Kadhdhoo, Maldives. The main business activity of the company is operating Kadhdoo Airport.

**2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of preparation**

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

The International Accounting Standard Board has issued the new standards given below, which became effective for annual periods beginning on or after 01 January 2016. Accordingly these standards not been applied in preparing these financial statements as they are not effective the period ending 31 December 2016.

The preparation of financial statement in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. There are no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant.

**2.2 Changes in accounting policies and disclosures**

(a) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the financial year beginning on or after 1 January 2016 and have not been early adopted by the company. The Company is yet to assess the full impact of these standards and interpretations.

- Disclosure initiative - Amendments to IAS 7, this amendment requires disclosure of changes in liabilities arising from financing activities (effective 1 January 2017).

- IFRS 9 Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities (effective from 1 January 2018).

- IFRS 15 Revenue from Contracts with Customers, this new standard will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principal that revenue is recognized when control of a good or service transfers to a customer (effective from 1 January 2018).



**KADHDHOO AIRPORT COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31<sup>st</sup> December 2020**

- IFRS 16 Leases, this will result in almost all leases being recognized on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low value leases (effective from 1 January 2019).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) New standards, amendments and interpretations adopted by the company

- Clarification of acceptable methods of depreciation and amortization – Amendments to IAS 16 and 38
- Annual improvements to IFRSs 2012 – 2014 cycle and
- Disclosure initiative – amendments to IAS 1

### **2.3 Going concern**

The company has incurred a net loss of MVR 18,752,748 (2019 MVR 18,909,881) for the reporting period and has a retained loss of MVR 219,540,915 (2019: MVR 200,788,167) as at the end of the reporting period. The financial statements have nevertheless been prepared on the basis of the Company being a going concern on the assumption that the shareholders of the Company, Government of Maldives, intends to continue providing sufficient financial support to enable the Company to meet its liabilities as they fall due for a period of at least one year from the date of these financial statements.

If the Company is not a going concern, provision would have to be made to reduce the value of assets to their estimated recoverable amounts, and for any further liabilities that may arise in winding up. In addition, and fixed assets and long term liabilities will have to be reclassified as current assets and current liabilities.

### **2.4 Foreign currency translation**

*(a) Functional and presentational currency*

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in Maldivian Rufiyaa, which is the company’s functional and presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.



**KADHDHOO AIRPORT COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31<sup>st</sup> December 2020**

**2.5 Property, plant and equipment**

All property, plant and equipment, which are initially recorded at historical cost, is stated at cost less depreciation. Cost includes the transfer value of the assets, or their purchase cost, or the cost of construction, together with any incidental expenses of acquisition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful life. Full depreciation is charged in the year of acquisition and disposal if the asset is in use/available/ready for use for greater part of the accounting period (i.e. 183 days or more for a complete year) and no depreciation is charged in the year of acquisition or disposal if the assets is not in use/available/ready for use for the greater part of the year (i.e. 182 days or less for a complete year). The estimated useful lives, residual values and depreciation methods are reviewed at the end of each accounting period, adjusted if appropriate, with the effect of any changes in estimate accounted for prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of asset and is recognized in profit or loss.

The following annual rates are used for the depreciation of property, plant and equipment:

	<b>Rate</b>
Airport & Island Infrastructure	4%
Buildings	4%
Wooden Marine Vessels	7%
Other Vessels	5%
Furniture & Fittings	10%
Motor Vehicles	20%
Earth Moving Vehicles	5%
Plant & Equipment	10%
Office Equipment	20%
Crockery, Cutlery, Utensils	33%
Other Assets	10%



**KADHDHOO AIRPORT COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31<sup>st</sup> December 2020**

**2.6 Intangible assets**

**2.6.1 Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The estimated useful life for the current period are as follows

Computer Software      3 Years

**2.6.2 Derecognition of intangible assets**

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

**2.6.3 Impairment of non-financial assets**

From The carrying amount of the company's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment each year at the same time and whenever there is an indication that the asset may be impaired.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or cash generating unit is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating unit for which a reasonable and consistent allocation basis can be identified.

