Report No: FIN-2021-79(E)

04 November 2021

ISLAND AVIATION SERVICES LIMITED

FINANCIAL YEAR 2019

AUDITOR GENERAL'S OFFICE

Contents

AUDITOR GENERAL'S REPORT

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

Opinion

We have audited the financial statements of Island Aviation Services Limited (the "Company") and consolidated financial statements of the Company and its subsidiary (the "Group"), which comprise the statement of financial position as at 31 December 2019 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Company

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Group

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company/Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
This report is made solely to the Group's shareholders, as a body, in accordance with section 71 of the Companies Act No.10 of 1996. Our audit work has been undertaken so that we might state to the Group's shareholders those matters we required to state to them in an auditor's report and for no other purpose. Therefore, we do not accept or assume responsibility to anyone other than the Group's shareholders, for our audit work, for this report, or for the opinion's we have formed.

Responsibilities of the Board of Directors for the financial statements

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

04th November 2021

H. Niyazy

Hussain Niyazy
Auditor General

ISLAND AVIATION SERVICES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2019

	Notes	Group 2019 MVR	Group 2018 MVR Restated**	Company 2019 MVR	Company 2018 MVR Restated**
Revenue	5	2,167,483,500	2,225,948,246	2,086,838,530	2,185,263,530
Expenditure					
Aircraft Fuel cost		(522,509,294)	(544,411,992)	(522,509,294)	(544,411,992)
Employee cost		(467,843,675)	(388,537,925)	(441,907,034)	(375,078,960)
Airport, Enrout and Passenger cost		(328,798,460)	(351,509,728)	(328,798,460)	(351,509,728)
Rentals on lease aircraft		(21,924,740)	(138,583,426)	(21,924,740)	(138,583,426)
Aircraft Maintenance and Overhaul cost		(179,416,436)	(259,480,091)	(179,416,436)	(259,480,091)
Depreciation and Amortisations		(332,235,073)	(172,289,421)	(329,354,062)	(171,324,948)
Selling, Marketing and Advertisings expense		(43,215,144)	(38,195,687)	(42,705,871)	(35,732,106)
Crew expense		(6,077,666)	(7,319,455)	(6,077,666)	(7,319,455)
Other Operating expense		(209,275,023)	(226,766,471)	(183,700,633)	(210,908,390)
Operating Profit		**56,187,989**	**98,854,050**	**30,444,334**	**90,914,434**
Other Income	6	124,422,540	4,055,719	114,725,991	717,285
Net Finance Cost	7	(63,817,847)	(32,967,141)	(64,230,935)	(32,855,164)
Profit Before Taxation		**116,792,682**	**69,942,628**	**80,939,390**	**58,776,555**
Business Profit Tax expense	9	**(23,154,815)**	**(9,446,663)**	(16,804,050)	(7,793,944)
Profit After Tax for the year		**93,637,867**	**60,495,965**	**64,135,340**	**50,982,611**
Attributable to:					
Equity Holders of the Parent		93,637,670	60,495,902	-	-
Non-controlling Interest		197	63	-	-
		93,637,867	**60,495,965**	-	-
Basic Earnings per Share	11	**93.6**	**60.5**	**64.1**	**51**

*Figures in brackets indicate deductions.
** Refer note number 28 for details regarding the restatement as a result of errors.

The Financial Statements are to be read in conjunction with the related notes which form an integral part of the Financial Statements of the Company set out on pages 22 to 41. The Report of the Independent Auditors is given on pages 1 and 2.

ISLAND AVIATION SERVICES LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

		Group		Company	
		2019	2018	2019	2018
ASSETS	**Notes**	**MVR**	**MVR**	**MVR**	**MVR**
			Restated*		**Restated***
Non-Current Assets					
Property, Plant and Equipment	12	1,533,637,237	918,991,988	1,500,051,567	889,983,528
Investment Property		16,836,695	17,645,551	-	-
Intangible Assets	13	10,072,238	1,706,259	9,490,385	852,214
Rotable Spares	14	626,407,694	565,294,958	626,407,694	565,294,958
Deferred Tax Assets	9.2	24,385,714	23,921,963	24,385,714	23,921,963
Total Non-Current Assets		**2,211,339,578**	**1,527,560,719**	**2,160,335,360**	**1,480,052,663**
Current Assets					
Inventories	16	107,588,981	83,827,841	106,528,137	83,046,574
Trade and Other Receivables	17	990,519,504	856,364,557	876,676,702	772,339,618
Income tax recoverable		3,726,394	1,137,299	3,726,394	5,109,330
Amount Due from Related Party	27	112,173,265	93,046,836	112,173,265	93,046,836
Financial assets		14,185,647	16,144,233	-	-
Cash and Bank Balances	18	45,806,824	77,871,739	22,225,319	22,809,258
Total Current Assets		**1,274,000,615**	**1,128,392,505**	**1,121,329,817**	**976,351,616**
Total Assets		**3,485,340,193**	**2,655,953,224**	**3,281,665,177**	**2,456,404,279**
EQUITY AND LIABILITIES					
Equity					
Share Capital	19	100,000,000	100,000,000	100,000,000	100,000,000
General Reserve	20	293,530,566	266,767,903	293,530,566	266,767,903
Contributed capital		28,383,482	25,147,691	28,383,482	25,147,691
Retained Earnings		527,703,665	514,353,984	442,123,716	458,276,365
Attributable to the Parent company		949,617,713	906,269,578	864,037,764	850,191,959
Non-controlling Interest		610	413	-	-
Total Equity		**949,618,323**	**906,269,991**	**864,037,764**	**850,191,959**
Non-Current Liabilities					
Loan from Shareholder	21.3	310,618,552	111,408,536	310,618,552	111,408,536
Loans and Borrowings	22.2	156,704,516	229,727,309	156,704,516	229,727,309
Deferred Tax Liability	9.2	803,497	262,428	-	-
Employee Retirement benefits Obligation	10	896,830	-	896,830	-
Lease Liability	24	264,213,532	-	261,214,180	-
Total Non-Current Liabilities		**733,236,927**	**341,398,273**	**729,434,078**	**341,135,845**
Current Liabilities					
Loan from Shareholder	21.3	23,097,634	18,078,022	23,097,634	18,078,022
Loans and Borrowings	22.3	87,392,165	73,072,235	87,392,165	73,072,235
Trade and Other Payables	23	1,142,820,106	1,036,724,261	1,028,837,494	893,515,776
Amount Due to Related Party	27	312,185,598	173,403,025	313,076,958	173,403,025
Lease Liability	24	89,105,462	-	87,905,106	-
Forward Revenue		77,124,110	67,996,784	77,124,110	67,996,784
Income tax payable		-	-	-	-
Bank Overdraft	25	70,759,868	39,010,633	70,759,868	39,010,633
Total Current Liabilities		**1,802,484,943**	**1,408,284,960**	**1,688,193,335**	**1,265,076,475**
Total Liabilities		**2,535,721,870**	**1,749,683,233**	**2,417,627,413**	**1,606,212,320**
Total Equity and Liabilities		**3,485,340,193**	**2,655,953,224**	**3,281,665,177**	**2,456,404,279**

* Refer note number 28 for details regarding the restatement as a result of errors.

The Financial Statements are to be read in conjunction with the related notes which form an integral part of the Financial Statements of the Company set out on pages 22 to 41. The Report of the Independent Auditors is given on pages 1 and 2.

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

Name of the Director AHMED SHAMHEED

MOHAMED MIHAD

Signature

Male'

AUDITOR GENERAL'S OFFICE

Island Aviation Services Limited

ISLAND AVIATION SERVICES LIMITED
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2019

Group	**Notes**	**Share Capital MVR**	**General Reserve MVR**	**Contributed Capital MVR**	**Retained Earnings MVR**	**Total MVR**	**Non-controlling Interest MVR**	**Total Equity MVR**
		Attributable to the Owners of the Company						
As at 1st January 2018 (as previously stated)		100,000,000	220,041,221	-	513,369,386	833,410,607	-	833,410,607
Prior period error correction	28			25,147,691	(31,545,727)	(6,398,036)	-	(6,398,036)
As at 1st January 2018 - as restated		100,000,000	220,041,221	25,147,691	481,823,659	827,012,571	350	827,012,921
Profit for the year		-	-	-	60,495,902	60,495,902	63	60,495,965
Transactions Directly Recognized in Equity								
Effect of acquisition of Subsidiary		-	-	-	46,638,126	46,638,126	-	46,638,126
Transferred During the Year	20	-	46,726,682	-	(46,726,682)	-		-
Changes on initial application of IFRS 9		-	-	-	(17,877,021)	(17,877,021)		(17,877,021)
Transactions with the Owners of the Company								
Dividend Declared during the year	19.3	-	-		(10,000,000)	(10,000,000)		(10,000,000)
As at 31st December 2018		**100,000,000**	**266,767,903**	**25,147,691**	**514,353,984**	**906,269,578**	**413**	**906,269,991**
As at 1st January 2019		100,000,000	266,767,903	25,147,691	514,353,984	906,269,578	413	906,269,991
Profit for the year		-	-	-	93,637,670	93,637,670	197	93,637,867
Transactions Directly Recognized in Equity								
Fair value adjustment of subsidised loan granted during the year	21	-	-	3,235,791	-	3,235,791	-	3,235,791
Transferred During the Year	20	-	26,762,663	-	(26,762,663)	-	-	-
Transactions with the Owners of the Company								
Dividend Declared during theyear	19.3	-	-	-	(53,525,326)	(53,525,326)	-	(53,525,326)
As at 31st December 2019		**100,000,000**	**293,530,566**	**28,383,482**	**527,703,665**	**949,617,713**	**610**	**949,618,323**

Figures in brackets indicate deductions.
The Financial Statements are to be read in conjunction with the related notes which form an integral part of the Financial Statements of the Company set out on pages 22 to 41. The Report of the Independent Auditors is given on pages 1 and 2.

