Report No: FIN-2020-69 (E)

30 December 2020

MALDIVES POST 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 MALDIVES POST LIMITED

Opinion

We have audited the financial statements of Maldives Post Limited (MPL) ("the Company") which comprise the statement of financial position as at 31 December 2018, and the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

This report is made solely to the company's members, 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 company's members those matters we are required to state to them in an auditors' report and for no other purpose. Therefore, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

30 December 2020

Hassan Ziyath

Auditor General

MALDIVES POST LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2018

	Note	2018 MVR	2017 MVR
Revenue	5	61,381,470	48,343,747
Cost of sales		(4,908,883)	(5,584,163)
Gross profit		**56,472,587**	**42,759,584**
Other Income	6	5,187,583	6,551,875
Administrative expenses		42,923,164	39,967,629
Distribution cost		3,552,714	490,944
Profit from operating activities		**15,184,292**	**8,852,886**
Finance income	7	971,385	1,240,666
Finance cost	7.1	(343,027)	(249,773)
Profit before tax		**15,812,650**	**9,843,779**
Tax expense	9	(3,032,745)	(2,040,383)
Profit for the year		**12,779,905**	**7,803,396**
Earnings per share - Basis	10	105.42	52.02

The accounting policies and notes on pages 9 to 28 form an integral part of the financial statements.

MALDIVES POST LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMEBR 2018

	Note	2018 MVR	2017 MVR
Asset			
Non current assets			
Property plant and equipment	11	28,294,848	27,735,189
Investment property	12	18,359,163	18,806,947
Intangible assets	13	854,045	244,186
Total non current assets		**47,508,055**	**46,786,322**
Current assets			
Inventories	14	781,267	786,562
Trade and other receivables	15	84,488,739	55,769,654
Cash and cash equivalents	16	55,062,481	40,811,851
Financial assets held to maturity	17	16,144,233	34,595,228
Total current assets		**156,476,720**	**131,963,295**
Total assets		**203,984,775**	**178,749,617**
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	18	15,000,000	15,000,000
General reserves		8,798,027	8,798,027
Retained earnings		32,280,004	25,132,776
Total shareholders' equity		**56,078,031**	**48,930,803**
Non current liabilities			
Deferred tax liability	20	262,428	503,737
		262,428	**503,737**
Current liabilities			
Trade and other payables	19	147,644,316	129,315,077
		147,644,316	**129,315,077**
Total equity and liabilities		**203,984,775**	**178,749,617**

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

Name of the Director **Signature**

AHMED SHAFEEQ

AHMED ADHUHAM

The accounting policies and notes on pages 9 to 28 form an integral part of the financial statements.

8-Dec-2020
Male'

MALDIVES POST LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2018

	Share Capital MVR	General Reserve MVR	Retained Earnings MVR	Total MVR
Balance as at 01 January 2017	**15,000,000**	**8,798,027**	**21,833,689**	**45,631,716**
Profit for the year	-	-	7,803,396	7,803,396
Dividends declared	-	-	(4,504,309)	(4,504,309)
Balance as at 31 December 2017	**15,000,000**	**8,798,027**	**25,132,776**	**48,930,803**
Prior period adjustment (Note 26)	-	-	(73,798)	(73,798)
Profit for the year	-	-	12,779,905	12,779,905
Dividends declared	-	-	(5,558,879)	(5,558,879)
Balance as at 31 December 2018	**15,000,000**	**8,798,027**	**32,280,004**	**56,078,031**

The accounting policies and notes on pages 9 to 28 form an integral part of the financial statements.

