INDEPENDENT AUDITOR'S REPORT

REGIONAL AIRPORTS COMPANY LIMITED

31st December 2021

Smart Decisions. Lasting Value.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Regional Airports Company Limited

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the financial statements of Regional Airport Company Limited (the "Company"), which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying financial statements do not give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and cash flows for the period from January 11, 2021 (Being the date of incorporation) to December 31, 2021 then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

As detailed in Note 2.1 to the financial statements, the Company has not determined and recognised the fair values of assets and liabilities transferred from Regional Airports with corresponding contribution of Share Capital towards Government of Maldives. Had the Company accounted for these transactions in the books of accounts, many elements in the accompanying financial statements would have been materially affected. The effects of fair valuation of the assets on the financial statements have not been determined.

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) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Maldives, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.2 in the financial statements, which indicates that the Company incurred a net loss of MVR 43,623,962 during the period ended December 31, 2021. As stated in Note 2.2, these events or conditions, along with other matters as set forth in Note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Except for the matters described in the Basis for Adverse Opinion section and Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

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

Management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and Law of Jurisdiction of Republic of Maldives, 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 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 those charged with governance 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.

Crowe Maldives LLP

The engagement partner on the audit resulting in this independent auditor's report is Mr. Hassan Mohamed.

16 February 2023

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Hassan Mohamed
Managing Partner
License No: ICAM-FL-GX6

AUT: 51158506CM2023104

REGIONAL AIRPORTS COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
as of 31st December 2021
All amounts are stated in Maldivian Rufiyaa

	Note	31-Dec-21 MVR
ASSETS		
Non-Current Assets		
Property, plant and equipment	4	3,621,334
Right of use assets	6	8,276,535
Capital work in progress	5	2,018,761
		13,916,630
Current Assets		
Trade and other receivables	7	8,030,598
Cash and cash equivalents	8	47,456,651
		55,487,249
TOTAL ASSETS		**69,403,879**
EQUITY AND LIABILITIES		
Equity and Reserves		
Share capital	9	98,512,510
Accumulated losses		(43,623,962)
		54,888,548
Non-Current Liabilities		
Lease liability	10	7,154,890
		7,154,890
Current Liabilities		
Trade and other payables	11	5,657,766
Lease liability	10	1,702,675
		7,360,441
TOTAL EQUITY AND LIABILITIES		**69,403,879**

We draw your attention to accounting policies and notes on page 8 through 24, which are an integral part of the financial statements.

For and on behalf of the Board of Directors:

	Name	**Signature**
1.	Mohamed Rizvi	
2.	Mohamed Shafau Hassan	

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REGIONAL AIRPORTS COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 31st December 2021
All amounts are stated in Maldivian Rufiyaa

	Note	11-Jan-21 to 31-Dec-21 MVR
Revenue	12	18,460,322
Cost of revenue	13	(616,376)
Gross profit		**17,843,946**
Other income	14	2,942,872
Administrative expenses	15	(63,485,057)
Operating loss		**(42,698,239)**
Finance cost	16	(925,723)
Loss before tax		**(43,623,962)**
Income tax	17	-
Net loss for the period		**(43,623,962)**
Loss per share	20	(4)

We draw your attention to accounting policies and notes on page 8 through 24, which are an integral part of the financial statements.

REGIONAL AIRPORTS COMPANY LIMITED
STATEMENT OF CASH FLOWS
for the period ended 31st December 2021
All amounts are stated in Maldivian Rufiyaa

	Note	11-Jan-21 to 31-Dec-21 MVR
Operating loss before working capital changes	21	**(41,042,932)**
Working capital changes		
Trade and other receivables		(8,030,598)
Trade and other payables		5,657,766
Cash used in operating activities		**(43,415,764)**
Net cash used in operating activities		**(43,415,764)**
Cash flows from investing activities		
Acquisition of property, plant & equipment		(3,621,334)
Changes in capital work in progress		(2,018,761)
Net cash used in investing activities		**(5,640,095)**
Cash flows from financing activities		
Share capital		98,512,510
Payment of lease liability		(1,074,277)
Cash payments for the interest portion of lease liabilities		(925,723)
Net cash flows from financing activities		**96,512,510**
Net increase in cash and cash equivalents		**47,456,651**
Cash and cash equivalents at the end of the period		**47,456,651**

We draw your attention to accounting policies and notes on page 8 through 24, which are an integral part of the financial statements.