Island Aviation Services Limited Rep. of Maldives

AUDITOR GENERAL'S OFFICE

ISLAND AVIATION SERVICES LIMITED
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2019

	Notes	Share Capital MVR	General Reserve MVR	Contributed Capital MVR	Retained Earnings MVR	Total MVR
As at 1st January 2018		100,000,000	220,041,221	-	513,369,386	833,410,607
Prior period error correction	28			25,147,691	(31,471,929)	(6,324,238)
As at 1st January 2018 - as restated		100,000,000	220,041,221	25,147,691	481,897,457	827,086,369
Profit for the year		-	-	-	50,982,611	50,982,611
Transferred During the Year	20	-	46,726,682		(46,726,682)	-
Changes on initial application of IFRS 9		-	-	-	(17,877,021)	(17,877,021)
Transactions with the Owners of the Company						
Dividend Declared during the year	19.3	-	-	-	(10,000,000)	(10,000,000)
As at 31st December 2018		**100,000,000**	**266,767,903**	**25,147,691**	**458,276,365**	**850,191,959**
As at 1st January 2019		100,000,000	266,767,903	25,147,691	458,276,365	850,191,959
Profit for the year		-	-	-	64,135,340	64,135,340
Transactions Directly Recognized in Equity						
Fair value adjustment of subsidised loan granted during the year	21	-	-	3,235,791	-	3,235,791
Transferred During the Year	20	-	26,762,663	-	(26,762,663)	-
Transactions with the Owners of the Company						
Dividend Declared during the year	19.3	-	-	-	(53,525,326)	(53,525,326)
As at 31st December 2019		**100,000,000**	**293,530,566**	**28,383,482**	**442,123,716**	**864,037,764**

Figures in brackets indicate deductions.
The Financial Statements are to be read in conjunction with the related notes which form an integral part of the Financial Statements of the Company set out on pages 22 to 41. The Report of the Independent Auditors is given on pages 1 and 2.

Island Aviation Services Limited Rep. of Maldives

AUDITOR GENERAL'S OFFICE

ISLAND AVIATION SERVICES LIMITED
STATEMENT OF CASH FLOWS
Year ended 31 December 2019

	Note	Group 2019 MVR	Group 2018 MVR	Company 2019 MVR	Company 2018 MVR Restated
Cash Flows from Operating Activities					
Profit Before Tax		116,792,682	69,942,628	80,939,390	58,776,555
Adjustments for:					
Depreciation on Property, Plant and Equipment	12	237,804,761	126,183,489	234,673,060	125,485,324
Depreciation on Investment Property		808,856	261,206	-	-
Amortization of Intangible Assets	13	5,059,207	10,376	4,782,661	5,269
Depreciation on Rotable Spares	14.2	90,488,498	45,834,355	90,488,498	45,834,355
Provision of Impairment Loss on Trade Receivables	17.1	14,707,564	(15,337,586)	13,953,031	(15,337,586)
Provision of Impairment Loss on Other receivables	17.2	(2,521,731)	2,185,051	-	-
Provision for employee retirement benefit	10	896,830	-	896,830	
Disposal loss of Property, Plant and Equipment		-	21,217	-	21,217
Inventory Write-back during the year		-	17,925	-	-
Inventory Write-off during the year		-	33,476	-	-
Interest Expense	7	64,520,186	37,827,005	64,312,363	31,690,303
Interest Income	7	(620,911)	(4,859,864)	-	-
Operating Profit Before Working Capital Changes		527,935,942	262,119,278	490,045,833	246,475,437
Working Capital Changes					
Change in Inventories		(23,761,140)	2,752,659	(23,481,563)	2,693,741
Change in Amount Due from Related Party		(19,126,429)	60,240,625	(19,126,429)	60,240,625
Change in Trade and Other Receivables		(146,340,780)	(347,871,063)	(118,290,115)	(330,017,471)
Change in Trade and Other Payables		61,697,845	359,163,546	90,923,718	346,579,031
Change in Amount Due to Related Party		138,782,573	-	139,673,933	-
Cash from Operations		539,188,011	336,405,045	559,745,377	325,971,363
Interest Paid		(36,420,066)	(27,767,535)	(36,420,066)	(27,767,537)
Tax Paid		(25,666,597)	(25,754,844)	(15,884,865)	(24,423,205)
Net Cash from Operating Activities		477,101,348	282,882,666	507,440,446	273,780,621
Cash Flows from Investing Activities					
Purchase and Construction of Property, Plant and Equipment	12	(407,299,834)	(189,150,193)	(404,932,406)	(188,266,200)
Acquisition of Intangible Asset	13	(13,425,185)	(1,016,106)	(13,420,832)	(796,052)
Additions to Rotable Spares	14	(151,601,234)	(128,967,879)	(151,601,234)	(128,967,879)
Redemptions of financial assets		1,958,586	3,073,757	-	-
Cash and Cash equivalents of POST LTD at the acquisition		-	45,155,588	-	-
Interest Received	7	620,911	4,389,230	-	4,389,230
Net Cash Used in Investing Activities		(569,746,756)	(266,515,603)	(569,954,472)	(313,640,901)
Cash Flows from Financing Activities					
Loan Obtained During the Year	22	236,105,280	59,829,600	236,105,280	59,829,600
Repayments of Borrowings During the Year	22	(87,342,724)	(59,244,256)	(87,342,724)	(59,244,256)
Repayment of Net Capital Portion of Finance Leases					
Lease payments made		(119,931,298)	-	(118,581,704)	-
Net Cash from Financing Activities		28,831,258	585,344	30,180,852	585,344
Net Increase in Cash and Cash Equivalents		(63,814,150)	16,952,407	(32,333,174)	(38,110,074)
Cash and Cash Equivalents at Beginning of the Year		38,861,106	21,908,699	(16,201,375)	21,908,699
Cash and Cash Equivalents at End of the Year	18	**(24,953,044)**	**38,861,106**	**(48,534,549)**	**(16,201,375)**

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related notes which form an integral part of the Financial Statements of the Company set out on pages 22 to 41. The Report of the Independent Auditors is given on pages 1 and 2.

AUDITOR GENERAL'S OFFICE

Island Aviation Services Limited
Rep. of Maldives

1. Corporate information

1.1. Parent Company

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

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

1.2. Subsidiary Company

Maldives Post Limited ("Subsidiary") 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 Subsidiary being located at No 26, Boduthakurufaanu Magu, 20026, Male', the Republic of Maldives. The Subsidiary is 100% owned by the Government of Maldives and domiciled in the Maldives.

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

2. General Accounting policies

2.1. Basis of preparation

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

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

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

2.2. Comparative information

Except for the adoption of IFRS 16 (as more fully described in Note 2.5) The accounting policies and estimates adopted by the Group/Company are consistent with those of the previous financial year.

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

2.3. Going concern

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

2.4. Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

• Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
• Exposure, or rights, to variable returns from its involvement with the investee
• The ability to use its power over the investee to affect its returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The consolidated financial statements of the Group include:

Company Name	Country of Incorporation	% of equity interest 2019	% of equity interest 2018
Maldives Post Limited	Maldives	99.99%	99.99%

2.5. Changes in Accounting Policies

The Group has applied IFRS 16 – "Leases" and IFRIC Interpretation 23 - "Uncertainty over Income Tax Treatment" which became effective for the annual reporting periods beginning on or after 1st January 2019 for the first time. The Group has not early adopted any standard, interpretation or amendment that has been issued but not effective.

Except for the changes below, the Group has consistently applied the accounting policies as set out below to all periods presented in these Financial Statements.

Transition and the impact of adopting IFRS 16 – "Leases"

The Group has applied IFRS 16 from 1 January 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 2.4.5.

On transition to IFRS 16, Group applied the practical expedient and elected not to reassess which contractual arrangements qualify as leases under IFRS 16. It applied the transition rules of IFRS 16 only to contracts that were previously identified as leases as per IAS 17 or IFRIC 4.

The definition of a lease under IFRS 16 was applied to contracts entered into or changed on or after the transition date. Further, Group has applied the following permitted practical expedients on a lease-by-lease basis

- single discount rate has been applied to a portfolio of leases with reasonably similar characteristics;
- the new lease measurement rules have not been applied to leases which expire within 12 months of the transition date and are accounted for as short-term leases.
- initial direct costs associated with the lease have been excluded from the measurement of the right-of-use asset; and
- hindsight has been used in determining the lease term for contracts with extension/termination options.

Adoption of IFRS 16 is having a significant impact on the Group's financial statements as it brings off balance sheet assets and liabilities on balance sheet. The type of leases and recognition and measurement impact of the same is summarised in this note.

In respect of the Consolidated Statement of Profit or Loss, the operating lease expense has been replaced with depreciation of the right-of-use asset and interest on the lease liability, resulting in total expense being higher in the earlier years of a lease and lower in later years.

