Report No: FIN-2021-60(E)

29 September 2021

MALDIVES POST LIMITED
FINANCIAL YEAR 2019

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AUDITOR GENERAL'S OFFICE

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AUDITOR GENERAL'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF MALDIVES POST LIMITED

Opinion

We have audited the financial statements of Maldives Post Limited (MPL) ("the Company") which comprise the statement of financial position as at 31 December 2019, and the statement of 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, in all material respects, give a true and fair view of the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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.

Emphasis of matter

We draw attention to the note no 12.3 to the financial statements, which indicates the land on which the Company's building is erected has been granted by the Shareholder-Government- at a nominal value to deliver the social responsibility owed by the Company towards the public. Accordingly, the granted land is continuously recognized at the nominal value as allowed by IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance. Our opinion is not modified in respect of this matter.

Responsibilities of the Board of Directors and those charged with governance for the financial statements

The Board is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 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 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.

01 August 2021

H. Niyazy

Hussain Niyazy
Auditor General

MALDIVES POST LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2019

	Note	2019 MVR	2018 MVR
Revenue	6	80,644,970	71,579,783
Cost of sales		(26,034,143)	(27,650,983)
Gross profit		54,610,828	43,928,800
Other income	7	9,696,549	4,950,877
Administrative expenses		(28,357,900)	(30,142,672)
Distribution cost		(509,273)	(3,552,714)
Profit from operating activities		35,440,205	15,184,292
Finance income	8	620,911	971,385
Finance cost	8.1	(207,823)	(343,027)
Profit before tax		35,853,293	15,812,650
Tax expense	10	(6,350,765)	(3,032,745)
Profit for the year		29,502,528	12,779,905
Earnings per share - Basis	11	239	105

The accounting policies and notes on pages 8 to 29 form an integral part of the financial statements.

AUDITOR GENERAL'S OFFICE

MALDIVES POST LIMITED
FINANCE AND ACCOUNTS SECTION

MALDIVES POST LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMEBR 2019

	Note	2019 MVR	2018 MVR
Asset			
Non current assets			
Property plant and equipment	12	29,494,207	29,008,460
Investment property	13	16,836,695	17,645,549
Intangible assets	14	581,853	854,045
Right-of-use asset	15	4,091,463	-
Total non current assets		51,004,218	47,508,054
Current assets			
Inventories	16	1,060,844	781,267
Trade and other receivables	17	114,734,162	84,488,739
Financial assets held to maturity	19	14,185,647	16,144,233
Cash and cash equivalents	18	23,581,505	55,062,481
Total current assets		153,562,158	156,476,720
Total assets		204,566,376	203,984,774
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	20	15,000,000	15,000,000
General reserves		8,798,027	8,798,027
Retained earnings		61,782,532	32,280,004
Total shareholders' equity		85,580,559	56,078,031
Non current liabilities			
Deferred tax liability	10.2	803,497	262,428
Lease liability	15.4	2,999,352	-
		3,802,849	262,428
Current liabilities			
Trade and other payables	21	113,982,612	147,644,315
Lease liability	15.4	1,200,356	-
		115,182,968	147,644,315
Total equity and liabilities		204,566,376	203,984,774

The Board of directors is responsible for these financial statements. Signed for and on behalf of the board by:

Name of the Director	Signature
AHMED SHAREEG	
ADHUHAM AHMED	

The accounting policies and notes on pages 8 to 29 form an integral part of the financial statements.

1-Aug-2021
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AUDITOR GENERAL'S OFFICE

MALDIVES POST LIMITED
FINANCE AND ACCOUNTS SECTION

MALDIVES POST LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2019

	Share Capital MVR	General Reserve MVR	Retained Earnings MVR	Total MVR
Balance as at 01 January 2018	15,000,000	8,798,027	25,132,776	48,930,803
Effect due to error correction (Note no 27)	-	-	(73,798)	(73,798)
Profit for the year	-	-	12,779,905	12,779,905
Dividends declared	-	-	(5,558,879)	(5,558,879)
Balance as at 31 December 2018	15,000,000	8,798,027	32,280,004	56,078,031
Profit for the year	-	-	29,502,528	29,502,528
Balance as at 31 December 2019	15,000,000	8,798,027	61,782,532	85,580,559

The accounting policies and notes on pages 8 to 29 form an integral part of the financial statements.

