Report No: FIN-2023-75(E)

27th November 2023

KADHDHOO AIRPORT COMPANY LIMITED
FINANCIAL YEAR 2018

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AUDITOR GENERAL'S OFFICE

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AUDITOR GENERAL'S REPORT

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

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of Kadhdhoo Airport Company Limited ("the Company"), which comprise the statement of financial position as at 31st December 2018, 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 exhibited on pages 4 to 23.

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

Basis for Disclaimer of Opinion

1. As per certificate of registration issued by the Ministry of Economic Development, the Government of Republic of Maldives, the Company was registered on 18th September 2011. However, as informed to us by the Company's letter dated 16th October 2018, owing to lack of handover of operations of Kadhdhoo Airport to the Company until 1st September 2015, financial statements have not been prepared and presented for any of the previous periods since its registration to 31st December 2014. Therefore, we were unable to determine whether any adjustments are required to and any impact on the financial statements as at 31st December 2014 in the absence of sufficient appropriate audit evidence.

2. As per Note 13 to the financial statements, the Company has recorded issued and paid-up share capital amounting to MVR 279,730,138/- (2017: MVR 259,913,049/-) as at 31st December 2018. Included in the issued and paid-up share capital amount is MVR 188,000,000/-, which has been recognised based on the Memorandum of Association of the Company, which states that MVR 188,000,000/- has been issued by the Company and fully paid by the Government of Maldives. The Company recorded the said MVR 188,000,000/- towards the value of the property plant and equipment. However, in absence of valuation of these assets by a certified valuer, we were unable to verify existence, completeness, accuracy, valuation and allocation of the said MVR 188,000,000/-. Accordingly, we were unable to determine whether any adjustments might have been necessary on the amounts shown in the financial statement as share capital.

3. As per Note 8 to the financial statements, the Company has recorded cost value of property, plant and equipment amounting to MVR 192,579,034/- (restated) and accumulated depreciation

Basis for Disclaimer of Opinion (Continued)

charges amounting to MVR 133,546,866/- (restated) and net carrying value of MVR 59,032,168/- (restated) as at 1st January 2018. On the grounds of unavailability of sufficient appropriate audit evidence for audit Inspection, a disclaimer of opinion was issued on the financial statements of the company for the financial year ended 31st December 2017. Owing to the nature of the company's records, we were not able to extend our audit procedures to verify the existence, rights and obligation, completeness, accuracy, valuation and allocation of the said balances as at 1st January 2018. Consequently, we were not able to satisfy ourselves as to the existence, rights and obligation, completeness, accuracy, valuation and allocation of net carrying value of property plant and equipment as at 31st December 2018.

Further, the company has recognised depreciation charges amounting to MVR 4,133,060/- (2017: MVR 73,302,405/-) for the financial year ended 31st December 2018. Owing to the above matter, we were not able to satisfy ourselves as to the completeness, occurrence and accuracy of the said depreciation charges. Accordingly, we were not able to determine whether any adjustments might have been necessary on the amounts stated in the financial statement as depreciation charges, loss for the year and consequently on the retained earnings.

4. As per note 8 to the financial statements, the net carrying value of property, plant and equipment is MVR 56,328,894/- as at 31 December 2018. As per IAS 16 "Property, Plant and Equipment", the residual value and the useful value of an asset shall be reviewed at least at each financial year-end and, if expectations differ from the previous estimates, the changes(s) shall be accounted for as a change in an accounting estimate. in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Error". Also, the standard says if an error is made in a prior period, unless it is impracticable to determine the effects of the error, an entity shall correct material prior period errors retrospectively by restating the comparative amounts for the prior period(s) presented in which the error occurred. However, it was observed that a significant part of the assets recorded in the fixed asset register of the Company are fully depreciated years ago, but are still in use. Company has not performed a review of these fully depreciated assets and have not accounted for changes in accounting estimates or error. Therefore, we were unable to determine the possible effects of such changes of estimate or error on these financial statements as at 31 December 2018.