Right of Use Assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the rate at the date of initial application.

The effect of adopting IFRS 16 is, as follows:

	MVR
Operating lease commitments as at 31/12/2018	**535,104,252**
Add/Less:	
Add: lease payments relating to renewal periods not included in Operating lease in the financial statements as at 31/12/2018	-
Less: Excluded as Short-Term Lease	-
Less: Excluded as Low- Value Lease	-
	535,104,252
Incremental Borrowing rate	7%
Lease liability as at 1/1/2019	**439,808,692**
ROU Asset as at 1/1/2019	**439,808,692**

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

2.6. Significant accounting judgements, estimates and assumptions

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

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

a) Depreciation/Amortisation of Property, Plant and equipment and intangible Assets

Management assigns useful lives and residual values to property, plant and equipment and Intangible Assets based on the intended use of assets and the economic lives of these assets. Management reviews the residual values, useful lives and depreciation/amortisation method at each reporting date and ensures consistency with previous estimates and patterns of consumptions of the economic benefits that embodies in these assets. Changes in useful lives and residual values of these assets may result in revision of future depreciation or amortisation charges

b) impairment of non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. Management uses judgment in estimating such impairment considering the duration of outstanding and any other factors management is aware of that indicates uncertainty in recoverability.

c) impairment of Financial Assets

The Group assesses at each Reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Management uses judgement in estimating such impairment considering the duration of outstanding and any other factors management is aware of that indicates uncertainty in recoverability.

3. Summary of significant accounting policies

a) Foreign currency translations

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

b) Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

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

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

c) Revenue Recognition

The Group recognises revenue based on a five-step model on revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

(i) Airline revenue

Revenue is generated principally from the carriage of passengers, cargo, excess baggage and mail, rendering of airport terminal services, engineering services, air charters and related activities.

- Passenger, cargo, excess baggage sales and other related fees are recognised as operating revenue when the transportation/ facility is provided.
- The value of unused tickets and airway bills is included in current liabilities as sales in advance of carriage. The value of unused tickets and airway bills are recognised as revenue if they remain unutilised and expire after one year.
- Revenue from the provision of airport terminal services is recognised upon rendering of services.
- Revenue from the provision of flight operation services is recognised upon rendering of services.

(ii) Dividend income

Dividend income is accounted for when the shareholders' right to receive the payment is established.

(iii) Rental income

Rental income is recognised on an accrual basis.

(iv) Interest income

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest method.

(v) Other income

Other income is recognised on an accrual basis.

d) Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group 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 Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section l) Financial instruments – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group 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 Group performs under the contract.

e) Expenditure recognition

Expenses are recognised in the statement of comprehensive income on the basis of direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the ordinary course of business and in maintaining the property, plant and equipment in a state of efficiency has been charged to statement of comprehensive income in arriving at the profit for the year.

f) Taxes

Current income tax

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

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

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax (Continued)

The carrying amount of deferred tax assets is reviewed at end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

Goods and Service tax

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

- When the goods and service tax incurred on purchase of assets or services is not recoverable from the taxation authority, in which case, the goods and service tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable

- Receivables and payables that are stated with the amount of goods and service tax included

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

g) Cash dividend

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

h) Property, plant and equipment

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

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

	Company	**Subsidiary**
• Aircraft	- Over 14 years	-
• Engine Overhauls	- Flying Hours	-
• Leasehold Building	- Over 25 years	- Over 50 years
• Seaplane Infrastructure	- Over 5 years	-
• Plant and Equipment	- Over 5 years	- Over 4 years
• Furniture and Fixers	- Over 10 years	- Over 5 years
• Computer and Accessories	- Over 5 years	- Over 3 years
• Motor Vehicles	- Over 5 years	- Over 5 years

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

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

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

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

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

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

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

j) Borrowing costs

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

k) Leases

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: –

- the contract involves the use of an identified asset
- the Group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019

Right of use (ROU) Assets
The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.
The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liability
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.
When the lease liability is remeasured, a corresponding adjustment made to the carrying amount of the right-of-use asset or is recorded in profit loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low value assets
The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019

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

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

l) 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.

i. 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 Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group 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 Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (c) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group'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 Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement financial assets of the Group are classified into the following:

Financial assets at amortised cost
This category is the most relevant to the Group. The Group 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 Group's financial assets at amortised cost includes trade receivables, and loan to an associate and loan to a director included under other non-current financial assets.

De-recognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group 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 Group 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 Group could be required to repay. When the loan to which the financial asset relates is settled completely, the unamortised amount of financial asset is charged to the statement of comprehensive income at time immediately.

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

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

For trade receivables and amount due from related parties, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

ii. Financial liabilities

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

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

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

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

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income. This category generally applies to interest-bearing loans and borrowings. Please refer note 17 for more information.

De-recognition
Financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

m) Inventories

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

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

n) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are collaborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

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

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

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

o) Cash and cash equivalents

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

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

p) Provisions

Provisions are recognised when the Group 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 Group expects some or all of the provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the re-imbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any re-imbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate the risk specific to the liability. Where discounting is used any change in the provision resulting from the unwinding effect is dealt in the statement of comprehensive income.

q) Defined contribution plans

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

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

a) Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

• What is meant by a right to defer settlement
• That a right to defer must exist at the end of the reporting period
• That classification is unaffected by the likelihood that an entity will exercise its deferral right
• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

b) Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations* - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

c) Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

d) Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments

e) IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

AUDITOR GENERAL'S OFFICE

Island Aviation Services Limited Rep. of Maldives

5 REVENUE	Group		Company	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
Passenger Income - Domestic Services	1,071,058,037	1,123,475,668	1,071,058,037	1,123,475,668
Passenger Income - Regional Services	607,514,887	633,821,204	607,514,887	633,821,204
Commercially Important Passengers Revenue	71,772,717	83,433,607	71,772,717	83,433,607
Ground Handling Revenue	71,338,385	56,170,836	71,338,385	56,170,836
Cargo Handling Income	31,762,659	31,154,130	31,762,659	31,551,918
Seaplane Operation Revenue	233,391,845	256,810,297	233,391,845	256,810,297
Postal Income	80,644,970	40,684,716	-	-
	2,167,483,500	**2,225,550,458**	**2,086,838,530**	**2,185,263,530**

6 OTHER INCOME	Group		Company	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
Sundry Income	104,105,818	2,019,102	96,698,944	717,285
Rental Income	20,316,722	2,036,617	18,027,047	-
	124,422,540	**4,055,719**	**114,725,991**	**717,285**

	Group		Company	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
7 NET FINANCE COSTS				
Finance Income (Note 7.1)	702,339	4,277,253	81,428	4,389,230
Finance Cost (Note 7.2)	(64,520,186)	(37,244,394)	(64,312,363)	(37,244,394)
	(63,817,847)	**(32,967,141)**	**(64,230,935)**	**(32,855,164)**
7.1 Finance Income				
Foreign Exchange Gain	702,339	4,277,253	81,428	4,389,230
	702,339	**4,277,253**	**81,428**	**4,389,230**
7.2 Finance Costs				
Interest on Loans and Borrowings	20,159,732	24,513,260	20,159,732	24,513,260
Interest on Loan from Shareholder (as restated)	10,860,419	9,474,626	10,860,419	9,474,626
Interest on Bank Overdraft	5,399,915	3,256,508	5,399,915	3,256,508
Lease Interest	28,100,120	-	27,892,297	-
	64,520,186	**37,244,394**	**64,312,363**	**37,244,394**

8 PROFIT BEFORE TAX	Group		Company	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
Profit before tax is stated after charging all the expenses including the following;				
Lease Rent of Aircrafts	21,924,740	138,583,426	21,924,740	138,583,426
Directors' Remuneration	1,074,530	765,047	535,334	430,355
Amortization of Intangible Assets (Note 13)	5,059,206	10,376	4,782,661	5,269
Depreciation on Property, Plant and Equipment (Including Depreciation on Rotables) (Note 12 and 14)	328,293,259	172,472,304	325,161,558	171,319,679
Provision for Impairment Loss on Trade Receivables (Note 17.1)	14,707,564	(15,337,586)	13,953,031	(15,337,586)
Loss on Disposals of Property, Plant and Equipment	-	21,217	-	21,217
Personnel Costs (Note 8.1)	467,843,675	388,537,925	441,907,034	375,078,960

8 PROFIT BEFORE TAX (CONT...)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	MVR	**MVR**	**MVR**	**MVR**
8.1 Personnel Costs				
Staff Salaries and Allowances	420,430,300	356,462,826	396,048,486	343,881,806
Uniform, Tailoring and Laundry Costs	2,264,544	975,863	2,200,120	892,393
Training Costs	30,679,200	14,579,390	30,059,463	14,343,228
Traveling Expenses	3,697,187	7,937,830	3,697,187	7,937,830
Pension Fund	6,007,944	5,258,304	5,137,278	4,699,991
Staff Recreation Expenses	1,336,655	1,123,967	1,336,655	1,123,967
Staff Medical Expenses	172,962	182,638	172,962	182,638
Staff Insurance	2,358,053	2,017,107	2,358,053	2,017,107
Provision for Retirement Benefit Obligations	896,830	-	896,830	-
	467,843,675	**388,537,925**	**441,907,034**	**375,078,960**