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MALDIVES POST LIMITED
FINANCE AND ACCOUNTS SECTION

MALDIVES POST LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2019

	Note	2019 MVR	2018 MVR
Cash Flows from Operating Activities			
Profit before taxation		35,853,293	15,812,650
Adjustments to reconcile profit to net cash flows			
Effect due to error correction	27	-	(73,798)
Lease interest	15.4	207,823	-
Interest income	8	(620,911)	(971,385)
Depreciation		1,881,685	2,224,559
Amortisation	15.3	2,335,417	115,693
Provision for obsolete inventory		-	286,596
Provision for impairment loss on trade receivables		754,533	3,072,798
Reversal of provision for impairment loss on other receivables		(709,662)	(114,304)
Provision write off		1,812,068	33,476
Inventory write off/back		-	17,889
Operating Profit before Working Capital Changes		41,514,245	20,404,176
Increase in inventories	16	(279,577)	(299,190)
Decrease in trade & other receivables	17	(32,102,366)	(31,711,056)
(Decrease) / Increase in trade & other payables	21	(36,144,057)	9,589,991
Tax paid during the year	10.5	(3,327,342)	(445,082)
Interest income received	8	620,911	971,385
Net Cash Flows used in Operating Activities		(29,718,187)	(1,489,776)
Acquisition of property, plant and equipment	12	(2,367,432)	(2,336,433)
Acquisition of intangible assets	14	(4,350)	(725,552)
Redemptions during the year	19	1,958,586	4,438,795
Withdrawal in fixed deposit		-	14,012,200
Net cash (used in) / from investing activities		(413,196)	15,389,010
Cash flows used in financing activities			
Service obtained of amount due to other post office	21.2	-	351,398
Lease payments		(1,349,594)	-
Net cash (used in) / from financing activities		(1,349,594)	351,398
Net (decrease) / increase in cash & cash equivalents		(31,480,976)	14,250,631
Cash and cash equivalents at the beginning of the year		55,062,481	40,811,851
Cash and cash equivalents at the end of the year		23,581,505	55,062,481

The accounting policies and notes on pages 8 to 29 form an integral part of the financial statements.

AUDITOR GENERAL'S OFFICE

MALDIVES POST LIMITED FINANCE AND ACCOUNTS SECTION

1. CORPORATE INFORMATION

1.1 General

Maldives Post Limited (the "Company") is a Company incorporated and domiciled in the Republic of Maldives as a limited liability company since 30th July 2008 and governed under the Companies Act No. 10 of 1996, with its registered office of the Company being located at No 26, Boduthakurufaanu Magu, 20026, Male', the Republic of Maldives. The Company is 100% owned by the Government of Maldives and domiciled in the Maldives.

1.2 Principal activities and nature of operation

The principal activity of the Company during the period was to provide postal service and related activities in the Republic of Maldives.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The statements of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity together with accounting policies and notes form the financial statements ("financial statements") of the Company. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

2.2 Basis of measurement

The financial statements are prepared under the historical cost basis in accordance with International Financial Reporting Standards. The financial statements are presented in Maldivian Rufiyaa and all values are rounded to the nearest integer except when otherwise indicated. No adjustment is made for inflationary factors affecting these financial statements.

2.3 Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has recourse to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainty.

2.4 Comparative information

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. Further, comparative information is reclassified wherever necessary to comply with the current year presentation.

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019.