Other Matter

As at the reporting date the company recorded an accumulated loss of MVR 181,878,288 including a loss of MVR 21,060,780 from its operations during the year. The company was unable to generate sufficient funds on its own and hence relied upon Government of Maldives for funding the company's operations. As recorded in the Statement of Changes in Equity, during the year the Government of Maldives granted MVR 19,817,088 to the Company for funding the operations of the Company.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

27th November 2023

H. Niyazy

Hussain Niyazy
Auditor General

KADHDHOO AIRPORT COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018
(All amounts are shown in Maldivian Rufiyaa unless otherwise stated)

	Note	2018 MVR	Restated 2017 MVR
Revenue	3	13,211,121	13,638,525
Operating expenses	4	(35,079,619)	(32,624,259)
Operating Profit / (Loss) before tax		**(21,868,498)**	**(18,985,734)**
Other Comprehensive Income			
Deffered tax liability recognized	5	807,718	583,370
Total comprehensive income for the year		**(21,060,780)**	**(18,402,364)**
Earnings / (Loss) per share attributable to the equity holder of the Company during the year - basic	6	**(7.82)**	**(7.30)**

These financial statements are to be read in conjunction with the related notes which form an integral part of these financial statements of the Company set out on pages 8 to 23.

KADHDHOO AIRPORT COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31st December 2018
(All amounts are shown in Maldivian Rufiyaa unless otherwise stated)

	Note	2018 MVR	Restated 2017 MVR
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	8	56,328,894	59,032,168
Working Progress	8.1	1,112,177	-
Investment properties	8.2	905,652	1,002,364
Intangible Asset	9	-	11,000
Total Non-Current Assets		**58,346,723**	**60,045,532**
Current assets			
Inventory	10	1,687,887	1,372,136
Trade and other receivable	11	28,933,798	18,196,289
Cash and balances with banks	12	13,873,447	24,744,315
Total Current Assets		**44,495,132**	**44,312,740**
Total Assets		**102,841,855**	**104,358,271**
EQUITY AND LIABILITIES			
Equity			
Capital and Reserves			
Share capital	13	279,730,138	259,913,049
Retained Earnings		(181,878,288)	(160,817,507)
Total Equity		**97,851,850**	**99,095,542**
Current Liabilities			
Trade and Other Payable	14	1,575,978	1,040,984
Total Current Liabilities		**1,575,978**	**1,040,984**
Non-Current Liabilities			
Deffered tax liability	5.3	3,414,028	4,221,746
Total Liabilities		**4,990,006**	**5,262,730**
Total Equity and Liabilities		**102,841,855**	**104,358,271**

These financial statements are to be read in conjunction with the related notes which form an integral part of these financial statements of the Company set out on pages 8 to 22.

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

Name of the Director — Signature

Ismail Naseer- Managing Director ....

Ahmed Waheed - Director ....

30 October 2023

AUDITOR GENERAL'S OFFICE

KADHDHOO AIRPORT COMPANY LIMITED KACL Reg: C-0069/2011 REPUBLIC OF MALDIVES

KADHDHOO AIRPORT COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31st December 2018
(All amounts are shown in Maldivian Rufiyaa unless otherwise stated)

	Share Capital MVR	Retained Earnings MVR	Total MVR
Balance as at 1st January 2018	259,913,049	(160,817,507)	99,095,542
Contribution received for share capital	19,817,088		19,817,088
Loss for the year	-	(21,060,780)	(21,060,780)
Balance as at 31 December 2018	**279,730,136**	**(181,878,288)**	**97,851,849**

These financial statements are to be read in conjunction with the related notes which form an integral part of these financial statements of the Company set out on pages 8 to 23.