REGIONAL AIRPORTS COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
as of 31st December 2021
All amounts are stated in Maldivian Rufiyaa

	Share Capital MVR	Accumulated Losses MVR	Total Equity MVR
Share Capital	98,512,510	-	98,512,510
Net loss for the period	-	(43,623,962)	(43,623,962)
Balance as at 31st December 2021	**98,512,510**	**(43,623,962)**	**54,888,548**

We draw your attention to accounting policies and notes on page 8 through 24, which are an integral part of the financial statements.

1 Corporate information

Regional Airports Company Limited (RACL) is a limited liability Company incorporated on 11th January 2021 as a limited liability Company under the Companies Act No. 10/1996 and domiciled in the Republic of Maldives.

The registered office of the Company is located at Male' City, Republic of Maldives. The principal activities of the Company are maintaining and operating airports and all related activities. RACL is fully owned by the Government of Maldives.

2 Basis of preparation

The financial statements of Regional Airports Company Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. The financial statements are presented in Maldivian Rufiyaa (MVR) and all the values are rounded to nearest integral, except when otherwise indicated. The financial statements of the Company comprise 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.

The preparation of financial statement in conformity with IFRS requires the use of certain critical accounting estimates.

2.1 Asset Transfer Agreement

The Company signed an Asset Transfer Agreement with Regional Airports and Ministry of Finance to transfer all assets, on as is where is basis, along with all rights and liabilities to RACL. As per the agreement, RACL has agreed to consider aggregate net asset value transferred to RACL as share capital which has been fully paid up by the Government of Maldives and subsequently issue share certificates against the share capital paid, within 7 (seven) days form the date of completion of asset valuation. As of December 31, 2021:

- The entity has not completed the asset verification and valuation and has not recognized the value of assets transferred from Regional Airports in the financial statements.
- The entity has not recognised liabilities transferred from Regional Airports in the financial statements.
- The entity has not recognized net asset value as share capital contribution from Government of Maldives as required in the sub-clause 5.1 of the share transfer agreement, as of the reporting date in the financial statements.

2.2 Going concern

The Company incurred a net loss of MVR 43,623,962 during the period ended December 31, 2021. This indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as going concern.

In this regard, The Ministry of Finance being the ultimate shareholder of the Company has provided assurance that they will continue to provide financial support to the Company, as it is necessary to maintain the Company as a going concern for the foreseeable future and to meet its debt and liabilities as and when they fall due.

Furthermore, the Company is currently in the initial stage of incorporation and implementing strategies to expand the volume of operations which will increase the revenue, resulting in reduction in operating losses incurred by the Company and hence, the financial statements have been prepared under going concern basis.

3 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.

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3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

3.2 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

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

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Company classifies all other liabilities as non-current.

3.3 Fair value measurement

The Company measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at the Statement of Financial Position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets and liabilities.

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3.3 Fair value measurement (Continued...)

Level 2: Inputs other than quoted priced included in Level 1 that are observable for the asset or liability, either directly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is determined periodically by the Company in accordance with the Company's procurement policy approved by the board of directors. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

3.4 Revenue from contracts with customers

Ramp, passenger, into-plane fuelling, and other aviation related services income is recognized at the time the service is provided in accordance with the terms of the relevant contract. Cargo handling and cargo forwarding revenue is recognized at the point of departure. Revenue excludes value added and sales taxes and charges collected on behalf of customers.

The timing of customer billing in relation to the satisfaction of performance obligations results in amounts being recorded in the Statement of Financial Position for accrued and deferred income. Individual billing arrangements vary by customer and contract. Accrued income is recognized on contracts for which performance obligations have been satisfied but have not yet been billed to customers at the Statement of Financial Position date. When the recovery of such amounts becomes unconditional the customer is billed and the amounts are transferred to trade receivables. Deferred income is recognized in respect of payments received from customers in advance of the Company fulfilling its performance obligations under contracts.