9 TAX EXPENSE

	Group		Company	
	2019	**2018**	**2019**	**2018**
	MVR	**MVR**	**MVR**	**MVR**
		Restated		**Restated**
Current Tax Expense (Note 9.1)	22,339,776	6,653,952	17,267,801	5,067,174
Under/ (Over) Provision in Respect of Previous Year	737,721	267,846	-	-
Deferred Tax Asset Recognized (Note 9.3)	27,790,398	(21,365,421)	27,147,234	(20,473,034)
Deferred Tax Liability Recognized (Note 9.4)	(27,713,080)	23,890,286	(27,610,985)	23,199,804
	23,154,815	**9,446,663**	**16,804,050**	**7,793,944**

9.1 Reconciliation Between Accounting Profit and Taxable Income:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	MVR	**MVR**	**MVR**	**MVR**
Profit Before Tax	116,792,682	69,942,628	80,939,390	58,776,555
Aggregate Disallowable Items	425,700,264	228,080,155	418,383,112	221,813,216
Aggregate Allowable Items	(393,061,104)	(253,265,159)	(383,953,826)	(246,558,611)
Tax Free Allowance	(500,000)	(397,945)	(250,000)	(250,000)
Taxable Income	**148,931,842**	**44,359,679**	**115,118,676**	**33,781,160**
Income Tax @ 15%	**22,339,776**	**6,653,952**	**17,267,801**	**5,067,174**

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

9.2 Net Deferred Tax Assets/ Liability

	Company	
	2019	**2018**
Net Deferred Tax Asset	**MVR**	**MVR**
Deferred Tax Asset (Note 9.3)	25,117,695	52,264,929
Deferred tax Liabilities (Note 9.4)	(731,981)	(28,342,966)
	24,385,714	**23,921,963**

	Subsidary	
	2019	**2018**
	MVR	**MVR**
Net Deferred Tax Liability		
Deferred Tax Asset	341,590	(12,694)
Deferred tax Liabilities	461,908	275,123
	803,498	**262,429**

9 TAX EXPENSE (CONT...)

9.3 Deferred Tax Asset

	Group 2019 MVR	Group 2018 MVR Restated	Company 2019 MVR	Company 2018 MVR Restated
As at 1st January (as restated)	52,692,982	31,327,561	52,264,929	31,791,895
Recognised during the year (as restated)	(27,790,398)	21,365,421	(27,147,234)	20,473,034
As at 31st December	**24,902,584**	**52,692,982**	**25,117,695**	**52,264,929**

Deferred tax asset are attributable to the following;

Group	2019 Temporary Difference MVR	2019 Tax Effect MVR	2018 Temporary Difference MVR	2018 Tax Effect MVR
Property, Plant and Equipment	88,032,036	13,204,805	348,517,490	52,277,623
Intangible Assets	4,745,185	711,778		
Trade receivables Impairment	71,574,500	10,736,175	2,698,840	404,826
Employee Retirement benefits Obligation	1,665,503	249,826	70,220	10,533
	166,017,225	**24,902,584**	**351,286,550**	**52,692,982**

Company	2019 Temporary Difference MVR	2019 Tax Effect MVR	2018 Temporary Difference MVR	2018 Tax Effect MVR
Property, Plant and Equipment	90,309,303	13,546,395	348,432,863	52,264,929
Intangible Assets	4,745,185	711,778	-	-
Trade receivables Impairment	71,499,980	10,724,997	-	-
Employee Retirement benefits Obligation	896,830	134,525	-	-
	167,451,298	**25,117,695**	**348,432,863**	**52,264,929**

9.4 Deferred Tax Liabilities

	Group 2019 MVR	Group 2018 MVR Restated	Company 2019 MVR	Company 2018 MVR Restated
As at 1st January	29,033,448	5,143,162	28,342,966	5,143,162
Recognised During the Year	(27,713,080)	23,890,286	(27,610,985)	23,199,804
As at 31st December	**1,320,368**	**29,033,448**	**731,981**	**28,342,966**

Deferred tax liabilities are attributable to the following;

Group	2019 Temporary Difference MVR	2019 Tax Effect MVR	2018 Temporary Difference MVR	2018 Tax Effect MVR
Rotable Spares	-	-	(188,953,108)	(28,342,966)
Investment property	(4,209,173)	(631,376)	(4,889,806)	(733,471)
Stock General Provision	286,593	42,989	286,593	42,989
ROU Asset	(4,879,874)	(731,981)	-	-
	(8,802,454)	**(1,320,368)**	**(193,556,321)**	**(29,033,448)**

Company	2019 Temporary Difference MVR	2019 Tax Effect MVR	2018 Temporary Difference MVR	2018 Tax Effect MVR
Rotable Spares	-	-	(188,953,108)	(28,342,966)
ROU Asset	(4,879,874)	(731,981)	-	-
	(4,879,874)	**(731,981)**	**(188,953,108)**	**(28,342,966)**

10 Employee retirement benefits obligations

	2019 MVR
At 1 January	-
Current service cost	34,308
Past service cost	862,522
Interest charge	-
Actuarial gain on obligation	-
	896,830
Less: payment during the year	-
Closing balance	**896,830**

Following amounts are recognized in profit or loss during the year in respect of retirement benefit obligation

Amount recognized in income statement	
Current service cost	34,308
Past service cost	862,522
Interest charge	-
	896,830

The retirement benefit obligation of the Company is estimated based on the calculation performed by the actuarial valuer. The projected unit credit method is used to determine the present value of the defined benefit obligation. Key assumptions used in the calculation are as follows:

	2019
Discount rate	4.60%
Expected salary increment	2.50%
Retirement Age (Years)	65
iii) Attrition at Ages	**Withdrawal rate%**
Up to 30 Years	17
From 31 to 44 years	17
Above 44 years	17

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption (%)	Impact on defined benefit obligation: Increase in assumption 2019 MVR	Impact on defined benefit obligation: Decrease in assumption 2019 MVR
Discount rate	0.50%	(31,832)	32,382
Salary growth rate	0.50%	33,590	(31,121)

The liability for defined benefit obligations is not externally funded.

Sensitivities due to mortality and withdrawals are not material and hence impact of change due to these were not calculated.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

11 Earnings per Share

Basic Earnings per Share

The basic EPS is calculated by dividing the profit for the year attributable to ordinary equity hoders of the parent by weighted average nuber of ordinary shares outstanding during the year.

	Group		Company	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
Profit for the year	93,637,670	60,495,902	64,135,340	50,982,611
Weighted average number of ordinary shares	1,000,000	1,000,000	1,000,000	1,000,000
Basic Earnings per Share	**93.6**	**60.5**	**64.1**	**51.0**

12 PROPERTY, PLANT AND EQUIPMENT

12.1 Group

	Fleet and Engines MVR	Leasehold Buildings and Seaplane Infrastructure MVR	Plant and Equipment MVR	Furniture and Fixtures MVR	Computers and Accessories MVR	Motor Vehicles MVR	Total 2019 MVR	Total 2018 MVR Restated
Cost								
As at 1st January	1,565,089,695	128,976,400	59,478,690	33,829,072	30,398,588	21,372,651	1,839,145,096	1,651,164,835
Additions during the year	823,798,318	8,447,982	13,603,460	1,342,874	3,146,775	2,110,600	852,450,009	189,150,195
Disposals during the year	(362,905,543)	-	(112,757)	(28,365)	(177,455)	-	(363,224,119)	(1,169,934)
As at 31st December	**2,025,982,470**	**137,424,382**	**72,969,393**	**35,143,582**	**33,367,909**	**23,483,251**	**2,328,370,986**	**1,839,145,096**
Accumulated Depreciation								
As at 1st January (as restated)	789,279,262	33,793,031	25,449,533	29,282,596	26,192,158	16,156,531	920,153,107	794,661,644
Charge for the year	212,044,170	9,219,145	9,989,683	1,545,590	2,923,908	2,082,266	237,804,761	126,637,949
Disposals during the year	(362,905,543)	-	(112,757)	(28,365)	(177,455)	-	(363,224,119)	(1,146,486)
As at 31st December	**638,417,888**	**43,012,175**	**35,326,459**	**30,799,822**	**28,938,611**	**18,238,797**	**794,733,749**	**920,153,107**
Net Carrying Value								
As at 31st December 2019	1,387,564,582	94,412,206	37,642,934	4,343,760	4,429,298	5,244,454	1,533,637,237	
As at 31st December 2018 (as restated)	**775,810,434**	**95,183,370**	**34,029,157**	**4,546,476**	**4,206,430**	**5,216,120**		**918,991,988**
Analysis as at 31 December 2019								
Owned	1,037,868,680	83,552,732	37,642,934	4,343,760	4,429,298	5,244,454	1,173,081,860	914,477,935
Capital work-in-progress (Note 12.2)	-	2,464,754	-	-	-	-	2,464,754	4,514,053
Right of use assets (Note 12.8)	349,695,902	8,394,721	-	-	-	-	358,090,623	-
As at 31st December	**1,387,564,582**	**94,412,206**	**37,642,934**	**4,343,760**	**4,429,298**	**5,244,454**	**1,533,637,237**	**918,991,988**

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

Asset under constructions included in property, plant and equipment at the year-end comprises of:

	Year ended 31.12.2019 MVR	Year ended 31.12.2018 MVR
Buildings	208,980	2,811,168
Seaplane Platforms	2,255,774	1,702,885
	2,464,754	**4,514,053**

12.3 Aircrafts which are mortgaged to obtain loans and borrowings by the Company are disclosed under Note 21 and 22 to the Financial Statements.