KADHDHOO AIRPORT COMPANY LIMITED
STATEMENT OF CASH FLOWS
For the year ended 31st December 2018
(All amounts are shown in Maldivian Rufiyaa unless otherwise stated)

	2018 MVR	2017 MVR
Operating Profit before Working Capital Changes	**(17,724,439)**	**(14,718,254)**
Working Capital Changes		
(Increase)/ Decrease in inventory	(315,751)	(447,143)
(Increase)/ Decrease in Receivables	(10,737,509)	(7,391,636)
Increase/ (Decrease)in Trade and Other Payables	534,994	(38,453)
Net Cash Used in Operating Activities	**(28,242,706)**	**(22,595,486)**
Cash Flows from Investing Activities		
Net book Value of Assets Transferred		
Acquisition of property, plant and equipment	(1,333,073)	(1,594,631)
Addition to Working Progress	(1,112,177)	(647,387)
Net Cash Used in Investing Activities	**(2,445,250)**	**(2,242,018)**
Cash flows from Financing Activities		
Proceeds from issue of Ordinary Shares	19,817,088	26,334,714
Net Cash from Financing Activities	**19,817,088**	**26,334,714**
Net Increase in Cash and Cash Equivalent	**(10,870,868)**	**1,497,210**
Cash and Cash Equivalents at the Beginning of the Year	24,744,315	23,247,105
Cash and Cash Equivalents at the End of the Year	**13,873,447**	**24,744,315**

These financial statements are to be read in conjunction with the related notes which form an integral part of these financial statements of the Company set out on pages 8 to 23.

AUDITOR GENERAL'S OFFICE

KADHDHOO AIRPORT COMPANY LIMITED KACL Reg: C-0595/2011 REPUBLIC OF MALDIVES

1. General information

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies and disclosures

(a) New standards and interpretations not yet adopted

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

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

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

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

AUDITOR GENERAL'S OFFICE

KADHDHOO AIRPORT COMPANY LIMITED
KACL
Kadhdhoo Airport Company Limited
Reg: C-0595/2011
REPUBLIC OF MALDIVES

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

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

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

- Clarification of acceptable methods of depreciation and amortization – Amendments to IAS 16 and 38

- Annual improvements to IFRSs 2012 – 2014 cycle and

- Disclosure initiative – amendments to IAS 1

2.3 Going concern

The company has incurred a net loss of MVR 21,060,780 (2017 MVR 18,402,364) for the reporting period and has a retained loss of MVR 181,878,288 (2017: MVR 160,817,507) as at the end of the reporting period. The financial statements have nevertheless been prepared on the basis of the Company being a going concern on the assumption that the shareholders of the Company, Government of Maldives, intends to continue providing sufficient financial support to enable the Company to meet its liabilities as they fall due for a period of at least one year from the date of these financial statements.

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

2.4 Foreign currency translation

(a) Functional and presentational currency

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

(b) Transactions and balances

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

2.5 Property, plant and equipment

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

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

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

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

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

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

2.6 Intangible assets

2.6.1 Intangible assets acquired separately

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

The estimated useful life for the current period are as follows

Computer Software 3 Years

2.6.2 Derecognition of intangible assets

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

2.6.3 Impairment of non-financial assets

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

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

2.7 Revenue recognition

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

2.7.1 Sale of goods

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

2.7.2 Rendering of Services

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

2.7.3 Rental Income

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

2.7.4 Investment Properties

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

2.8 Inventories

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

2.9 Financial assets

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

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

2.10 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement within 'selling and marketing costs'.

2.11 Cash and Cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.12 Share capital

Ordinary shares are classified as equity.

2.13 Trade payables

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

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

2.16 Provisions

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

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

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

2.17 Current and deferred business profit tax

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

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

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

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

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

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

2.18 Leases

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

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

2.19 Government Grants

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

2.20 Critical accounting estimates and judgments

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

2.21 Comparatives

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

		2018 MVR	2017 MVR
3	**REVENUE**		
	Aeronautical	10,713,607	10,883,432
	Commercial	1,841,062	2,118,481
	Income from Investment Properties	656,452	636,612
		13,211,121	**13,638,525**