**2.6.4 Impairment of financial assets**

For trade receivables, starting from 1 January 2020, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables. See note 19 for further details.

**2.7 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company business activities. Revenue is shown, net of estimated returns, rebates and discounts. Revenue is recognized as follows:



**KADHDHOO AIRPORT COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31<sup>st</sup> December 2020**

**2.7.1 Sale of goods**

Revenue from the sale of goods is recognized when the goods are delivered or customer acceptance, net of sales discounts, after eliminating sales rejections and price adjustments.

**2.7.2 Rendering of Services**

Sales of services are recognized in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of actual service provided as a proportion of the total services to be provided.

**2.7.3 Rental Income**

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**2.7.4 Investment Properties**

Income from Investment Properties include lease income from two land plots leased-out and rental income from restaurant and an Airline Office buildings.

**2.8 Inventories**

Inventories are measured at lower of cost and realizable value. Cost of inventory item is determined using the first-in-first-out method for Consumable items and weighted average method is used for determining cost of inventory for the Items bought for resale. Cost of Inventory Includes expenditure incurred in acquiring the Inventory, transport costs, handling costs and duty. Where necessary, provision is made in the financial statements for obsolete, slow-moving and defective inventory

**2.9 Financial assets**

Loans and receivable are non-derivate financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Loans and receivables are classified as “trade and other receivables” in the statement of financial position.

The Company assesses at each reporting date whether there is objective evidence that a financial asset is impaired.

**2.10 Trade receivables**

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset’s



**KADHDHOO AIRPORT COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31<sup>st</sup> December 2020**

liquid investments with original maturities of three months or less.

**2.12 Share capital**

Ordinary shares are classified as equity.

**2.13 Trade payables**

Trade payables are obligations to pay for goods or service that have been acquired in the ordinary course of business from supplier. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value subsequently measured amortized cost using the effective interest method.

**2.16 Provisions**

Provisions are recognized when: the company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required to settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligations.

**2.17 Current and deferred business profit tax**

The tax expenses for the period comprises sum of the tax currently payable and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity.

The current business profit tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The company is liable to business profit tax rate of 15% if the taxable profit of the year exceeds MVR500, 000.

Deferred business profit tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred business profit tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred business profit tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred business profit tax asset is realized or the deferred business profit tax liability is settled.

Deferred business profit tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilized.



**KADHDHOO AIRPORT COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31<sup>st</sup> December 2020**

Deferred business profit tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred business profit taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on net basis.

**2.18 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight -line basis over the period of the lease.

Leases which have the characteristics of an operating lease but are for a fixed period and give the lessee an option to acquire the asset upon the end of the lease period are classified as finance leases. Payments to be made for the remaining life of the lease are classified as borrowings in the statement of financial position.

**2.19 Government Grants**

A government grant that become receivable as compensation for expenses and losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised in profit or loss of the period in which it becomes receivable.