12.4 Land on which the Group'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.

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12 PROPERTY, PLANT AND EQUIPMENT (CONT...)

12.5 Company

	Fleet and Engines	Leasehold Buildings and Seaplane Infrastructure	Plant and Equipment	Furniture and Fixtures	Computers and Accessories	Motor Vehicles	Total 2019	Total 2018
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR Restated
Cost								
As at 1st January	1,565,089,695	96,657,151	52,091,724	26,381,373	25,368,976	19,741,592	1,785,330,509	1,598,234,243
Additions during the year	823,798,318	3,106,502	12,019,064	832,343	2,874,271	2,110,600	844,741,099	188,266,200
Disposals during the year	(362,905,543)	-	(112,757)	(28,365)	(177,455)	-	(363,224,119)	(1,169,934)
As at 31st December	**2,025,982,470**	**99,763,653**	**63,998,031**	**27,185,352**	**28,065,793**	**21,852,192**	**2,266,847,491**	**1,785,330,509**
Accumulated Depreciation								
As at 1st January (as restated)	789,279,262	27,975,566	19,545,298	21,829,871	21,549,343	15,167,644	895,346,983	771,008,142
Charge for the year	212,044,170	7,322,744	9,286,793	1,401,373	2,664,978	1,953,003	234,673,060	125,485,324
Disposals during the year	(362,905,543)	-	(112,757)	(28,365)	(177,455)	-	(363,224,119)	(1,146,486)
As at 31st December	**638,417,888**	**35,298,309**	**28,719,334**	**23,202,880**	**24,036,866**	**17,120,647**	**766,795,924**	**895,346,980**
Net Carrying Value								
As at 31st December 2019	1,387,564,582	64,465,344	35,278,697	3,982,472	4,028,927	4,731,545	1,500,051,567	
As at 31st December 2018 (as restated)	**775,810,434**	**68,681,586**	**32,546,426**	**4,551,502**	**3,819,633**	**4,573,948**		**889,983,528**
Analysis as at 31 December 2019								
Owned	1,037,868,680	57,697,332	35,278,697	3,982,472	4,028,927	4,731,545	1,143,587,653	885,469,475
Capital work-in-progress (Note 12.6)	-	2,464,754	-	-	-	-	2,464,754	4,514,053
Right of use assets (Note 12.9)	349,695,902	4,303,258	-	-	-	-	353,999,160	-
As at 31st December	**1,387,564,582**	**64,465,344**	**35,278,697**	**3,982,472**	**4,028,927**	**4,731,545**	**1,500,051,567**	**889,983,528**

12.6 **The Capital Work-in- Progress at end of the reporting period comprises of following projects;**
Asset under constructions included in property, plant and equipment at the year-end comprises of:

	Year ended 31.12.2019	Year ended 31.12.2018
	MVR	MVR
Buildings	208,980	2,811,168
Seaplane Platforms	2,255,774	1,702,885
	2,464,754	**4,514,053**

12.7 Aircrafts which are mortgaged to obtain loans and borrowings by the Company are disclosed under Note 21 and 22 to the Financial Statements.

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12 PROPERTY, PLANT AND EQUIPMENT (CONT...)

12.8 RIGHT-TO-USE ASSETS (GROUP)

	Leased Aircraft MVR	Leasehold Building MVR	Total 2019 MVR
Cost			
As at 1st January	-	-	-
Recognition of right-of-use Assets on initial application of IFRS 16	435,410,159	9,740,012	445,150,171
As at 31st December	**435,410,159**	**9,740,012**	**445,150,171**
Accumulated Amortization			
As at 1st January	-	-	-
Charge for the Year	85,714,257	1,345,291	87,059,548
As at 31st December	**85,714,257**	**1,345,291**	**87,059,548**
Net Carrying Value	**349,695,902**	**8,394,721**	**358,090,623**

12.9 RIGHT-TO-USE ASSETS (COMPANY)

	Leased Aircraft MVR	Leasehold Building MVR	Total 2019 MVR
Cost			
As at 1st January	-	-	-
Recognition of right-of-use Assets on initial application of IFRS 16	435,410,159	4,398,533	439,808,692
As at 31st December	**435,410,159**	**4,398,533**	**439,808,692**
Accumulated Amortization			
As at 1st January	-	-	-
Charge for the Year	85,714,257	95,275	85,809,532
As at 31st December	**85,714,257**	**95,275**	**85,809,532**
Net Carrying Value	**349,695,902**	**4,303,258**	**353,999,160**

10.10 The company appllied the short term lease recognition to its short-term leases of assets including engines and aircrafts. It also applies low value asset recognition exemption for asset that is considered low of value. Lease payments on short term leases and leases of low value assets are recognised as an expense in the Statement of comprehensive income

13 INTANGIBLE ASSETS

	Group		Company	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
Cost				
As at 1st January	16,799,838	14,381,270	15,177,322	14,381,270
Acquisition date balance of POST LTD	-	903,964	-	-
Additions During the Year	13,425,185	1,514,604	13,420,832	796,052
As at 31st December	**30,225,023**	**16,799,838**	**28,598,154**	**15,177,322**
Accumulated Amortization				
As at 1st January	15,093,579	14,319,839	14,325,108	14,319,839
Acquisition date balance of POST LTD	-	763,364	-	-
Charge for the Year	5,059,206	10,376	4,782,661	5,269
As at 31st December	**20,152,785**	**15,093,579**	**19,107,769**	**14,325,108**
Net Carrying Value	**10,072,238**	**1,706,259**	**9,490,385**	**852,214**

At the reporting date, the company's intangible assets are solely computer software.

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

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14 ROTABLE SPARES

	Group / Company 2019 MVR	Group / Company 2018 MVR
Rotable Spares (Note 14.1)	1,092,866,915	941,265,681
Less: Provision for Depreciation on Rotable Spares (Note 14.2)	(466,459,221)	(375,970,723)
	626,407,694	**565,294,958**

14.1 Movement of Rotable Spares

	2019	2018
As at 1st January	941,265,681	812,297,802
Additions During the Year	151,601,234	128,967,879
Written off During the Year	-	-
As at 31st December	**1,092,866,915**	**941,265,681**

14.2 Accumulated Depreciation on Rotable Spares

	2019	2018
As at 1st January	375,970,723	330,136,368
Charge for the Year	90,488,498	45,834,355
As at 31st December	**466,459,221**	**375,970,723**

15 INVESTMENT AVAILABLE FOR SALE

15.1 Madivaru Holdings Private Limited

The Company has acquired 25,200 and 14,400 ordinary shares of Madivaru Holdings Private Limited at a costs of MVR. 100/- per share costing MVR 3,960,000/- during the year ended 31st December 2006 and 2007 respectively. The Management of the Company has taken a decision to make a full provision for the above investment since the recoverability is doubtful.

15.2 Airport Investment Maldives Private Limited

The Company has agreed to acquire 50,000 shares at a price of MVR. 100/- each, which represents 33.33% of the share capital of Airport Investment Maldives Private Limited in which the Company has acquired 15,000 ordinary shares at a price of MVR. 100/- per share costing MVR 1,500,000/- during the year 2009. The Management of the Company has taken a decision to make a full provision for the above investment since the recoverability is doubtful, as the investee has not commenced its operations yet.

16 INVENTORIES

	Group 2019 MVR	Group 2018 MVR	Company 2019 MVR	Company 2018 MVR
Consumables	37,892,363	17,693,053	37,892,363	17,693,053
Expendables	61,617,834	58,329,341	61,617,834	58,329,341
Tools and Equipment	7,017,940	7,024,179	7,017,940	7,024,179
Other Inventories	1,060,844	781,267	-	-
	107,588,981	**83,827,841**	**106,528,137**	**83,046,574**

17 TRADE AND OTHER RECEIVABLES

	Group 2019 MVR	Group 2018 MVR	Company 2019 MVR	Company 2018 MVR
Trade Receivables	428,953,536	427,249,163	313,558,716	342,080,729
Less: Provision for Impairment Loss on Trade Receivables (Note 17.1)	(74,017,708)	(59,310,144)	(71,499,980)	(57,546,949)
	354,935,828	**367,939,019**	**242,058,736**	**284,533,780**
Pre-Payments	7,435,946	8,680,369	7,435,946	8,680,369
Advance Payments	468,804,752	374,008,821	468,804,752	374,008,821
Security Deposits	54,104,745	49,836,688	54,104,745	49,836,688
Other Receivables	111,830,758	65,013,917	104,272,523	55,279,960
Air Maldives Receivable	3,527,165	3,527,165	3,527,165	3,527,165
Less: Provision for Impairment Loss (Note 17.2)	(10,119,690)	(12,641,421)	(3,527,165)	(3,527,165)
	990,519,504	**856,364,558**	**876,676,702**	**772,339,618**

17 TRADE AND OTHER RECEIVABLES (CONT...)

17.1 Provision for Impairment Loss on Trade Receivables

	Group		Company	
	2019	2018	2019	2018
	MVR	MVR	MVR	MVR
As at 1st January	59,310,144	55,007,514	57,546,949	55,007,514
Addition on acquisition of Subsidiary	-	1,763,195	-	-
Changes on initial application of IFRS 9	-	17,877,021	-	17,877,021
Provision / Reversal of provision during the year	14,707,564	(15,337,586)	13,953,031	(15,337,586)
As at 31st December	**74,017,708**	**59,310,144**	**71,499,980**	**57,546,949**