		2018 MVR	Retated 2017 MVR
4	**OPERATING EXPENSES**		
	Staff Cost (Note 4.1)	22,394,025	20,993,545
	Goods Bought for Re Sale	560,946	833,096
	Depreciation (Note 8 & 8.1) (revised)	4,133,060	4,256,480
	Amortisation (Note 9)	11,000	11,000
	Government Fees	78,216	120,490
	Insurance Charges	-	16,917
	Fuel Expenses	2,551,724	2,094,960
	Spare parts Expenses	1,639,773	1,001,581
	Repair and Maintenance (Note 19.3)	1,679,229	1,377,267
	Electrical items Expenses	218,490	306,202
	Printing & Stationary Expenses	174,161	83,691
	Uniform Expenses	252,677	283,724
	Travelling Expenses	189,231	170,499
	Training Expenses	39,387	12,900
	Net working expenses	52,232	57,320
	Safety and Security Expenses	180,595	108,578
	IT Related Materials and Domain Charges	13,662	16,405
	Supplies for Cleaning	76,693	73,673
	Utensils & Hand tools Expense	168,845	51,954
	Decorating Expenes	4,294	106,458
	Staff Welfare Expenses	51,483	39,946
	Religious Service Expenses	22,050	26,145
	Meals Expenses	66,664	23,142
	Ceremonial Expenses	9,607	9,996
	Accommodation Expenses	7,618	10,640
	Bank Charges	10,960	2,559
	Sales and Marketing Expenses	-	5,650
	Curtains, Linen, other Clothes	68,673	86,265
	Carriage and Conveyance	171,610	143,003
	Internet Charges	108,313	141,936
	Telephone, Fax Charges	116,601	70,885
	Water Expenses	-	16,218
	Cable TV Subscriptions	9,850	6,361
	CSR expenses	5,823	1,832
	Professional Fees	-	51,887
	Fines	1,150	1,149
	Damages and Accidental Loss	-	5,656
	Other Expenses	10,976	4,251
		35,079,619	**32,624,259**

		2018 MVR	2017 MVR
4.1	**Staff Cost**		
	Salaries and Wages	20,949,471	19,566,906
	Director Allowance	450,000	450,000
	Pension Expenses	519,375	523,638
	Ramazzan Allowance	444,000	453,000
	Redundancy and Retirement	31,178	
		22,394,025	**20,993,545**

		2018 MVR	Resated 2017 MVR
5	**Income tax expenses**		
	Tax on Business profit (5.1)	-	-
	Deferred tax on temporary difference (5.3)	807,718	583,370
	Income tax expense reported in the income statement	**807,718**	**583,370**

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

5.1 Tax on business profit

Business Profit Tax Act No. 05/2011. A reconciliation between tax expense and the product of accounting profit multiplied by Maldives's domestic tax rate for the year ended 31 December 2017 is as follows:

	2018 MVR	Restated 2017 MVR
Loss before tax	(21,868,498)	(18,985,734)
Add : Depreciation Charge for the period	4,144,060	4,267,480
Other disallowable expenses	1,022,008	1,014,733
Less : Capital allowance	(2,224,591)	(2,233,749)
Other allowable expenses	(570,858)	(630,376)
Taxable loss before adjustments	(19,497,880)	(16,567,647)
Less: Tax free threshold (MVR 500,000)		
Total Taxable loss	**(19,497,880)**	**(16,567,647)**
Business profit tax on taxable profit @ 15%	**(2,924,682)**	**(2,485,147)**

5.2 Accumulated Tax Losses

	2018 MVR	Restated 2017 MVR
Loss carried forward from the previous tax year	(31,411,741)	(14,844,094)
Tax loss for the year of assessment	(19,497,880)	(16,567,647)
At the end of the year	**(50,909,620)**	**(31,411,741)**

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

5.3 Net Deferred tax liability

	2018 MVR	Restated 2017 MVR
Deferred tax asset (Note 5.4)	2,924,682	2,485,147
Deferred tax liability (Note 5.4)	6,338,710	6,706,893
Deferred tax laibility as at 31 December	**(3,414,028)**	**(4,221,746)**

Movement in deffered tax	2018 MVR	Restated 2017 MVR
As at 01 January	(4,221,746)	(4,805,115)
Provision reversed during the year	807,718	583,370
As at 31 December	**(3,414,028)**	**(4,221,746)**