MALDIVES POST LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2018

	2018 MVR	2017 MVR
Cash Flows from Operating Activities		
Profit before taxation	15,812,650	9,843,779
Adjustments to reconcile profit to net cash flows		
Prior period adjustment	(73,798)	-
Interest income	(971,385)	(1,022,139)
Depreciation	2,224,559	2,148,381
Amortisation	115,693	84,458
Deferred income	-	(145,647)
Provision for obsolete inventory	286,596	286,596
Provision for impairment loss on trade receivables	3,072,798	14,141
Reversal of provision for impairment loss on other receivables	(114,304)	(1,017,302)
WIP - UPU Advance Write off	33,476	-
Inventory write off/back	17,889	-
Operating Profit before Working Capital Changes	**20,404,176**	**10,192,267**
(Increase) / decrease in inventories	(299,190)	40,470
Increase in trade & other receivables	(31,711,056)	(12,955,081)
Increase in trade & other payables	9,589,991	45,484,543
Tax paid during the year	(445,082)	(933,476)
Interest income received	971,385	-
Net Cash Flows from Operating Activities	**(1,489,777)**	**41,828,723**
Acquisition of property, plant and equipment	(2,336,433)	(731,504)
Acquisition of intangible assets	(725,552)	(136,633)
Investment in treasury bills	-	(147,037,883)
Redemptions during the year	4,438,795	155,100,000
Withdrawal / (Investment) in fixed deposit	14,012,200	(13,878,000)
Net cash from / (used in) investing activities	**15,389,010**	**(6,684,020)**
Cash flows used in financing activities		
Service obtained / (repayments) of amount due to other post office	351,398	(308,401)
Dividend paid	-	(4,504,309)
Net cash from / (used in) financing activities	**351,398**	**(4,812,710)**
	14,250,631	30,331,993
Net increase in cash & cash equivalents		
Cash & cash equivalents at the beginning of the year	40,811,851	10,479,858
Cash & cash equivalents at the end of the year	**55,062,481**	**40,811,851**

The accounting policies and notes on pages 9 to 28 form an integral part of the financial statements.

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal activities and nature of operation

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

1.3 Ultimate Parent Enterprise

From the shares of the company 100% is under the ownership of the government of Republic of Maldives.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Going concern

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

2.4 Comparative information

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

a) Judgments

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

b) Estimates and assumptions

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

Useful life-time of the Property, Plant and Equipment

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

Impairment of Non-Financial Assets

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Foreign currency translation

The financial statements are presented in Maldivian Rufiyaa, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction.

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

AUDITOR GENERAL'S OFFICE

MALDIVES POST LIMITED

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 Foreign currency translation (Continued)

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

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

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

4.2 Revenue recognition

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

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

Others

Other income is recognised on an accrual basis.

Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Expenses

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

4.4 Tax expense

a) Current taxes

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

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

b) Deferred tax

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Tax expense (Continued)

a) Sales tax

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

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

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

4.5 Property, plant and equipment

a) Recognition and measurement

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

b) Owned assets

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

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

c) Subsequent costs

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

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

d) Derecognition

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Property, plant and equipment (Continued)

e) Depreciation

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

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

Buildings	over 40 years
Plant and machinery	over 03 - 05 years
Furniture and fittings	over 05 years
Communication equipment	over 03 - 05 years
Motor vehicles	over 05 years
Electrical fittings	over 05 years
Computer software and hardware	over 05 years
Office equipment	over 05 years
Medical equipment	over 05 – 10 years
Tools and equipment	over 03 years

4.6 Investment properties

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

4.7 Intangible assets

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

4.8 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow-moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Impairment of non- financial assets

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

a) Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

a) Impairment/ reversal of impairment

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.10 Financial Instruments - Initial recognition and subsequent measurement

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

Financial assets

Initial recognition and measurement

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

  And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables.

Derecognition

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

- The rights to receive cash flows from the asset have expired

  Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

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

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

Financial liabilities

a) Initial recognition and measurement

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

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

The Company's financial liabilities include interest bearing loans and borrowings, trade and other payables.