17.2 Provision for Impairment Loss on Other Receivables

	Group		Company	
	2019	2018	2019	2018
	MVR	MVR	MVR	MVR
As at 1st January	12,641,421	3,527,165	3,527,165	3,527,165
Addition on acquisition of Subsidiary	-	7,302,188	-	-
Provision During the year	-	1,926,372	-	-
Reversed during the year	(2,521,731)	(114,304)	-	-
As at 31st December	**10,119,690**	**12,641,421**	**3,527,165**	**3,527,165**

18 CASH AND BANK BALANCES

	Group		Company	
	2019	2018	2019	2018
	MVR	MVR	MVR	MVR
Cash in Hand	2,214,700	2,849,192	889,320	835,549
Balances with Banks	43,592,124	74,932,705	21,335,999	21,883,866
Time Deposits	-	89,843	-	89,843
Cash and Bank balances	**45,806,824**	**77,871,740**	**22,225,319**	**22,809,258**
Bank Overdraft (Note 25)	**(70,759,868)**	**(39,010,633)**	**(70,759,868)**	**(39,010,633)**
Cash and Cash Equivalents for the Purpose of Cash flows	**(24,953,044)**	**38,861,107**	**(48,534,549)**	**(16,201,375)**

19 SHARE CAPITAL

19.1 Authorized Share Capital

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

19.2 Issued and Fully Paid Share Capital

The issued and fully paid share capital comprises of 1,000,000 (2018: 1,000,000) ordinary shares of MVR. 100/- each.

19.3 Dividends and Voting Rights

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company.

The Company has declared dividend a amount of MVR. 53,525,326/- during the year ended 31st December 2019. (2018 : MVR. 10,000,000/-). The Subsidiary has not declared dividend for the year ended 2019. (2018: MVR 5,558,879).

20 GENERAL RESERVE

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

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21 LOAN FROM SHAREHOLDER

	Group		Company	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
Gross Loan				
As at 1st January	140,594,741	136,674,206	140,594,741	136,674,206
Borrowings Obtained During the Year	196,605,000	-	196,605,000	-
Accrued Interest During the Year	5,019,612	3,920,535	5,019,612	3,920,535
As at 31st December	**342,219,353**	**140,594,741**	**342,219,353**	**140,594,741**
Accounting for fair valuation of loan				
As at 1st January	11,108,183	16,662,274	11,108,183	16,662,274
Effect of new loan obtained during the year (Note 21.2)	3,235,791	-	3,235,791	-
Unwinding effect recognised during the year	(5,840,807)	(5,554,091)	(5,840,807)	(5,554,091)
As at 31st December	**8,503,167**	**11,108,183**	**8,503,167**	**11,108,183**
Net Loan				
As at 1st January	129,486,558	120,011,932	129,486,558	120,011,932
Borrowings Obtained During the Year (Note 21.2)	193,369,209	-	193,369,209	-
Accrued Interest During the Year	10,860,419	9,474,626	10,860,419	9,474,626
As at 31st December	**333,716,186**	**129,486,558**	**333,716,186**	**129,486,558**

21.1 In accordance with the loan agreement dated 22nd July 2015, the Company has obtained a loan facility amounting to MVR. 130,684,500/- from the Ministry of Finance and Treasury at an interest rate of 3%, for the purpose of purchasing the DHC-8-300 Q series MSN 591/DHC 8-314 Aircraft. As per the agreement the loan capital is repayable in 16 semi annual installments of MVR. 8,167,781/- each, with the repayment starting from 15th November 2016. However the Company has not made any repayments during the year. As the loan received from Government of Maldives (Shareholder) is subjected to a concessionary rate of interest of 3% per annual, the effect of the fair valuation of such loan is recognized as a contributed capital and recorded in equity. The yearly unwinding effect of such loan is recgnised through Statement of Profit or Loss.

21.2 The company has obtained an additional load facilty amounting MVR 196,605,000/- from the Government of the Maldives at an interest rate of 5.5% to acquire 4 DCH-6-300 Twin Otter Aircraft. As per the agreement the loan is payable in 12 semi-annual installment of MVR 5,554,091 each with the repayment starting from 25th May 2020. However, the Company had not made any repayments during the year. As the loan received from Government of Maldives (Shareholder) is subjected to a concessionary rate of interest of 5.5% per annual, the effect of the fair valuation of such loan is recognized as a contributed capital and recorded in equity. The yearly unwinding effect of such loan is recgnised through Statement of Profit or Loss.

21.3 Net Loan

	Group		Company	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
Non- Current Liabilities	310,618,552	111,408,536	310,618,552	111,408,536
Current Liabilities	23,097,634	18,078,022	23,097,634	18,078,022
	333,716,186	**129,486,558**	**333,716,186**	**129,486,558**

21.4 Repayments of Gross Loan are scheduled as follows:

Within one year	88,439,884	67,084,710	88,439,884	67,084,710
More than one year but less than two years	16,335,563	16,335,563	16,335,563	16,335,563
More than two years but less than three years	16,335,563	16,335,563	16,335,563	16,335,563
More than three years but less than four years	16,335,563	16,335,563	16,335,563	16,335,563
More than four years but less than five years	8,167,781	16,335,563	8,167,781	16,335,563
More than five years	196,605,000	8,167,781	196,605,000	8,167,781
	342,219,353	**140,594,741**	**342,219,353**	**140,594,741**

22 LOANS AND BORROWINGS

	Group		Company	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
As at 1st January	302,799,544	302,214,200	302,799,544	302,214,200
Add: Loans Obtained During the Year	28,639,861	59,829,600	28,639,861	59,829,600
Less: Loan Repayments During the Year	(87,342,724)	(59,244,256)	(87,342,724)	(59,244,256)
As at 31st December	**244,096,681**	**302,799,544**	**244,096,681**	**302,799,544**

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22 LOANS AND BORROWINGS (CONTINUED)

22.1 Sources of Finance

	Group		Company	
	2019	2018	2019	2018
	MVR	MVR	MVR	MVR
State Bank of India- Male' Branch - Term Loan I (Note 22.4)	91,078,489	111,925,688	91,078,489	111,925,688
Maldives Islamic Bank- Male' Branch - Term Loan II (Note 22.5)	15,918,314	25,333,009	15,918,314	25,333,009
State Bank of India- Male' Branch - Term Loan III (Note 22.6)	12,339,520	23,604,390	12,339,520	23,604,390
State Bank of India- Male' Branch - Term Loan IV (Note 22.7)	66,460,045	87,123,019	66,460,045	87,123,019
State bank of India - Male' branch - Term loan V (Note 22.8)	40,400,400	54,813,438	40,400,400	54,813,438
Maldives Islamic Bank- Male' Branch - Term Loan VI (Note 22.9)	17,899,913	-	17,899,913	-
	244,096,681	**302,799,544**	**244,096,681**	**302,799,544**

22.2 Non-Current Liabilities

	Group		Company	
	2019	2018	2019	2018
	MVR	MVR	MVR	MVR
State Bank of India- Male' Branch - Term Loan I	71,032,489	91,879,688	71,032,489	91,879,688
Maldives Islamic Bank- Male' Branch - Term Loan II	7,918,480	17,333,175	7,918,480	17,333,175
State Bank of India- Male' Branch - Term Loan III	311,920	11,576,790	311,920	11,576,790
State Bank of India- Male' Branch - Term Loan IV	46,414,045	67,077,018	46,414,045	67,077,018
State Bank of India - Male' Branch - Term Loan V	27,447,600	41,860,638	27,447,600	41,860,638
Maldives Islamic Bank- Male' Branch - Term Loan VI	3,579,982	-	3,579,982	-
	156,704,516	**229,727,309**	**156,704,516**	**229,727,309**
Repayments of non current debts are scheduled as follows;				
More than one year but less than two years	46,570,132	69,063,096	46,570,132	69,063,096
More than two years but less than three years	42,678,230	59,101,743	42,678,230	59,101,743
More than three years but less than four years	38,718,991	50,627,526	38,718,991	50,627,526
More than four years but less than five years	23,247,642	33,071,256	23,247,642	33,071,256
More than five years	5,489,520	17,863,688	5,489,520	17,863,688
	156,704,515	**229,727,309**	**156,704,515**	**229,727,309**

22.3 Current Liabilities

	Group		Company	
	2019	2018	2019	2018
	MVR	MVR	MVR	MVR
State Bank of India- Male' Branch - Term Loan I	20,046,000	20,046,000	20,046,000	20,046,000
Maldives Islamic Bank- Male' Branch - Term Loan II	7,999,834	7,999,834	7,999,834	7,999,834
State Bank of India- Male' Branch - Term Loan III	12,027,600	12,027,600	12,027,600	12,027,600
State Bank of India- Male' Branch - Term Loan IV	20,046,000	20,046,001	20,046,000	20,046,001
State Bank of India - Male' Branch - Term Loan V	12,952,800	12,952,800	12,952,800	12,952,800
Maldives Islamic Bank- Male' Branch - Term Loan VI	14,319,931	-	14,319,931	-
	87,392,165	**73,072,235**	**87,392,165**	**73,072,235**

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22 LOANS AND BORROWINGS (CONTINUED)

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

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

Facility	Term Loan Facility.
Facility Amount	MVR 133,383,000/- (US$ 8,650,000/-)
Purpose	To finance the acquisition of aircraft Dash 8-300, MSN 420 and MSN 582
Securities	Primary mortgage over the aircraft (DHC-6-300).
Interest	SBAR- US$, Minimum 7.25% per annum.
Repayments	84 equal quarterly installments of MVR 1,542,000/- each after a grace period of 6 months (May 2017 to November 2017).