MALDIVES POST LIMITED
FINANCE AND ACCOUNTS SECTION

AUDITOR GENERAL'S OFFICE

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY (Continued)

The Company adopted IFRS 16 using the modified retrospective method with the date of initial application at 1 January 2019. As stipulated by the standard, the prior- year figures were not adjusted. As part of initial application of IFRS 16, the company chose to apply the relief option, which allows it to adjust the right-of-use asset by the amount of any provision for onerous lease recognised in the balance sheet immediately before the date of initial application. In addition, the company has decided not to apply the new guidance to leases whose term will end within twelve months of the date of initial application. In such cases, the leases will be accounted for as short-term leases and the lease payments associated with them will be recognised as an expense from short-term leases. The reconciliation to the opening balance for the lease liabilities as at 1 January 2019 provided in Note 15.5 is based upon the opening lease obligations.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) Judgments

In the process of applying the Company's accounting policies, management has made the judgments, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements.

b) Estimates and assumptions

There are no any key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Useful life-time of the Property, Plant and Equipment

The Company reviews the residual values, useful lives and methods of depreciation of assets at each reporting date. Management estimate these values, rates, methods and hence they are subject to uncertainty.

Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its Fair Value Less Costs to Sell and its Value In Use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arms length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

AUDITOR GENERAL'S OFFICE

MALDIVES POST LIMITED
FINANCE AND ACCOUNTS SECTION

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its financial statements:

5.1 Foreign currency translation

The financial statements are presented in Maldivian Rufiyaa, 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.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and

liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item.

5.2 Revenue recognition

Postal Revenue (Terminal Dues, EMS Imbalances, Parcel Post) are recognized when the designated postal operator confirms the weightage of the mails exchanged between the country of origin on a quarterly basis. This is in accordance with the rules and regulations of the Universal Postal Union.

The designated postal operator of each country is assigned by the government to provide postal service in that specific country. Therefore, the payment for the outstanding receivables from these designated postal operators is guaranteed and highly credit-worthy.

Others

Other income is recognised on an accrual basis.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of Financial instruments – initial recognition and subsequent measurement.

AUDITOR GENERAL'S OFFICE

MALDIVES POST LIMITED
FINANCE AND ACCOUNTS SECTION

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.2 Revenue recognition (Continued)

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.

5.3 Expenses

All expenditure incurred in the running of the business has been charged to statement of comprehensive income in arriving at the profit for the year. Repairs and renewals are charged to statement of comprehensive income to in the year in which the expenditure is incurred.

5.4 Tax expense

a) Current taxes

Current Business Profit Tax (BPT) assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current Business Profit Tax (BPT) 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.

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date 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 each reporting date 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 that have been enacted or substantively enacted at the reporting date.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.4 Tax expense (Continued)

Deferred tax relating to items recognised outside statement of comprehensive income is recognised outside statement of comprehensive income. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

a) Sales tax

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

- Receivables and payables are stated with the amount of sales tax included.

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

5.5 Property, plant and equipment

a) Recognition and measurement

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

b) Owned assets

The cost of property, plant and equipment includes expenditure that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

c) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised in accordance with the derecognition policy given below.

The costs of the day-to-day servicing of property, plant and equipment are recognised in statement of comprehensive income as incurred.

MALDIVES POST LIMITED
FINANCE AND ACCOUNTS SECTION

AUDITOR GENERAL'S OFFICE

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Property, plant and equipment (Continued)

d) Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal; or when no future economic benefits are expected from its use. Gains and losses on derecognition are recognised in statement of comprehensive income and gains are not classified as revenue.

e) Depreciation

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

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognized. Depreciation on property, plant and equipment of the Company is charged on a straight-line basis to write off the cost over the estimated useful life of the assets as follows:

Buildings	50 years
Furniture and fittings	05 years
Motor vehicles	05 years
Computer and Peripherals	03 years
Office equipment	04 years
Other Equipment	04 years
Software	03 years