b) Subsequent measurement

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

c) Loans and borrowings

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

d) Derecognition

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

4.11 Cash and Cash Equivalents

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

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

4.12 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

4.13 Retirement Benefit Obligations

a) Maldives Retirement Pension

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

b) Other employee benefits

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

		2018 MVR	2017 MVR
5	Revenue		
	Sales from postage and stamp sales	8,691,212	11,001,038
	Commission income	1,065,370	2,964,791
	Terminal dues, EMS & parcel post income	48,552,824	31,797,929
	E-commerce	973,637	81,800
	Postal products sales	1,216,651	1,144,359
	Other post reated income (Note 5.1)	930,970	1,255,652
	Miscellaneous revenue	-	161,463
		61,430,664	48,407,032
	Less: discounts allowed	(49,194)	(63,285)
		61,381,470	48,343,747
5.1	Other post related income		
	Fax income	2,480	5,525
	Handling charges	210,756	378,159
	Service charge	455,693	558,055
	Commission income	262,041	313,913
		930,970	1,255,652
6	Other income		
	Money exchange income	33,016	28,426
	Profit from stamp sales (Note 6.1)	236,706	281,046
	Profit from sale of phone cards (Note 6.2)	72,930	86,313
	Rent income	3,387,107	3,196,540
	Deferred income relating to X Ray machine	-	145,647
	Royalty income	878,940	925,200
	Passport service charges	44,265	45,625
	Custom duty processing charges	247,488	378,985
	Reversal of provision for impairment on other receivables	-	1,017,302
	Miscellaneous income	258,838	446,792
	Discount received	18,557	-
	Compensation received	9,736	-
		5,187,583	6,551,875
6.1	Profit from stamp sales		
	Revenue stamps sales	10,198,313	10,520,776
	Less: Cost associated with stamps	(9,961,607)	(10,239,730)
		236,706	281,046
6.2	Profit from sale of phone cards		
	Phone cards sales	807,829	1,068,903
	Less: cost associated with phone cards	(734,899)	(982,590)
		72,930	86,313

		2018	2017
7	Finance income	MVR	MVR
	Interest income	157,446	134,200
	Interest on overdue bills	96,977	218,527
	Interest on treasury bills	716,961	887,939
		971,385	1,240,666
7.1	Finance cost		
	Foreign exchange loss	343,027	249,773
		343,027	249,773

8 Profit before tax

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

		2018	2017
		MVR	MVR
	Directors' Remuneration	522,192	538,500
	Rent Expenses	1,786,267	1,350,746
	Depreciation on Property, Plant and Equipment	1,776,775	2,148,381
	Depreciation on Investment Property	447,784	457,113
	Amortization of Intangible Assets	115,693	84,458
	Provision for obsolete Inventory	-	286,596
	Provision for Impairment loss on Trade Receivables	-	14,141
	Personnel Costs	22,241,716	20,158,956
8.1	Personnel Costs		
	Staff Salaries and Wages	12,415,526	11,309,597
	Allowances	7,742,086	7,127,426
	Overtime	626,875	494,976
	Staff Training	443,669	450,923
	Staff Uniforms	189,433	21,717
	Provident Fund Contribution	824,126	754,317
		22,241,716	20,158,956

		2018	2017
9	Tax expenses	MVR	MVR
	Current Tax Expense	3,006,208	1,566,697
	Under Provision In Respect of Prior Years	267,846	258,719
	Deferred tax on temporary differences (Note 9.2)	(241,309)	214,967
		3,032,745	2,040,383

9.1 Reconciliation Between Accounting Profit and Taxable Income :

	2018	2017
	MVR	MVR
Profit Before Tax	15,812,650	9,843,779
Aggregate Disallowable Items	11,185,286	7,089,101
Aggregate Allowable Items	(6,706,548)	(5,988,233)
Tax Free Allowance	(250,000)	(500,000)
Taxable Income for the Year	20,041,387	10,444,647
Business Profit Tax @ 15%	3,006,208	1,566,697

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 Business Profit Tax on its taxable profit at the rate of 15%.

9.2 Movement in deferred tax	2018	2017
	MVR	MVR
At 1 January	503,737	446,029
Recognized During the Year	(241,309)	57,708
As at 31 December	262,428	503,737

9.3 The Recognized Deferred Tax Liability of the Company is attributable to the following;

	31/12/2018		31/12/2017	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	MVR	MVR	MVR	MVR
Investment Property	4,889,806	733,471	4,495,756	674,364

9.4 The Recognized Deferred Tax Asset of the Company is attributable to the following;

	31/12/2018		31/12/2017	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	MVR	MVR	MVR	MVR
Property, Plant and Equipment	84,628	12,694	1,137,507	170,626
	84,628	12,694	1,137,507	170,626