**2.20 Critical accounting estimates and judgments**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

**2.21 Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.





**KADHDHOO AIRPORT COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31st December 2020

	<b>2020</b>	<b>2019</b>
	<b>MVR</b>	<b>MVR</b>
<b>3 REVENUE</b>		
Aeronautical	4,362,541	10,407,964
Commercial	1,624,065	1,992,375
Income from Investment Properties	637,539	677,052
	<b>6,624,145</b>	<b>13,077,391</b>
Income from Investment Properties include lease income from two land plots leased-out and rental income from restaurant and an Airline Office buildings.		
<b>4 OPERATING EXPENSES</b>		
Staff Cost (Note 4.1)	21,352,286	22,064,297
Goods Bought for Re Sale	249,728	440,512
Depreciation (Note 8)	3,842,024	4,149,356
Government Fees	113,476	132,356
Fuel Expenses	2,188,090	2,804,406
Spare parts Expenses	371,639	538,354
Repair and Maintenance	473,685	367,173
Electrical items Expenses	92,914	136,196
Printing & Stationary Expenses	42,970	88,188
Uniform Expenses	49,890	58,786
Travelling Expenses	4,200	73,434
Training Expenses	69,238	112,143
Net working expenses	100	56,999
Safety and Security Expenses	253,004	200,984
IT Related Materials and Domain Charges	7,488	21,826
Supplies for Cleaning	56,134	73,759
Utensils & Hand tools Expense	7,271	60,127
Decorating Expenses	1,687	12,397
Staff Welfare Expenses	595	60,853
Religious Service Expenses	21,600	24,750
Meals Expenses	6,924	6,285
Ceremonial Expenses	38,186	4,380
Accommodation Expenses	-	7,783
Bank Charges	3,983	8,179
Carriage and Conveyance	24,289	59,152
Internet Charges	81,714	129,156
Telephone, Fax Charges	111,716	58,784
Cable TV Subscriptions	5,760	14,400
CSR expenses	2,750	420
Fines	-	995
Damages and Accidental Loss	28,525	-
Other Expenses	14,830	38,290
	<b>29,516,695</b>	<b>31,804,722</b>
<b>4.1 Staff Cost</b>		
Salaries and Wages	19,575,297	20,543,194
Director Allowance	573,500	445,450
Pension Expenses	526,494	508,262
Ramazzan Allowance	441,000	435,000
Redundancy and Retirement	235,996	132,392
	<b>21,352,286</b>	<b>22,064,297</b>
<b>5 Income tax expenses</b>		
Tax on Business profit (5.1)	-	-
Deferred tax on temporary difference (5.3)	7,540,575	(182,549)
Income tax expense reported in the income statement	<b>7,540,575</b>	<b>(182,549)</b>

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



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**5.1 Tax on business profit**

A reconciliation between tax expense and the product of accounting profit multiplied by Maldives's domestic tax rate for the year ended 31 December 2020 is as follows:

	<b>2020</b>	<b>2019</b>
	<b>MVR</b>	<b>MVR</b>
Loss before tax	(26,293,323)	(18,727,331)
Add : Depreciation Charge for the period	3,842,024	4,149,356
Other disallowable expenses		1,015,560
Less : Capital allowance	(3,842,024)	(2,253,449)
Other allowable expenses		(569,114)
Taxable loss before adjustments	(26,293,323)	(16,384,979)
Less: Tax free threshold (MVR 500,000)		
Total Taxable loss	<b>(26,293,323)</b>	<b>(16,384,979)</b>
<b>Corporate Income Tax on taxable profit @ 15%</b>	<b>(3,943,999)</b>	<b>(2,457,747)</b>

**5.2 Accumulated Tax Losses**

	<b>2020</b>	<b>2019</b>
Loss carried forward from the previous tax year	(67,294,600)	(50,909,620)
Tax loss for the year of assessment	(26,293,323)	(16,384,979)
<b>At the end of the year</b>	<b>(93,587,923)</b>	<b>(67,294,600)</b>

The deferred tax asset resulting from carried forwarded tax losses has not been recognised in these financial statements since it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom.

**5.3 Net Deferred tax liability**

	<b>2020</b>	<b>2019</b>
Deferred tax asset (Note 5.4)	3,943,999	2,457,747
Deferred tax liability (Note 5.4)	-	6,054,324
<b>Deferred tax liability as at 31 December</b>	<b>3,943,999</b>	<b>(3,596,577)</b>

**Movement in deferred tax**

	<b>2020</b>	<b>2019</b>
As at 01 January	(3,596,577)	(3,414,028)
Provision reversed during the year	7,540,575	(182,549)
<b>As at 31 December</b>	<b>3,943,999</b>	<b>(3,596,577)</b>

**5.4 Deferred tax assets / (liability) are attributable to the following:**

<b>Deferred tax asset</b>	<b>2020</b>	<b>2019</b>
Loss before tax	(26,293,323)	(18,727,331)
Add: Disallowable expenses	3,842,024	5,164,915
Less: Allowable expenses	(3,842,024)	(2,822,563)
Tax based loss	<b>(26,293,323)</b>	<b>(16,384,979)</b>
15%	(3,943,999)	(2,457,747)

Deferred tax assets on tax losses	<b>3,943,999</b>	<b>2,457,747</b>
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**Deferred tax liability**

	<b>2020</b>	<b>2019</b>
Net book value as per accounting base	49,897,937	53,653,630
Written down value as per tax base	49,897,937	13,291,471
Temporary difference	-	<b>40,362,158</b>
15%		
<b>Deferred tax liability</b>	<b>-</b>	<b>6,054,324</b>

**6 EARNINGS PER SHARE**

Earnings per share is calculated by dividing the profit for the year attributable to the ordinary shareholders by the weighted average number

of ordinary shares outstanding during the period. The following reflects the profit and share data used in the earnings per share calculation.