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

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

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

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

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

Facility	Term Loan Facility.
Facility Amount	MVR. 53,970,000/-.
Purpose	To finance the acquisition of aircraft DHC-6-300, MSN 321
Securities	Primary mortgage over the aircraft (DHC-6-300 to be Purchased out of term loan and MSN 544 Dash 8-300 aircraft).
Interest	SBAR-US$, Minimum 8% per annum.
Repayments	53 equal monthly installments of MVR. 925,200/- each and 4 equal monthly installments of MVR. 1,233,600/-.

22 LOANS AND BORROWINGS (CONTINUED)

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

The Company obtained a term loan of MVR. 115,804,200/- (US$ 7,510,000/-) from State Bank of India - Male' branch during the year 2017.

Facility	Term Loan Facility.
Facility Amount	MVR 115,804,200/-
Purpose	For expansion of capital expenditure such as acquisition of two new aircrafts (DHC-6-300, MSN503 & DHC 6-300, MSN 613) and upgrade, repair and modification of assets and overhauling of no of 8 aircraft engines.
Securities	1) Mortgage charge over the aircraft DHC-6-300 (MSN 411) 2) Mortgage charge over the aircraft DHC-6-300 (MSN 382) 3) Mortgage charge over the aircraft DHC-6-300 (MSN 381)
Interest	0.75% below SBAR-US$, Min. 7.25% per annum.
Repayments	75 equal quarterly installments of MVR. 1,540,000/- each after a grace period of 6 months (December 2016

22.8 State bank of India - Male' branch - Term loan V

The Company obtained a term loan of MVR. 59,829,000/- (US$ 3,880,000/-) from State Bank of India - Male' branch during the year 2018.

Facility	Term Loan Facility.
Facility Amount	MVR 59,829,000/-
Purpose	For expansion of capital expenditure such as acquisition of two new aircrafts (MSN 382 and MSN 582)
Securities	1) Mortgage charge over the aircraft DHC-6-300 (MSN 411) 2) Mortgage charge over the aircraft DHC-6-300 (MSN 382)
Interest	0.75% below SBAR-US$, Min. 7.25% per annum.
Repayments	84 equal quarterly installments of MVR. 1,079,400/- each for first 5 years and MVR 1,542,000/- each for remaining 2 years after a grace period of 6 months (Januayr 2018 to July 2018).

22.9 Maldives Islamic Bank- Male' Branch - Term Loan VI

The Company obtained a loan of MVR. 26,376,495.96/- (US$ 1,710,538/-) from Maldives Islamic Bank - Male' branch on 28th March 2019.

Facility	Term Loan Facility.
Facility Amount	MVR 26,376,495.96/- (US$ 1,710,538/-)
Purpose	To finance for the acquisition aircraft (DHC-6 300) MSN 546
Securities	1) Mortgage charge over the aircraft DHC-6-300 (MSN 546)
Bank Profit	USD 146,801.12
Repayments	24 months

23 TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	MVR	MVR	MVR	MVR
Trade Payables	296,893,418	296,387,242	267,191,496	242,330,363
Accrued Expenses	127,200	127,087	127,200	127,087
Dividend Payable	55,961,095	36,321,966	55,961,095	30,000,000
Lease Payable on Air Craft	-	30,663,830	-	30,663,830
GST Payable	11,135,473	20,076,909	11,135,473	20,076,909
Security Deposits Received	3,862,900	3,568,274	3,862,900	3,568,274
Advance Received from Customers	15,465,455	2,332,758	15,465,455	2,332,758
Other Payables	759,374,565	647,246,195	675,093,875	564,416,555
	1,142,820,106	**1,036,724,261**	**1,028,837,494**	**893,515,776**

24 LEASE LIABILITY

	Group / Company	
	2019	2019
	MVR	MVR
At 1st January		
Recognition of lease liability on initial application of IFRS 16	445,150,171	439,808,692
Interest charge during the year	28,100,120	27,892,297
Payments made during the year	(119,931,298)	(118,581,704)
Balance as at 31 December	**353,318,993**	**349,119,286**
Maturity analysis		
Current	89,105,462	87,905,106
Non-current	264,213,532	261,214,180
	353,318,994	**349,119,286**

25 BANK OVERDRAFT

	Group / Company	
	2019	2018
	MVR	MVR
Bank Overdraft (Note 25.1)	**70,759,868**	**39,010,633**

25.1 Bank Overdraft

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

26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(i) Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

(ii) Risk Management framework

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

(iii) Credit Risk

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

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

	Gross Carrying Amount	
	2019	2018
	MVR	MVR
Trade and Other Receivables	313,558,716	444,551,242
Amount Due from Related Parties	112,173,265	95,692,969
Balances with Banks	21,335,999	21,973,714
	447,067,980	**562,217,925**

(iv) Credit Loss

The Company applies the IFRS 9 simplified approach of measuring expected credit losses which uses a Lifetime Expected Credit Loss (ECL) Allowance.

Government & Government Entities

	2019			2018		
Ageing Bucket	**Trade Receivables Carrying Amount**	**Expected loss rate**	**ECL Allowance**	**Trade Receivables Carrying Amount**	**Expected loss rate**	**ECL Allowance**
1 - 30 days	30,298,611	9%	2,688,433	15,251,357	9%	1,312,590
31 - 60 days	13,770,300	12%	1,639,992	6,341,520	11%	712,219
61 - 90 days	5,091,509	17%	842,628	2,829,484	15%	419,063
> 90 days	63,012,847	41%	25,763,705	68,541,172	34%	23,257,736
Total	**112,173,265**		**30,934,761**	**92,963,533**		**25,701,612**

Maldives Corporate and Resort

Ageing Bucket	**Trade Receivables Carrying Amount**	**Expected loss rate**	**ECL Allowance**	**Trade Receivables Carrying Amount**	**Expected loss rate**	**ECL Allowance**
1 - 30 days	109,644,318	2%	2,068,637	89,396,794	1%	1,151,934
31 - 60 days	44,058,601	4%	1,581,898	56,866,772	2%	1,399,524
61 - 90 days	11,566,426	7%	850,837	20,614,595	5%	1,045,681
> 90 days	71,718,916	24%	17,416,213	123,341,723	17%	20,945,052
Total	**236,988,261**		**21,917,587**	**290,219,884**		**24,542,193**

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26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Foreign Corporate

	As at 31 December 2019			As at 31 December 2018		
Ageing Bucket	Trade Receivables Carrying Amount	Expected loss rate	ECL Allowance	Trade Receivables Carrying Amount	Expected loss rate	ECL Allowance
1 - 30 days	8,125,412	8%	686,616	13,165,233	7%	938,689
31 - 60 days	9,048,926	13%	1,167,632	8,650,843	11%	940,049
61 - 90 days	3,862,829	20%	764,332	3,441,123	17%	579,046
> 90 days	35,639,462	45%	16,029,047	13,248,458	37%	4,859,290
Total	**56,676,628**		**18,647,631**	**38,505,657**		**7,317,077**

Others

	As at 31 December 2019			As at 31 December 2018		
Ageing Bucket	Trade Receivables Carrying Amount	Expected loss rate	ECL Allowance	Trade Receivables Carrying Amount	Expected loss rate	ECL Allowance
1 - 30 days	1,047,200	0%	-	2,337,189	0%	-
31 - 60 days	103,480	0%	-	838,869	0%	-
61 - 90 days	417,267	0%	-	1,842,809	0%	-
> 90 days	18,325,880	0%	-	27,571,957	0%	-
Total	**19,893,827**		**-**	**32,590,824**		**-**

ECL has not been calcuated for Others Category. This includes the advance made to staff and inter-department receivable. It is assumed that there will be no default in recovery of these assets.