9.5 Business profit tax payable	2018	2017
	MVR	MVR
At 1 January	1,143,059	251,119
Under Provision In Respect of Prior Years	267,846	-
Provision for the year	3,006,208	1,566,697
Payment made during the year	(445,082)	(674,757)
Balance as at 31 December	3,972,031	1,143,059

10 Earning per share

Basic earning per share

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

	2018 MVR	2017 MVR
Profit for the year	15,812,650	7,803,396
Weighted average number of ordinary shares	150,000	150,000
Basic earnings per share	105.42	52.02

11 Property, plant and equipment

Gross carrying amounts at

11.1 Cost

	Balance as at 01.01.2018 MVR	Additions/ Transfers During the year MVR	Balance As at 31.12.2018 MVR
Building	32,319,249	-	32,319,249
Computer equipment	4,781,347	248,265	5,029,612
Furniture & fittings	7,363,312	84,387	7,447,699
Motor vehicle	986,059	645,000	1,631,059
Office equipments	5,206,781	1,310,899	6,517,680
Other equipment	821,403	47,883	869,286
	51,478,152	2,336,433	53,814,585

11.2 Depreciation

	Balance As at 01.01.2018 MVR	Charge for the Year MVR	Balance As at 31.12.2018 MVR
Building	5,902,097	628,980	6,531,077
Computer equipment	4,394,371	248,444	4,642,815
Furniture & fittings	7,242,974	209,751	7,452,725
Motor vehicle	986,059	2,827	988,887
Office equipments	4,544,046	635,257	5,179,303
Other equipment	673,416	51,516	724,932
	23,742,963	1,776,775	25,519,738
Net book value	27,735,189		28,294,848

12 Investment Property

	2018 MVR	2017 MVR
Cost		
As at 1st January	21,045,869	21,045,869
As at 31st December	21,045,869	21,045,869
Accumulated depreciation		
As at 1st January	2,238,922	1,781,809
Charge for the Year	447,784	457,113
As at 31st December	2,686,706	2,238,922
Net book value	18,359,163	18,806,947

13 Intangible asset

13.1 Cost

13.1 Cost	Balance as at 01.01.2018 MVR	Additions/ Transfers MVR	Balance As at 31.12.2018 MVR
Software	896,964	38,376	935,340
	896,964	38,376	935,340

13.2 Amortisation

13.2 Amortisation	Balance As at 01.01.2018 MVR	Charge for the Year MVR	Balance As at 31.12.2018 MVR
Software	652,778	115,693	768,471
	652,778	115,693	768,471
Net book value	244,186		166,869

13.3 Work in progress

13.3 Work in progress	Balance as at 01.01.2018 MVR	Additions/ Transfers MVR	Balance As at 31.12.2018 MVR
E Tukuri	-	498,500	498,500
Mail carriage and delivery system	-	188,676	188,676
	-	687,176	687,176
Total	244,186		854,045

14 Inventories

14 Inventories	2018 MVR	2017 MVR
Revenue stamps	282,260	289,499
Phone cards	324,713	314,381
Post shop	393,933	401,894
Transit account	-	18,838
Others	66,957	48,546
	1,067,863	1,073,158
Provision for obsolete inventory	(286,596)	(286,596)
	781,267	786,562

15	Trade and other receivables	2018 MVR	2017 MVR
	Trade receivables	85,632,232	53,392,871
	Provision for impairment loss on trade receivables (Note 15.1)	(1,763,195)	(616,769)
		83,869,037	52,776,102
	Other Receivables	9,733,957	10,295,739
	Provision for impairment loss on other receivables (Note 15.2)	(9,114,256)	(7,302,187)
		619,701	2,993,552
		84,488,739	55,769,654

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

	<30 days MVR	31 - 60 days MVR	61 - 90 days MVR	91 - 365 days MVR	> 365 days MVR	Total MVR
2018	5,973,616	5,551,414	4,212,199	44,130,132	25,747,843	85,615,203
2017	9,951,560	3,779,777	2,784,096	22,126,543	14,255,743	52,897,718