	<b>2020</b>	<b>2019</b>
Profit for the year	(26,293,323)	(18,727,331)
Ordinary shares applicable to earnings per share	3,107,302	2,917,302
<b>Earnings per share</b>	<b>(8.46)</b>	<b>(6.42)</b>

**7 OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES**

	<b>2020</b>	<b>2019</b>
Net Profit/(Loss)	(26,293,323)	(18,727,331)
Depreciation	3,842,024	4,149,356
	<b>(22,451,299)</b>	<b>(14,577,976)</b>



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**8 PROPERTY, PLANT & EQUIPMENT**

	Airport & Island Infrastructure	Buildings	Furniture & Fittings	Motor Vehicles	Marine Vessels	Plant & Equipment	Office Equipment	Crockery, Cutlery, Utensils	Other Assets	Total
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
<b>Cost</b>										
As at 1st January 2020	115,920,094	59,763,892	1,562,216	5,052,959	845,000	9,297,077	817,678	63,806	1,157,823	194,480,546
Additions during the year			50,350				25,649		10,332	86,332
Transfer from Work in Progress										
Disposal During the Year										-
<b>As at 31st December</b>	<b>115,920,094</b>	<b>59,763,892</b>	<b>1,612,566</b>	<b>5,052,959</b>	<b>845,000</b>	<b>9,297,077</b>	<b>843,328</b>	<b>63,806</b>	<b>1,168,156</b>	<b>194,566,877</b>
<b>Accumulated Depreciation</b>										
As at 1st January	77,008,291	51,728,167	481,483	4,856,522	845,000	5,898,100	472,917	63,806	281,571	141,635,857
Prior Year Adjustments										
Charge for the Year	1,852,943	724,295	154,086	132,191		629,607	135,773		116,416	3,745,312
Disposals During the year										
<b>As at 31st December</b>	<b>78,861,234</b>	<b>52,452,462</b>	<b>635,569</b>	<b>4,988,713</b>	<b>845,000</b>	<b>6,527,707</b>	<b>608,690</b>	<b>63,806</b>	<b>397,987</b>	<b>145,381,168</b>
<b>Net Carrying Values</b>										
As at 31st December 2020	37,058,860	7,311,430	976,997	64,245	-	2,769,370	234,638	0	770,169	49,185,710
As at 31st December 2019	38,911,803	8,035,725	1,080,733	196,437	-	3,398,977	344,762	0	876,253	52,844,690

**8.1 CAPITAL WORK-IN PROGRESS**

	2020	2019
As at 1st January 2018	3,004,269	
Additions during the Year	-	3,004,269
Capitalised During the year		
As at 31st December	<u>3,004,269</u>	<u>3,004,269</u>

**8.2 INVESTMENT PROPERTIES**

	2020				2019			
	Restaurant Building	Airline Office building	Land 1	Land 2	Restaurant Building	Airline Office building	Land 1	Land 2
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
<b>Cost</b>								
As at 1st January	2,408,833	2,417,809	-	-	2,408,833	2,417,809	-	-
Additions during the Year								
<b>As at 31st January</b>	<b>2,408,833</b>	<b>2,417,809</b>	<b>-</b>	<b>-</b>	<b>2,408,833</b>	<b>2,417,809</b>	<b>-</b>	<b>-</b>
<b>Accumulated depreciation</b>								
As at 1st January	2,408,833	1,608,870	-	-	2,408,833	1,512,158	-	-
Charge for the year		96,712	-	-		96,712	-	-
<b>Net Carrying Values</b>								
As at 31st December	-	712,227	-	-	-	808,939	-	-