In the distribution business, revenue has been recognized on the dispatched value of goods sold, excluding Goods and Services Tax. Product sold to retailers has been made on a sale or return basis. Revenue for goods supplied with a right of return has been stated net of the value of returns.

The performance obligation relating to the rendering of services is satisfied when the services are consumed by the customer. Revenue is recognized with reference to the time of services are rendered.

Aero revenue is primarily generated from contracts with airlines for the provision of access to terminals, infrastructure, apron parking, airfield, and terminal facilities. Revenue is recognized as the service is provided as follows:

- Landing charges: On the basis of the particular aircraft type, when the aircraft lands on the runway.
- Aircraft parking charges: Over the duration of time the aircraft is parked and maximum take-off weight.
- Ground handling: On the basis of the particular aircraft type or basis of maximum take-off weight, when the service is consumed.
- Departure control system charges: On the basis of the particular aircraft type, when the service is performed and consumed by customer.

Other non-aero revenue mainly consists of provision of cargo handling and terminal services, lounge operation charges, utility sales, rent and lease charges.

- Cargo income: On the basis of volume handled.

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3.4 Revenue from contracts with customers (Continued…)

- Utility charges: On the basis of volume consumed by the customer. All the revenues are billed on a monthly basis.

Income is recognized on an accrual basis in accordance with the substance of the relevant contracts.

3.5 Foreign currency translation

3.5.1 Functional and presentation currency

Items included in the financial statements of the Company is 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 ("MVR") which is the Company's functional and presentation currency.

3.5.2 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.

3.6 Property, plant and equipment

3.6.1 Recognition and measurement

Property, plant and equipment of the Company have not been recognized at fair value based on valuation by an external independent valuer as required by the Asset Transfer Agreement signed along with the transfer of the Airports to the Company from the Government. The Company has not completed the asset valuation process during the period. Hence, no historical figures of transferred assets have been brought forward to the financial statements and only additions during the 2021 period have been reported.

3.7 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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 Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised

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3.7 Impairment of tangible and intangible assets other than goodwill (Continued…)

for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.8 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.

3.8.1 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.

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 marketplace (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 of the Company are classified into the following:

Financial assets at amortised cost

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 investment on treasury bills, investment on fixed deposits, trade and other receivables.

Financial assets at amortised cost (Continued…)

De-recognition

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

- The rights to receive cash flows from the asset have expired or
- The 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 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 the Company's 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.

When the loan to which the financial asset relates is settled completely, the unamortised amount of financial asset is charged to the statement of comprehensive income at time immediately.

Impairment of financial assets

The Company applies a simplified approach in calculating ECLs for contract assets including trade receivables. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.
A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.8.2 Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Company's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

This category generally applies to interest-bearing loans and borrowings.

De-recognition

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

3.9 Leases

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

Regional Airports Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

3.9.1 Right-of-use assets

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

Buildings on lease 1 -5 years

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

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3.9.2 Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

3.10 Intangible assets

3.10.1 Computer software

Costs associated with maintaining computer software programmed are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the required criteria are met.

Other development expenditures that do not meet the required criteria are recognized as an expense as incurred.

3.11 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.11.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.11.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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3.11.2 Deferred tax (Continued…)

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.11.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.12 Employee benefits

3.12.1 Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as employee related payables in the Statement of Financial Position.

3.12.2 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions to Maldives Government Pension scheme and will have no legal or constructive obligation to pay further amounts. Both employer and employee contribute 7% to this scheme of such employees' pensionable wage. Employers' obligation for contribution to pension scheme is recognised as an expense in the income statement in the periods during which services are rendered by employees.