15.2 Provision for impairment of trade receivables

	Other receivables		Trade receivables	
	2018 MVR	2017 MVR	2018 MVR	2017 MVR
Balance as at 1st January	7,302,187	8,319,489	616,769	602,628
Provision for the year	1,926,372	-	1,146,426	14,141
Reversed during the year	(114,304)	(1,017,302)	-	-
Balance as at 31 December	9,114,256	7,302,187	1,763,195	616,769

16	Cash and cash equivalents	2018 MVR	2017 MVR
	Cash on hand	2,013,643	2,939,360
	Cash at bank	53,048,839	37,872,492
		55,062,481	40,811,851
17	Financial assets held to maturity		
	MMA treasury bills	16,144,233	20,583,028
	Fixed deposit	-	14,012,200
		16,144,233	34,595,228

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

18	Share capital	2018 MVR	2017 MVR
	Authorised share capital		
	250,000 ordinary shares of Rf. 100/- each	25,000,000	25,000,000
	Issued and fully paid		
	150,000 ordinary shares of Rf. 100/- each	15,000,000	15,000,000

		2018	2017
19	Trade and other payables	MVR	MVR
	Trade payables	54,520,679	44,698,513
	Other payables (Note 19.1)	24,076,910	18,750,206
	Amount due to other post offices (Note 19.2)	65,074,697	64,723,299
	Current tax payables	3,972,031	1,143,059
		147,644,316	129,315,077
19.1	Other Payables		
	Other payables	4,479,623	1,628,097
	Accrued expenses	326,523	127,483
	Dividend payable	6,321,966	763,087
	Other current liabilities	5,587,452	6,906,924
	Xpress money payables	6,696,260	6,935,374
	Xpress provision	357,466	357,466
	Etukuri payable	112,898	126,110
	Bill collection payables	194,722	1,211,764
	Advanced received	-	693,900
		24,076,910	18,750,206
19.2	Amount Due to Other Post Offices		
	As at 1st January	64,723,299	65,031,700
	Other service obtained	351,398	-
	Repayments during the year	-	(308,401)
	As at 31st December	65,074,697	64,723,299
20	Deferred Tax Assets / Liability		
	As at 1st January	170,627	327,886
	Reversed During the Year	-	(157,259)
	As at 31st December	170,627	170,627
	Deferred Tax Liability		
	As at 1st January	674,364	616,656
	Recognized During the Year	(241,309)	57,708
	As at 31st December	433,055	674,364
	Net Deferred Tax Liability	262,428	503,737

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

				2018	2017
21	Money remittance service as per a requirement from MMA			MVR	MVR
	Income				
	Xpress Money Comission Income			756,196	767,027
	Service Charge			455,693	558,055
				1,211,888	1,325,082
	Expenses	Estimated	Base		
	Salary	21,380,342	2%	387,869	535,506
	Administrative Costs	6,743,837	2%	137,843	178,331
	Total Expenses			525,712	713,837
	Net Profit			686,176	611,245

	2018	2017
	MVR	MVR
Cash and Cash Equivalents		
Xpress Money Cash at Bank	5,870,998	6,209,907
Trade Receivables		
Xpress Money Receivables	17,029	222,982
Xpress Money Receivables Provision	357,466	357,466
Trade and other payables		
Xpress Money Payables	6,696,260	6,935,374
Remittance tax payables	635,579	440,069

22 Financial risk management objectives and policies

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

22.1 Foreign currency risk

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

22.2 Liquidity risk

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

22.3 Credit risk

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

22.4 Fair value of financial assets and financial liabilities

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

23 Capital management

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

24 Events occurring after the balance sheet date

The Covid-19 pandemic that has been spreading in the recent months and has impacted the Maldivian and global economy. The possible impact of this event on the Company and these financial statements for the year ended 31 December 2018 cannot be assessed due to many uncertainties.

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

25 Capital commitment and contingent liabilities

The Company had no significant capital commitments or contingent liabilities as at 31 December 2018. Except Mail carriage and delivery system mentioned on note 13.3 company has obligation to pay 436,000/- MVR in subsequent year.

26 Prior period adjustment in statements of changes in equity

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

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

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

Statement of changes in equity	2018 MVR
Opening retained earnings	25,132,776
Intangible asset classified in 2018 financials	(200,000)
ECL provision for 2017	273,798
Net prior period adjustment	73,798

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