**KADHDHOO AIRPORT COMPANY LIMITED**  
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	2020 MVR	2019 MVR
<b>9 INTANGIBLE ASSETS</b>		
<b>Cost</b>		
As at 1st January	33,000	33,000
As at 31st December	<b>33,000</b>	<b>33,000</b>
<b>Accumulated Amortization</b>		
As at 1st January	33,000	22,000
Amortization for the year		11,000
As at 31st December	33,000	33,000
<b>Net Book Value</b>		
As at 31st December	<b>-</b>	<b>-</b>
<b>10 INVENTORY</b>		
Inventory General Store	992,477	1,051,047
	<b>992,477</b>	<b>1,051,047</b>
<b>11 TRADE AND OTHER RECEIVABLES</b>	<b>2020</b>	<b>2019</b>
Receivables from other trade receivables	1,096,486	730,699
Less: Provision for impairment of other trade receivables(Note 11.1)	(310,922)	-
	785,564	
Receivables from Island Aviation Services Ltd.	36,143,768	35,792,034
Less: Provision for impairment of receivables from Island Aviation Services Ltd.(Note 11.2)	(3,089,851)	-
	33,053,917	
Other Receivables	37,020	62,346
<b>Total Trade and Other Receivables (Net of impairment)</b>	<b>33,876,501</b>	<b>36,585,079</b>
<b>11.1 Provision for impairment of other trade receivables</b>	<b>2020</b>	<b>2019</b>
Opening balance	-	-
Provision for the year	310,922	-
Closing balance	<b>310,922</b>	<b>-</b>
<b>11.2 Provision for impairment of receivables from IASL</b>	<b>2020</b>	<b>2019</b>
Opening balance	-	-
Provision for the year	3,089,851	-
Closing balance	<b>3,089,851</b>	<b>-</b>
<b>12 CASH AND CASH EQUIVALENTS</b>		
Cash at Bank	1,364,569	1,631,717
Cash in Hand	13,720	82,494
	<b>1,378,289</b>	<b>1,714,211</b>
<b>13 SHARE CAPITAL</b>	<b>2020</b>	<b>2019</b>
<i>Authorised Share Capital</i>	<b>MVR</b>	<b>MVR</b>
Authorised Share Capital of 5,000,000 Ordinary Shares of MVR 100 Each	500,000,000	500,000,000
	<b>No. of Shares</b>	<b>Value</b>
<b>At 31st December 2019</b>	2,917,302	291,730,136
Shares issued during the year	190,000	19,000,000
<b>At 31st December 2020</b>	<b>3,107,302</b>	<b>310,730,136</b>

The total authorised number of shares is 5,000,000 shares (2016: 5,000,000 shares) with a par value of MVR 100 per share (2016: MVR 100 per share), of which 263,347 (2015: 187,470) shares are issued. All issued shares are fully paid.

**14 TRADE AND OTHER PAYABLES**

	2020 MVR	2019 MVR
Trade payables	762,422	707,161
Other Payables	1,141,828	762,529
	<b>1,904,251</b>	<b>1,469,690</b>



**KADHDHOO AIRPORT COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December 2020

**15 FINANCIAL INSTRUMENT AND RISK MANAGEMENT**

**Overview**

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

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further, quantitative disclosures are included throughout these company's financial statements.

**(i) Risk management framework**

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

**(ii) 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:

	<b>Carrying Amount as at 31 December 2020 MVR</b>	<b>Carrying Amount as at 31 December 2019 MVR</b>
Trade and Other receivables	33,876,501	36,585,079
Balances with Banks	1,378,289	1,714,211
	<b>35,254,790</b>	<b>38,299,290</b>

The Company believes that all the amounts that are outstanding are collectible, the Company believes that, no provision for impairment is required.