5.6 Investment properties

Investment property are properties held either to earn rental income or capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost less accumulated depreciation and impairment losses. The Depreciation on investment properties is recognized on a straight-line basis over the 50 years estimated useful lifetime, either subsequent recognitions or derecognitions of investment properties are by using the fair value method. On the disposal on an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit or loss

5.7 Intangible assets

Intangible assets with finite lives are amortised over the useful economic life (3 years) and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

AUDITOR GENERAL'S OFFICE

MALDIVES POST LIMITED
FINANCE AND ACCOUNTS SECTION

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.8 Leases

The company assesses at the inception of the contract whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

Company as a lessee

The company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease

5.9 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 cost of each category of inventory is determined at actual cost on FIFO basis.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.10 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.

a) Calculation of recoverable amount

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, 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. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

a) Impairment/ reversal of impairment

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in statement of comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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.

5.11 Financial Instruments - Initial recognition and subsequent measurement

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

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.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.11 Financial Instruments - Initial recognition and subsequent measurement (Continued)

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.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

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.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) 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

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AUDITOR GENERAL'S OFFICE

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.11 Financial Instruments - Initial recognition and subsequent measurement (Continued)

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 its 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.

Impairment of financial assets

The Company applies a simplified approach in calculating ECLs for trade receivables and contract assets. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

a) 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 interest bearing loans and borrowings, trade and other payables.

b) Subsequent measurement

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

c) 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Financial Instruments - Initial recognition and subsequent measurement (Continued)

d) Derecognition

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.

4.12 Cash and Cash Equivalents

Cash and cash equivalents are cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts if any. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

5.13 Provisions

Provisions are recognized 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 a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

5.14 Retirement Benefit Obligations

a) Maldives Retirement Pension

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

b) Other employee benefits

Short-term employee benefit obligations of the Company are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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MALDIVES POST LIMITED
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		2019 MVR	2018 MVR
6	Revenue		
	Terminal dues, EMS & parcel post income	62,586,385	48,552,824
	Sales from postage and stamp sales	8,388,412	8,691,212
	Revenue stamps sales	5,843,032	10,198,313
	E-commerce	1,123,667	973,637
	Other post reated income (Note 6.1)	1,060,060	930,970
	Post Shop	904,916	1,216,651
	Commission income	738,498	1,065,370
		80,644,970	71,628,977
	Less: discounts allowed	-	(49,194)
		80,644,970	71,579,783
6.1	Other post related income		
	Fax income	1,169	2,480
	Handling charges	281,372	210,756
	Service charge	738,033	455,693
	Postage of return Items	39,486	262,041
		1,060,060	930,970
7	Other income		
	Money exchange income	26,947	33,016
	Profit from sale of phone cards (Note 7.1)	44,223	72,930
	Rent income	2,289,675	3,387,107
	Royalty income	832,680	878,940
	Passport service charges	52,415	44,265
	Custom duty processing charges	330,672	247,488
	Miscellaneous income	4,301,451	258,838
	Discount received	52,829	18,557
	Compensation received	128,003	9,736
	QSF donation	1,322,789	-
	Foreign exchange gain	314,865	-
		9,696,549	4,950,877
7.1	Profit from sale of phone cards		
	Phone cards sales	519,378	807,829
	Less: cost associated with phone cards	(475,154)	(734,899)
		44,223	72,930

MALDIVES POST LIMITED FINANCE AND ACCOUNTS SECTION

AUDITOR GENERAL'S OFFICE

		2019 MVR	2018 MVR
8	**Finance income**		
	Interest income	1,000	157,446
	Interest on overdue bills	14,841	96,977
	Interest on treasury bills	605,070	716,961
		620,911	**971,385**
8.1	**Finance cost**		
	Foreign exchange loss	-	343,027
	Lease interest	207,823	-
		207,823	**343,027**

9 Profit before tax

Profit before tax is stated after charging all the expenses including the following;