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

	2018 MVR	Restated 2017 MVR
Deferred tax asset		
Loss before tax	(21,868,498)	(18,985,734)
Add: Disallowable expenses	5,166,068	5,282,213
Less: Allowable expenses	(2,795,449)	(2,864,125)
Tax based loss	**(19,497,880)**	**(16,567,647)**
15%	(2,924,682)	(2,485,147)
Deferred tax assets on tax losses	**2,924,682**	**2,485,147**

Defferred tax liability	2018 MVR	Restated 2017 MVR
Net book value as per accounting base	57,234,546	60,034,532
Written down value as per tax base	14,976,481	15,321,914
Temporary difference	**42,258,065**	**44,712,618**
15%		
Deferred tax liability	**6,338,710**	**6,706,893**

6 EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. The following reflects the profit and share data used in the earnings per share calculation.

	2018 MVR	Restated 2017 MVR
Profit for the year	(21,868,498)	(18,985,734)
Ordinary shares applicable to earnings per share	2,797,302	2,599,131
Earnings per share	(7.82)	(7.30)

7 OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES

	2018 MVR	Restated 2017 MVR
Net Profit/(Loss)	(21,868,498)	(18,985,734)
Depreciation	4,144,060	4,256,480
Amortization		11,000
	(17,724,439)	**(14,718,254)**

KADHDHOO AIRPORT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2018

8 PROPERTY, PLANT & EQUIPMENT (Re Stated)

	Airport & Island Infrastructure	Buildings	Furniture & Fittings	Motor Vehicles	Marine Vessels	Plant & Equipment	Office Equipment	Crockery. Cutlery, Utensils	Other Assets	Total
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Cost										
As at 1st January 2018	115,920,094	64,590,535	1,144,866	5,008,147	845,000	8,706,317	643,046	63,806	483,865	197,405,676
Correction of errors:										
- Restaurant Building		(2,408,833.13)								(2,408,833)
- Airline Office building		(2,417,809.38)								(2,417,809)
As at 1st January 2018 (restated)	115,920,094	59,763,892	1,144,866	5,008,147	845,000	8,706,317	643,046	63,806	483,865	192,579,034
Additions during the year			343,389	44,811		155,574	121,818		667,481	1,333,073
Transfer from Work in Progress										
Disposal During the Year										
As at 31st December	115,920,094	59,763,892	1,488,255	5,052,959	845,000	8,861,891	764,864	63,806	1,151,346	193,912,107
Accumulated Depreciation										
As at 1st January 2018	73,302,405	54,005,213	202,463	4,015,901	845,000	4,687,163	204,967	23,367	84,666	137,371,145
Correction of errors										
- Restaurant Building		(2,408,833)								(2,408,833)
- Airline Office building		(1,415,445)								(1,415,445)
As at 1st January 2018 (restated)	73,302,405	50,180,934	202,463	4,015,901	845,000	4,687,163	204,967	23,367	84,666	133,546,866
Prior YearAdjustments Note 19										
Charge for the Year	1,852,943	919,650	131,346	415,829		579,746	130,506	21,269	81,771	4,133,060
Correction of errors										
- Restaurant Building		(96,712.38)								(96,712)
Total charge for the Year	1,852,943	822,938	131,346	415,829		579,746	130,506	21,269	81,771	4,036,347
Disposals During the year										-
As at 31st December	75,155,348	51,003,872	333,809	4,431,730	845,000	5,266,909	335,474	44,636	166,436	137,583,214
Net Carrying Values										
As at 31st December 2018	40,764,746	8,760,020	1,154,446	621,228	-	3,594,982	429,391	19,170	984,910	56,328,894
As at 31st December 2017 (Restated Note 19.1)	42,617,689	9,582,958	942,403	992,246	0	4,019,154	438,079	40,439	399,200	59,032,168

Correction of error consists of removal of Restaurant building and Airline Office Building from property plant and equipment as a result of recognising them under investment properties.