(v) Liquidity Risk

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

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

31st December 2019	Carrying Amount MVR	0-6 Months MVR	6-12 Months MVR	1-2 Years MVR	2-5 Years MVR
Financial Liabilities (Non- Derivative)					
Loans and Borrowings	266,221,828	37,107,130	37,107,130	54,275,252	137,732,317
Shareholder loan	618,901,858	44,769,480	44,769,480	31,541,771	497,821,127
Trade and Other Payables	1,028,837,494	1,028,837,494	-	-	-
Bank Overdraft	70,759,868	70,759,868	-	-	-
Total	**1,984,721,048**	**1,181,473,972**	**81,876,610**	**85,817,022**	**635,553,444**

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

31st December 2018	Carrying Amount MVR	0-6 Months MVR	6-12 Months MVR	1-2 Years MVR	2-5 Years MVR
Financial Liabilities (Non- Derivative)					
Loans and Borrowings	302,799,544	36,536,118	36,536,118	69,063,095	160,664,213
Shareholder loan	140,594,741	33,542,355	33,542,355	16,335,563	57,174,469
Trade and Other Payables	1,114,915,589	1,114,915,589	-	-	-
Bank Overdraft	39,010,633	39,010,633	-	-	-
Total	**1,597,320,507**	**1,224,004,695**	**70,078,473**	**85,398,658**	**217,838,682**

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

26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(vi) Market risk

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

(a) Interest rate risk

Profile

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

	Carrying Amount	
	2019	2018
	MVR	MVR
Variable Rate Instruments		
Financial Liabilities	244,096,681	302,799,544
Bank Overdraft	70,759,868	39,010,633
	314,856,549	**341,810,177**

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) the loss of the Company by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

	2019	2018
	MVR	MVR
100 Basis points increase in interest rate	**3,148,565**	**3,418,102**
100 Basis points decrease in interest rate	**(3,148,565)**	**(3,418,102)**

(b) Currency Risk

Exposure to currency risk

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

	2019		
	USD	LKR	INR
Cash and Bank Balances	615,444	2,694,346	515,870
Trade and Other Receivables	15,349,162	6,759,266	105,166,846
Bank Overdraft	(2,509,637)	-	-
Loans and Borrowings	(16,134,062)	-	-
Trade and Other Payables	(12,894,089)	(175,211)	(17,022,032)
	(15,573,182)	**9,278,401**	**88,660,684**

26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(vi) Market risk (Continued)

(b) Currency Risk (Continued)

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

The following significant exchange rate applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR
1 USD: MVR.	15.42	15.42	15.42	15.42
1 LKR: MVR.	0.09	0.09	0.08	0.08
1 INR: MVR.	0.22	0.23	0.21	0.22

27 RELATED PARTY TRANSACTIONS

The company is controlled by the Government of Maldives which owns 100% of the Company's shares.

The following transactions were carried out with the Government and its related entities. The transactions below were made in the ordinary course of business on substantially the same terms, including, aero and non aero transactions as for comparable transactions with unrelated counterparties.

27.1 Sales of goods and services

	Group / Company	
	2019	2018
Name of the related party	**MVR**	**MVR**
Aasandha	98,399,915	92,329,954
Government Ministries	47,988,400	36,184,083
Maldives Police Services	19,084,302	144,134
President's Office	12,778,055	1,970,032
Maldives National Defense Force	6,315,204	4,734,887
Maldives Airports Company Ltd.	4,779,761	7,713,024
State Trading Organisation	4,071,097	1,828,865
Fenaka Corporation Limited	2,989,646	2,596,560
Maldives Marketing & PR Cooperation	2,776,994	2,121,042
Ministry of Finance and Treasury	1,507,215	1,223,651
Others	35,932,801	55,922,353
	236,623,391	**206,768,583**

27.2 Purchases of goods and services

	Group / Company	
	2019	2018
Name of the related party	**MVR**	**MVR**
Maldives Airports Company Ltd	625,458,995	501,695,062
Addu International Airport Pvt Ltd	65,154,621	40,393,198
State Trading Organisation	33,115,427	13,535,789
Regional Airports	24,614,140	23,679,414
Kadhdhoo Airport Office	12,515,949	12,725,804
Allied Insurance Comp Of The Maldives Pvt Ltd	5,236,489	3,237,716
Dhiraagu	3,071,158	3,037,154
Maldives Customs Services	1,697,306	2,012,522
Maldives Civil Aviation Authority	1,586,361	915,232
State Electric Co. Ltd	1,453,206	991,359
Others	6,445,865	3,091,851
	780,349,516	**605,315,101**

27 RELATED PARTY TRANSACTIONS

	Group / Company	
	2019	2018
27.3 Receivable from related parties:	MVR	MVR
Aasandha	28,498,059	20,117,343
Regional Airports	14,548,669	14,305,326
Ministry of Finance	12,302,527	(144,816)
Maldives Airports Company Ltd.	10,547,730	16,998,088
Football Association Of Maldives	7,426,688	7,426,688
Public Service Media	3,557,718	3,550,778
Ministry of Education	3,610,649	996,949
State Trading Organisation	3,167,382	1,424,031
Ministry of Youth, Sports and Empowerment	1,983,295	586,174
Fenaka Corporation Limited	1,913,993	600,908
Others	24,616,555	27,185,369
	112,173,265	93,046,836

	Group		Company	
	2019	2018	2019	2018
27.4 Payable related parties:	MVR	MVR	MVR	MVR
Maldives Airports Company Ltd.	117,607,909	41,377,328	117,607,909	41,377,328
Regional Airports	119,454,050	95,078,710	119,454,050	95,078,710
Kadhdhoo Airport Office	35,754,980	28,079,518	35,754,980	28,079,518
Addu International Airport Pvt Ltd	20,874,016	5,736,327	20,874,016	5,736,327
State Trading Organisation	14,605,948	121,263	14,605,948	121,263
Fenaka Corporation Limited	978,708	187,380	978,708	187,380
Allied Insurance Comp Of The Maldives Pvt Ltd	969,299	2,532	969,299	2,532
Maldives Post Limited	-	-	891,360	-
Dhiraagu	831,797	1,238,615	831,797	1,238,615
Maldives Transport & Contracting Plc	492,550	533,400	492,550	533,400
Others	616,341	1,047,952	616,341	1,047,952
	312,185,598	173,403,025	313,076,958	173,403,025

27.5 Transactions with Key Management Personnel

The Board of Directors of the Company are the members of the key management personnel. The Company has paid MVR 535,334/- as fees to the directors during the year ended 31st December 2019 (2018: MVR. 430,355/-).

28 CORRECTION OF ERRORS

(a) During the year ended 31 December 2019, The company discovered a computational error in calculating depreciation of some its equipment. The error resulted in an understatement of depreciation recognized for the 2018 and prior financial years and an corresponding overstatement of property, plant and equipment.

(b) The company has entered in to a subsidized loan agreement with the Government of the Maldives (i.e. the shareholder) on 20 June 2016, and has continued to recognized the borrowing at gross value for the year 2018 and prior financial years and as a consequence, the borrowings was overstated and finance cost was understated for the corresponding years.

These errors have been corrected by restating each of the affected financial statement line items of the group and the company for the prior periods as follows:

28 CORRECTION OF ERRORS (CONT...)

COMPANY / GROUP
Statement of financial position (extract)

	As at 31.12.2018 MVR	Increase / (Decrease) MVR	As at 31.12.2018 Restated MVR	As at 01.01.2018 MVR	Increase / (Decrease) MVR	As at 01.01.2018 Restated MVR
Property, plant and equipment	955,464,336	(65,480,808)	889,983,528	854,269,056	(27,042,955)	827,226,101
Deferred tax asset	14,099,842	9,822,121	23,921,963	27,735,452	4,056,443	31,791,895
Net assets	**969,564,178**	**(55,658,687)**	**913,905,491**	**882,004,508**	**(22,986,512)**	**859,017,996**
Contributed capital	-	25,147,691	25,147,691	-	25,147,691	25,147,691
Retained earnings	527,974,561	(69,698,196)	458,276,365	513,369,386	(31,471,929)	481,897,457
Total Equity	**527,974,561**	**(44,550,505)**	**483,424,056**	**513,369,386**	**(6,324,238)**	**507,045,148**
Non-Current Liabilities						
Loan from Shareholder	122,516,719	(11,108,182)	111,408,537	122,516,719	(16,662,274)	105,854,445
Total Equity	**122,516,719**	**(11,108,182)**	**111,408,537**	**122,516,719**	**(16,662,274)**	**105,854,445**
Total Equity and Liabilities	**650,491,280**	**(55,658,687)**	**594,832,593**	**635,886,105**	**(22,986,512)**	**612,899,593**

Statement of Comprehensive Income (extract)	Year ended 31.12.2018 MVR	Profit Increase / (Decrease) MVR	Year ended 31.12.2018 Restated MVR
Depreciation and amortizations	(132,887,096)	(38,437,852.0)	(171,324,948)
Operating profit	**129,352,286**	**(38,437,852)**	**90,914,434**
Net Finance cost	(27,301,073)	(5,554,091)	(32,855,164)
Profit before taxation	**102,768,498**	**(38,437,852)**	**58,776,554**
Business profit tax expense	(13,559,622)	5,765,678	(7,793,944)
Profit for the year	**89,208,876**	**(38,226,266)**	**50,982,610**

Basic Earnings per share for the prior year have also been restated. The amount of the correction for earnings per share was an decrease of MVR 38.2 per share.

29 EVENTS SUBSEQUENT TO THE REPORTING DATE

The Covid-19 pandemic that has been spreading in the recent months is expected to impact the global economy including Maldives. The possible impact of this event on the Company and these financial statements for the year ended 31 December 2019 cannot be assessed due to many uncertainties. However, no circumstances have arisen since the reporting date which may require adjustments to, or disclosure in, the financial statements.

30 CONTINGENT LIABILITIES

The Management estimates contingent liabilities based on claims made of MVR 24 Million as at 31st December 2019 (2018: MVR 0.00). No provision has been made in these Financial Statements as the Directors do not anticipate liability in respect of any contingent liabilities arising in the course of business of the Company in respect of legal actions, other claims and potential claims being made against the Company by customers, suppliers and employees. The Company has no legal actions other than from its customers, suppliers and employees.

31 DIRECTOR'S RESPONSIBILITY

The Board of Directors of the Company is responsible for the preparation and presentation of these financial statements.

AUDITOR GENERAL'S OFFICE

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