		2019 MVR	2018 MVR
	Directors' remuneration	522,192	522,192
	Rent expenses	235,807	1,786,267
	Depreciation on property, plant and equipment	1,881,685	1,776,775
	Depreciation on investment property	808,856	447,784
	Amortization of intangible assets	276,545	115,693
	Personnel costs	25,803,835	22,241,716
9.1	**Personnel costs**		
	Staff salaries and wages	13,264,522	12,415,526
	Allowances	10,452,609	7,742,086
	Overtime	531,877	626,875
	Staff training	619,737	443,669
	Staff uniforms	64,424	189,433
	Provident fund contribution	870,666	824,126
		25,803,835	**22,241,716**

10	**Tax expenses**	**2019 MVR**	**2018 MVR**
	Current tax expense	5,071,975	3,006,208
	(Over) / under provision in respect of prior years	737,721	267,846
	Deferred tax on temporary differences (Note 10.2)	541,069	(241,309)
		6,350,765	**3,032,745**
			57,708
	Deferred Tax Assets Reversed / (Recognized)	-	157,259
		-	**2,040,383**

MALDIVES POST LIMITED
FINANCE AND ACCOUNTS SECTION

AUDITOR GENERAL'S OFFICE

10.1 Reconciliation Between Accounting Profit and Taxable Income :

	2019	2018
	MVR	MVR
Profit before tax	35,853,293	15,812,650
Aggregate disallowable items	7,317,152	11,185,286
Aggregate allowable items	(9,107,278)	(6,706,548)
Tax free allowance	(250,000)	(250,000)
Taxable Income for the Year	**33,813,168**	**20,041,387**
Business income tax on taxable profit @ 15%	**5,071,975**	**3,006,208**

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

10.2 Movement in deferred tax

	2019	2018
	MVR	MVR
At 1 January	262,428	503,737
Recognized during the Year	541,069	(241,309)
As at 31 December	**803,497**	**262,428**

10.3 Deferred tax

	2019	2018
	MVR	MVR
Temporary difference on property, plant and equipment	341,590	(12,694)
Temporary difference on invetment property	631,376	733,471
On debtors general provision	(11,178)	(404,826)
On voluntary retirement provision	(115,301)	(10,533)
On stock general provision	(42,989)	(42,989)
Deferred tax asset as at 31 December	**803,497**	**262,428**

10.5 Business profit tax payable

	2019	2018
	MVR	MVR
At 1 January	3,972,031	1,143,059
(Over) / under provision in respect of prior years	737,721	267,846
Provision for the year	5,071,975	3,006,208
Payment made during the year	(3,327,342)	(445,082)
Balance as at 31 December	**6,454,385**	**3,972,031**

11 Earning per share

Basic earning per share

The calculation of the basic and diluted earnings per share is based on the profit for the year attributable to ordinary shareholders and weighted average number of shares outstanding during the year and calculated as follows;

	2019 MVR	2018 MVR
Profit for the year	35,853,293	15,812,650
Weighted average number of ordinary shares	150,000	150,000
Basic earnings per share	239.02	105.42

12 Property, plant and equipment

Gross carrying amounts at

12.1 Cost

	Balance as at 01.01.2019 MVR	Additions/ Transfers During the year MVR	Balance As at 31.12.2019 MVR
Building	32,319,249	0.51	32,319,250
Computer equipment	5,029,612	272,504	5,302,115
Furniture & fittings	7,447,699	510,531	7,958,230
Motor vehicle	1,631,059	-	1,631,059
Office equipments	6,517,680	1,567,598	8,085,277
Other equipment	869,286	16,798	886,085
	53,814,585	2,367,432	56,182,017

12.2 Depreciation

	Balance As at 01.01.2019 MVR	Charge for the Year MVR	Balance As at 31.12.2019 MVR
Building	5,817,465	646,385	6,463,850
Computer equipment	4,642,815	258,930	4,901,745
Furniture & fittings	7,452,725	144,217	7,596,942
Motor vehicle	988,887	129,263	1,118,240
Office equipments	5,179,303	650,127	5,829,430
Other equipment	724,932	52,763	777,604
	24,806,126	1,881,685	26,687,810
Net book value	29,008,460		29,494,207

12.3 Land on which the Company's building is erected has been granted by the Shareholder-Government- at a nominal value to deliver the social responsibility owed by the Company towards the public. Accordingly, the granted land is continuously recognized at the nominal value as allowed by IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance.