8.1 CAPITAL WORK-IN PROGRESS

	2018	2017
	MVR	MVR
Additions during the Year	1,112,177	647,387
Capitalised During the year		(647,387)
As at 31st December	1,112,177	-

8.2 INVESTMENT PROPERTIES (Restated)

	2018				2017			
	Restaurant Building	Airline Office building	Land 1	Land 2	Restaurant Building	Airline Office building	Land 1	Land 2
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Correction of errors								
Cost								
As at 1st January	**2,408,833**	**2,417,809**			**2,408,833**	**2,417,809**		
Additions during the Year								
As at 31st January	**2,408,833**	**2,417,809**			**2,408,833**	**2,417,809**		
Accumulated depreciation								
As at 1st January	2,408,833.13	1,415,445			2,408,833.13	1,318,733		
Charge for the year		96,712				96,712		
Net Carrying Values								
As at 31st December	-	905,652	-	-	-	1,002,364	-	-

Investment properties of the company include two land plots, a restaurant building and an airline office building leased-out to different parties. However, we were only able to ascertain the value of the restaurant building of MVR.2,408,833 and the airline office building of MVR.2,417,809.

Correction of error; In 2017 Airline office building and restaurant building were not recognized as investment properties. However, In 2018 FS, the adjustment for 2017 has been brought for comparative purposes. Land 1 and Land 2 is not yet valued any monetary value.

		2018 MVR	2017 MVR
9	**INTANGIBLE ASSETS**		
	Cost		
	As at 1st January	33,000	33,000
	As at 31st December	**33,000**	**33,000**
	Accumulated Amortization		
	As at 1st January	22,000	11,000.00
	Amortization for the year	11,000	11,000
	As at 31st December	33,000	22,000
	Net Book Value		
	As at 31st December	-	**11,000**
10	**INVENTORY**		
	Inventory General Store	1,687,887	1,372,136
		1,687,887	**1,372,136**
11	**TRADE AND OTHER RECEIVABLES**		
	Trade Receivables	28,815,155	18,162,575
	Other Receivables	118,643	33,714
		28,933,798	**18,196,289**
12	**CASH AND CASH EQUIVALENTS**		
	Cash at Bank	13,611,046	24,622,852
	Cash in Hand	262,401	121,462
		13,873,447	**24,744,315**

		2018 MVR	2017 MVR
13	**SHARE CAPITAL**		
	Authorised Share Capital		
	Authorised Share Capital of 5,000,000 Ordinary Shares of MVR 100 Each	500,000,000	500,000,000

	No. of Shares	Value
At 31st December 2017	2,599,131	259,913,049
Shares issued during the year	198,171	19,817,088
At 31st December 2018	**2,797,302**	**279,730,136**

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

		2018 MVR	2017 MVR
14	**TRADE AND OTHER PAYABLES**		
	Trade payables	1,267,216	845,791
	Other Payables	308,762	195,193
		1,575,978	**1,040,984**

15 FINANCIAL INSTRUMENT AND RISK MANAGEMENT

Overview

The Company has exposure to the following risks from its use of financial instruments:
- Credit Risk
- Liquidity Risk
- Market Risk

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

(i) Risk management framework

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

(ii) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying Amount as at 31 December 2018 MVR	Carrying Amount as at 31 December 2017 MVR
Trade and Other receivables	28,933,798	18,196,289
Balances with Banks	13,873,447	24,744,315
	42,807,245	**42,940,604**

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

(iii) Liquidity Risk

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

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

	Carrying Amount (MVR)	Maturity
Trade payables	1,267,216	1 -3 Months
Other Payables	308,762	1 Month
	1,575,978	

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

(iv) Market risk

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

16 FAIR VAUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Short - term financial assets and liabilities

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

Long - term financial assets and liabilities

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

17 RELATED PARTY TRANSACTIONS

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

	2018	
	No of Shares	Amount MVR
Government of Maldives	**2,599,131**	**259,913,114**

The following transaction were carried out with related Parties

I) Sales of Goods	**2018 MVR**	**2017 MVR**
Island Aviation Services Limited		
Ground Handling and Landing Charges	10,713,607	10,883,432
Cargo Commission	19,627	25,821
Utilities Charges	125,861	127,879
Rent Charges	184,000	148,800
Accommodation and other Charges	139,459	64,950
Dhiraagu (Rent and Utility Charges)	248,034	235,360
Gan Regional Hospital (Room Rent)	5,143	5,143
Ministry of Housing & Infrastructure	6,700	1,350
Ministry of Environment and Energy (Room Rent)	1,100	
Maldives Inland Revenue Authority (Room Rent)	1,100	
State Trading Organization		7,800.00
	11,444,632	**11,500,536**