**(iii) Liquidity Risk**

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

At the end of 31st December 2016, The Company has the following obligations

	<b>Carrying Amount (MVR)</b>	<b>Maturity</b>
Trade payables	762,422	1-3 Months
Other Payables	1,141,828	1 Month
	<b>1,904,251</b>	

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

**(iv) 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 optimizing the return.



**KADHDHOO AIRPORT COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December 2020

**16 FAIR VAUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

**Short - term financial assets and liabilities**

The fair value of short-term financial assets and liabilities approximate their carrying value because of their immediate or short-term maturity.

**Long - term financial assets and liabilities**

The management believe that the fair value of long-term financial assets and liabilities would not differ significantly from their carrying amount recorded in the balance sheet.

**17 RELATED PARTY TRANSACTIONS**

The Hundred percent of issued shares of the company is owned by the government of Maldives as follows

	2020	
	No of Shares	Amount MVR
Government of Maldives	3,107,302	310,730,201

The following transaction were carried out with related Parties

**I) Sales of Goods**

	2020 MVR	2019 MVR
Island Aviation Services Limited	4,362,541	
Dhiraagu ( Rent and Utility Charges)	191,580	187,616
Gan Regional Hospital (Room Rent)		1,800
Maldives Monetary Authority		8,250
Maldives National Defence Force	19,245	42,453
Manta Aviation Private Limited		23,819
Ministry of Home Affairs		600
Ministry of Islamic Affairs	750	2,400
	<b>211,575</b>	<b>266,938</b>

**II) Purchase of goods and Services**

	2020 MVR	2019 MVR
State Trading Organization	84,495	149,270
Island Aviation Services Limited	4200	98,825
Dhiraagu Plc	129,157	116,360
	<b>217,852</b>	<b>364,455</b>



**KADHDHOO AIRPORT COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**18 RELATED PARTY TRANSACTIONS (Continued)**

**III) Year end balances arising from Sales /Purchases of Good/ Services**

**Receivables from Related Parties**

	2020	2019
Aviation Security Command	424	424
Dhiraagu	369,878	232,703
Gan Regional Hospital	18,382	6,452
Island Aviation Services Ltd	36,161,135	35,790,801
Maldives National Defence Force		45,000
National Disaster Management Centre		6,360
Maldives Police Service	424	424
Ministry of Environment and Energy	1,166	1,166
Ministry of Housing and Infrastructure	6943	6943
Ministry of Islamic Affairs	1,109	3,653
Prosecutor General Office		3,445.00
Sifainge Cooperative	1,200	1,200
Sifainge Welfare Company	1,272	1,272
	<b>36,561,933</b>	<b>36,099,843</b>

**Payables to Related Parties**

Island Aviation Services Ltd	450,843	446,391
State Trading Organization	4,020	76,860
	<b>454,862</b>	<b>523,251</b>

**IV) Director's Remuneration**

Directors Remuneration	<b>573,500</b>	<b>445,450</b>
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**19 Expected Credit Loss assessment under IFRS 9**

The Company applies the IFRS 9 simplified approach of measuring expected credit loss which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, the receivables have been grouped based on the shared credit risk characteristics and the past experiences on recovery and default.

**Trade receivables**

The expected credit loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted by a loss allowance matrix developed by Company considering the macroeconomic factors affecting the ability of the customers to settle receivables. The Company has selected GDP of the region/country of the customer. Accordingly developed a loss allowance matrix based on expected changes in the GDP of the region/country and applied to the historical loss rates.

On that basis, the loss allowance of the Company as at 31 December 2020 was determined as follows for trade receivables that were subjected to expected credit loss calculation.

**Other Trade Receivables**

	Current	Past due loss than 30 days	Between 31 days and 60 days	Between 61 days and 90 days	Morethan 90 days	Total
<b>12/31/2020</b>						
Expected credit loss rate	2%	14%	17%	20%	31%	
Gross carrying amount-trade receivables	27,981.63	30,376.95	54,580.22	45,969.55	937,577.71	1,096,486.06
Loss Allowance	690.15	4,391.97	9,390.98	9,230.99	287,218.20	310,922.29

**Receivable from Island Aviation Services Limited**

The Company assesses the credit quality of its receivables from Island Aviation Services Ltd. taking into account their financial position, past experience and other factors. The Company is dealing with Island Aviation Services Ltd. and has not experienced historical credit losses during past years. Therefore, expected credit loss allowance for receivables from Island Aviation Services Ltd. were determined by considering the loss of time value of money. The Company management calculated the expected credit losses on these assets by discounting the future cash flows using the Company's borrowing rate.