MALDIVES POST LIMITED FINANCE AND ACCOUNTS SECTION

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13	Investment property	2019 MVR	2018 MVR
	Cost		
	As at 1st January	21,045,869	21,045,869
	As at 31st December	21,045,869	21,045,869
	Accumulated depreciation		
	As at 1st January	3,400,320	2,952,536
	Charge for the Year	808,856	447,784
	As at 31st December	4,209,174	3,400,320
	Net book value	16,836,695	17,645,549

14	Intangible asset	Balance as at 01.01.2019	Additions/ Transfers	Balance As at 31.12.2019
14.1	Cost	MVR	MVR	MVR
	Software	935,340	502,850	1,438,190
		935,340	502,850	1,438,190

		Balance As at 01.01.2019	Charge for the Year	Balance As at 31.12.2019
14.2	Amortisation	MVR	MVR	MVR
	Software	768,471	276,545	1,045,016
		768,471	276,545	1,045,016
	Net book value	166,869		393,174

14.3	Work in progress	Balance as at 01.01.2019	Additions/ Transfers	Balance As at 31.12.2019
		MVR	MVR	MVR
	Etukiri	498,500	- 498,500	-
	Mail carriage and delivery system	188,679	-	188,679
		687,179	(498,500)	188,679
	Net book value	854,048		581,853

15 Lease

15.1 Lease rent

The Company has entered into 15 lease agreements with regards to the office bulidings having the lease periods from 2 to 5 years. The Company has serveral contracts for the use of buildings. The Company's obligations under its leases are secured by the lessors' title to the leased assets.
The amortisation of Right of Use asset (ROU) and the lease creditors are as follows;

15.2	Right of use asset	2019 MVR
	Opening balance	-
	Value recognized as at 1 January 2019	5,341,479
	As at 31 December 2019	5,341,479

MALDIVES POST LIMITED FINANCE AND ACCOUNTS SECTION

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		2019 MVR
15.3	Accumulated depreciation	
	Opening balance	-
	Depreciation for the year	1,250,016
	As at 31 December 2019	1,250,016
	Carrying value	4,091,463

Set out below are the carrying amounts of rent labilities and the movements during the year.

		2019 MVR
15.4	Lease liabilities	
	At the beginning of the year	-
	Additions	5,341,479
	Interest expense	207,823
	Payments	(1,349,594)
	At the end of the year	4,199,708

	Interest rate	2019 MVR
Current	5%	1,200,356
Non - current	5%	2,999,352
		4,199,708

15.5 Transition to IFRS 16

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

Lease liabilites as at 1 January 2019	MVR
Operating lease commitments as at 31 December 2018	106,829,580
Incremental borrowing rate as at 1 January 2019	5.00%
Discounted operating lease commitments as at 1 January 2019	5,341,479
Lease liabilites as at 1 January 2019	5,341,479

Right-of-use assets	
Discounted operating lease commitments as at 1 January 2019	5,341,479
	5,341,479

		2019 MVR	2018 MVR
16	Inventories		
	Revenue stamps	594,284	282,260
	Phone cards	306,374	324,713
	Post shop	379,825	393,933
	Others	66,957	66,957
		1,347,440	1,067,863
	Provision for obsolete inventory	(286,596)	(286,596)
		1,060,844	781,267