II) Purchase of goods and Services	**2018 MVR**	**2017 MVR**
State Trading Organization	875,698	291,168
Island Aviation Services Limited	206,471	176,719
Dhiraagu Plc	118,309	160,283
Aviation Security Command	-	15,688
	1,200,477	**643,858**

18 RELATED PARTY TRANSACTIONS (Continued)

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

Receivables from Related Parties	2018 MVR	2017 MVR
Aviation Security Command	424	424
Dhiraagu	177,243	72,248
Gan Regional Hospital	4,544	12,904
Island Aviation Services Ltd	28,140,361	17,719,879
Maldives National Defence Force	17,384	-
National Disaster Management Centre	6,360	-
Maldives Police Service	424	424
Ministry of Environment and Energy	1,166	-
Ministry of Housing and Infrastructure	6943	1431
Ministry of Islamic Affairs	1,109	1,109
Prosecutor General Office	-	3,445
Sifainge Cooperative	1,200	1,200
Sifainge Welfare Company	1,272	1,272
	28,358,430	17,814,336

Payables to Related Parties	2018 MVR	2017 MVR
Island Aviation Services Ltd	463,775	305,364
Aviation Security Command		2,544
	463,775	307,908

IV) Director's Remuneration	2018 MVR	2017 MVR
Directors Remuneration	450,000	450,000

19 PRIOR YEAR ADJUSTMENTS

Prior Year Adjustments were made to rectify following identifiable error in the financial statement for the year ended 31 December 2016

19.1 Property Plant and Equipment

Property Plant and Equipment were undercharged as one of the **power generators** was not included on the Fixed Asset Register. This error has now been corrected in the comparative figures as follows

		Plant & Equipment MVR
19.1	**Cost**	
	As at 1st January 2017	
	As Previously Stated	7,645,891
	Prior Year Adjustment	1,185,947
		8,831,837
	Accumulated Depreciation	
	As Previously Stated	3,710,425
	Prior Year Adjustment	479,971
	As at 31st December	4,190,396
	Net Carrying Values	
	Restated as at 31st December 2017	**4,641,442**
19.2	**Depreciation Under charged in the Year ended 2017**	
	As stated in 31 December 2017	4,041,173
	Prior Year Adjustment	118,595
	Re Stated 31 December 2016	4,159,767
	Accumulated Depreciation under charged in the Year ended 2017	
	As stated in 1ST January 2017	132,955,193
	Prior Year Adjustments	591,673
	Re Stated 31 December 2017	133,546,866

AUDITOR GENERAL'S OFFICE

KADHDHOO AIRPORT COMPANY LIMITED
KACL
Kadhdhoo Airport Company Limited
Reg: C-0595/2011
REPUBLIC OF MALDIVES

19 PRIOR YEAR ADJUSTMENTS(Continued)

19.3 Retained Earnings

As stated in 31 December 2017	**(161,429,375)**
Prior adjustment for Enigine's inclusion in the Fixed Asset Register	1,185,947
Prior adjustment for under charged Depreciation	(591,673)
Prior adjustment for over charged Capital Allowance	17,594
Re Stated 31 December 2017	**(160,817,507)**

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

Contingent liabilities

There are no material contingent liabilities at the reporting date.

Contingent assets

There are no material contingent assets at the reporting date.

20.2 Commitments

Capital commitments

There were no capital commitments as at the reporting date.

Pending Litigations

There were no pending litigations at the reporting date.

Operating lease commitments

There were no any operating Lease commitments as the reporting date

21 Events after the reporting date

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

Auditor General's Office
Chanbeylee Villa, 1st floor
Majeedhee Magu, Male', 20337

Tel: +960 332 3939
Email: info@audit.gov.mv
www.audit.gov.mv