On that basis, the Company's loss allowance for receivables from Island Aviation Services Ltd. As at 31 December 2020 was as follows:

Gross Carrying Amount	<b>31-Dec-20</b> 36,143,768
Loss Allowance	3,089,851

**20 CONTINGENCIES AND COMMITMENTS**

**20.1 Contingencies**

**Contingent liabilities**

There are no material contingent liabilities at the reporting date.

**Contingent assets**

There are no material contingent assets at the reporting date.

**20.2 Commitments**

**Capital commitments**

There were no capital commitments as at the reporting date.

**Pending Litigations**

There were no pending litigations at the reporting date.

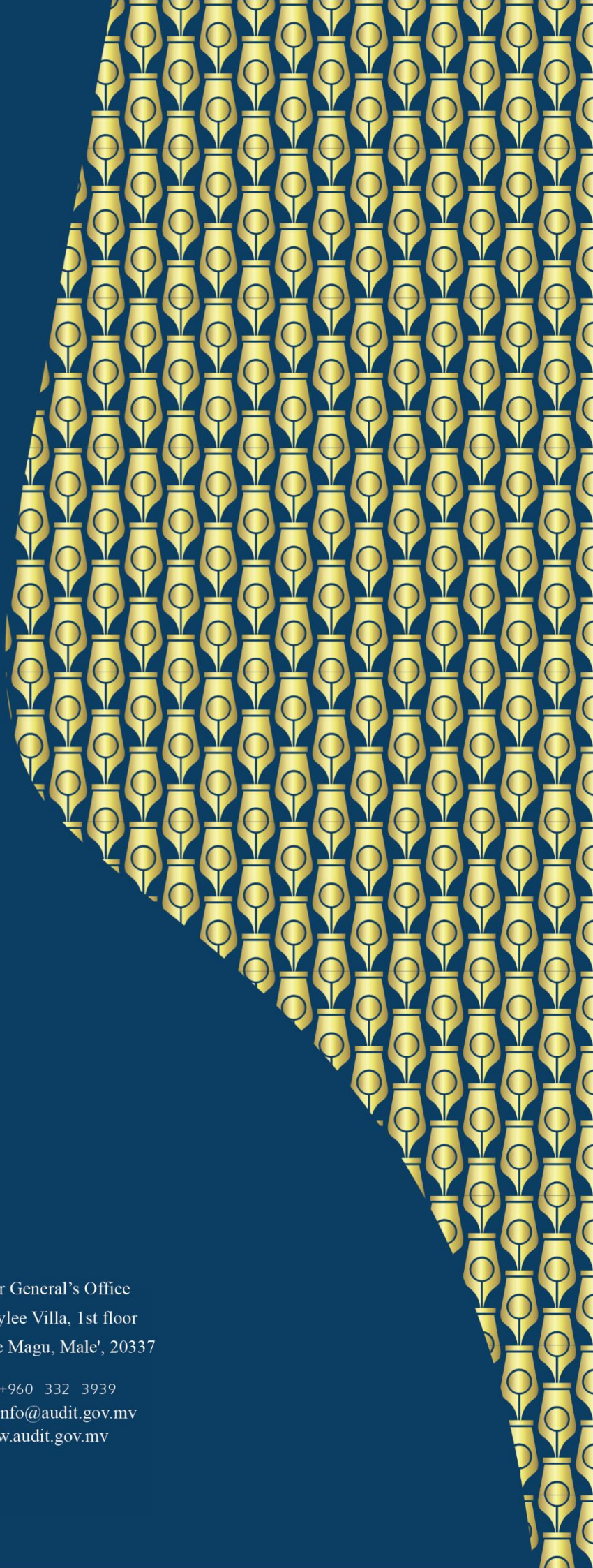
**Operating lease commitments**

There were no any operating Lease commitments as the reporting date

**21 Events after the reporting date**

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





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