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17 Trade and other receivables	2019 MVR	2018 MVR
Trade receivables	116,286,180	85,632,232
Provision for impairment loss on trade receivables (Note 17.1)	(2,517,728)	(1,763,195)
	113,768,453	83,869,037
Other Receivables	7,558,234	9,733,957
Provision for impairment loss on other receivables (Note 17.2)	(6,592,525)	(9,114,256)
	965,710	619,701
	114,734,162	84,488,739

17.1 As at 31 December, the ageing analysis of trade receivables is as follows:

	<30 days MVR	31 - 60 days MVR	61 - 90 days MVR	91 - 365 days MVR	> 365 days MVR	Total MVR
2019	6,616,303	5,874,471	4,996,658	59,142,975	39,655,773	116,286,180
2018	5,973,616	5,551,414	4,212,199	44,147,161	25,747,843	85,632,232

17.2 Provision for impairment of trade receivables

	Other receivables		Trade receivables	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
Balance as at 1st January	9,114,256	7,302,187	1,763,195	616,769
Provision for the year	-	1,926,372	754,533	1,146,426
Write off during the year	(2,521,731)	(114,304)	-	-
Balance as at 31 December	6,592,525	9,114,256	2,517,728	1,763,195

18 Cash and cash equivalents	2019 MVR	2018 MVR
Cash on hand	1,325,380	2,013,643
Cash at bank	22,256,125	53,048,839
	23,581,505	55,062,481

19 Financial assets held to maturity		
MMA treasury bills	14,185,647	16,144,233
	14,185,647	16,144,233

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

20 Share capital	2019 MVR	2018 MVR
Authorised share capital		
250,000 ordinary shares of Rf. 100/- each	25,000,000	25,000,000
Issued and fully paid		
150,000 ordinary shares of Rf. 100/- each	15,000,000	15,000,000

		2019	2018
21	Trade and other payables	MVR	MVR
	Trade payables	29,701,922	54,520,679
	Other payables (Note 21.1)	12,751,607	24,076,909
	Amount due to other post offices (Note 21.2)	65,074,697	65,074,697
	Current tax payables	6,454,385	3,972,031
		113,982,612	147,644,315

21.1	Other payables		
	Other payables	1,636,499	4,479,624
	Accrued expenses	296,638	326,523
	Dividend payable	6,321,966	6,321,966
	Other current liabilities	2,576,944	5,587,452
	Xpress money payables	1,749,370	6,696,260
	Xpress provision	7,078	357,466
	Etukuri payable	109,034	112,898
	Bill collection payables	54,079	194,720
		12,751,607	24,076,909

21.2	Amount due to other post office		
	As at 1st January	65,074,697	64,723,299
	Other service obtained	-	351,398
	As at 31st December	65,074,697	65,074,697

The recognized deferred tax liability of the Company is attributable to property plant and equipment.

				2019	2018
22	Money remittance service as per a requirement from MMA			MVR	MVR
	Income				
	Xpress money comission income			650,420	756,196
	Service charge			738,033	455,693
	Postage of return items			39,486	-
				1,427,939	1,211,888
	Expenses	Estimated	Base		
	Salary	25,083,339	1%	250,833	387,869
	Administrative Costs	29,360,081	1%	309,101	137,843
	Total Expenses			559,934	525,712
	Net Profit			868,005	686,176

	2019 MVR	2018 MVR
Cash and Cash Equivalents		
Xpress money cash at bank	788,512	5,870,998
Trade Receivables		
Xpress money receivables	6,579	17,029
Xpress money receivables provision	7,078	357,466
Trade and other payables		
Xpress money payables	1,749,370	6,696,260
Remittance tax payables	368,848	635,579

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MALDIVES POST LIMITED
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23 Financial risk management objectives and policies

The Company's principle financial liabilities are interest bearing loans and borrowings, trade payables and intercompany payables. The main purpose of these financial liabilities is to raise finance for Company's operations. The Company has financial assets such as trade receivables, cash and balances with banks, which arise directly from its operations. The main risks arising from the Company's financial instruments are foreign currency risk, liquidity risk and credit risk . The policies for managing each of these risks are summarised below,

23.1 Foreign currency risk

The Company incurs currency risk on services, purchases that are denominated in foreign currency. Foreign exchange risk arises from future commercial transactions and is recognised assets and liabilities.

23.2 Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of interest bearing loans and bank overdrafts.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 etc.

23.3 Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that sales of services are made to customers with an appropriate credit history.

23.4 Fair value of financial assets and financial liabilities

The fair value of short-term financial assets and liabilities approximate their carrying value because of their immediate or short-term maturity. Directors believe that the fair value of long-term financial assets would not differ significantly from their carrying amount recorded in the statement of financial position.

24 Capital management

Capital includes the equity share capital and accumulated reserves. The Company's objective is to maintain a healthy capital ratio in order to support the business and maximise the shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in the Company's operations. The Company manages its capital structure and makes adjustments to it in light of changes in the Company's operations. The company has not changed its Capital management strategy as of the financial statements issue date due to Covid-19 outbreak to manage capital structure, the Company may use dividend payment to shareholders, return capital to shareholders or raise new capital.

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25 Events occurring after the balance sheet date

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

26 Capital commitment and contingent liabilities

The Company had no significant capital commitments or contingent liabilities as at 31 December 2019.

27 Effect due to error correction

27.1 During 2017, the Company has invested in website development of E-Tukuri amounting to MVR 200,000/- which is a capital expenditure. However the company has recoreded this as a revenue expenditure in the statement of comprehensive income. Accordingly the adjustments are being made to rectify the above said error.

27.2 Further, company has made ECL provision for 2017 which has been adjusted through the retained earnings during the current year.

The ajustment is made on statement of changes in equity as below;

Statement of changes in equity	2018 MVR
Opening retained earnings	(73,798)
Intangible asset classified in 2018 financials	(200,000)
ECL provision for 2017	-
Net prior period adjustment	(200,000)

28 Reclassification

	As per 2018 financial statements MVR	Reclassification MVR	Reclassified amount MVR
Cost of sales	14,870,491	12,780,492	27,650,983
Administrative expenses	42,923,164	(12,780,492)	30,142,672

Current year comparative balance in the financials	2018 MVR
Cost of sales	27,650,983
Administrative expenses	30,142,672

During the year, the management has decided to reclasify the operational staff related costs to cost of sales for the purpose of better presentation and comparative figures of the same also has been reclassified accordingly.

MALDIVES POST LIMITED
DETAILED STATEMENT OF EXPENSES
FOR THE YEAR ENDED 31ST DECEMBER 2019

		2019 MVR	2018 MVR
i	**Cost of sales**		
	Operational staff costs	14,711,975	**12,780,492**
	Cost associated with stamps	5,327,107	9,961,607
	International air and Internal Conveyance	1,453,361	1,647,817
	Local mail carriage	1,677,918	1,010,916
	Adecouvert expenses	231,097	288,196
	EMS imbalance expenses	245,411	277,198
	Letter post expenses	923,598	907,638
	Parcel post expenses	305,284	145,008
	Mail delivery & sorting allowance	89,223	91,573
	Stamp costs	21,117	138,780
	Supplementary remuneration expense	4,472	16,474
	Cost of Sales - Phone Cards	21,201	-
	Cost of sales - post shop products	262,910	366,866
	Inventory write off/back	-	17,889
	Post shop loss	-	526
	Operating expenses	759,470	-
		26,034,143	**27,650,983**
ii	**Distribution cost**		
	Advertising	-	80,000
	Marketing & advertising expenses	464,402	309,893
	Bad and doubtful expenses	44,870	3,162,820
		509,273	**3,552,714**

MALDIVES POST LIMITED FINANCE AND ACCOUNTS SECTION

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