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4 Property, Plant & Equipment

4.1 Cost

	Additions	Disposals	Balance As at 31-Dec-21
Leasehold improvements	768,347	-	768,347
Vehicle & ground handling equipment	1,363,310	-	1,363,310
Furniture, fixtures & fittings	486,916	-	486,916
Computer equipment	689,604	-	689,604
Office equipment	183,361	-	183,361
Other fixed assets	129,796	-	129,796
	3,621,334	**-**	**3,621,334**

5 Capital Work in Progress

	Additions	Disposals / Transfers	Balance As at 31-Dec-21
Hoarafushi Airport - New fireground	617,898	-	617,898
Kulhudhufushi Airport - Supply and Installation of Airfield lighting and Navi aids	1,349,081	-	1,349,081
Others - Huts	51,782	-	51,782
	2,018,761	**-**	**2,018,761**
			2,018,761

6 Right of Use Assets

6.1 Cost

	Additions	Disposals	Balance As at 31-Dec-21
H. Suez Office Premises	9,931,842	-	9,931,842
	9,931,842	**-**	**9,931,842**

6.2 Amortisation

	Charge for the period	Disposals	Balance As at 31-Dec-21
H. Suez Office Premises	1,655,307	-	1,655,307
	1,655,307	**-**	**1,655,307**
Net Book Value			**8,276,535**

7 Trade and Other Receivables

	31-Dec-21 MVR
Accounts receivable	6,838,628
Advance paid	506,495
Refundable deposits	675,000

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		31-Dec-21 MVR
7	**Trade and Other Receivables (Continued…)**	
	Prepaid expenses	10,475
		8,030,598

7.1 As at 31 December 2021, the aging analysis of trade receivables before provision impairment is as follows.

	TOTAL	1 - 60	61 - 90	> 90
2021	6,838,628	5,877,893	174,165	786,570
Total	**6,838,628**	**5,877,893**	**174,165**	**786,570**

8	**Cash & Cash Equivalent**	
	Cash at bank	47,391,698
	Cash in hand	64,953
	Total	**47,456,651**
9	**Share Capital**	
	Issued share capital	98,512,510
	Total	**98,512,510**

The total authorised number of ordinary shares is 200,000,000 shares with a par value of MVR 10 per share. Issued and paid up share capital comprises of 9,851,251 ordinary shares of MVR 10 each. The company is fully owned by the Government of Maldives.

10	**Borrowings**	
	Non- Current	
	Lease liabilities	7,154,890
		7,154,890
	Current	
	Lease liabilities	1,702,675
		1,702,675
	Total borrowings	**8,857,565**

10.1 The Company has obtained lease for an office space, with a lease term of five years commencing from 1st March 2021.

11	**Trade & Other Payables**	
	Trade payables	4,910,961
	Accrued expenses	645,845
	GST payable	100,960
	Total	**5,657,766**
12	**Revenue**	
	Aero Revenue	
	Hanimaadhoo International Airport	5,868,020
	Kaadehdhoo Airport	6,453,032
	Fuvahmulah Airport	2,510,287
	Kulhudhuhfushi Airport	982,239
	Funadhoo Airport	364,745
	Maavarulu Airport	1,828,460
	Hoarafushi Airport	453,539
	Total	**18,460,322**

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12 Revenue (Continued…)

The main business of the company is provision of aerodrome services. Aero revenue is primarily generated from contracts with airlines for the provision of access to terminals, infrastructure, apron parking, airfield, and terminal facilities. Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and sales-related taxes collected on behalf of the Government of Maldives.

			31-Dec-21 MVR
13	**Cost of Revenue**		
	Cost of revenue		403,891
	Other direct costs		212,485
	Total		**616,376**
14	**Other Income**		
	Non-aero revenue		2,937,072
	Sponsors		5,800
	Total		**2,942,872**

The business generates non-aero revenue from the provision of cargo handling and terminal services, lounge operation charges, utility sales, rent and lease charges.

15	**Administrative Expenses**		
	Personnel emoluments	*(Note 15.1)*	44,532,169
	Repairs and maintenance		2,188,023
	Fuel		3,569,517
	Right of use asset amortisation		1,655,307
	Utilities		4,021,180
	Legal and other fees		773,256
	Meals and entertainment		1,393,198
	Office expenses		629,585
	Transportation and carriage charges		322,628
	Materials and supplies		266,423
	Printing and stationaries		170,869
	Medical consumables		154,673
	IT expenses		148,207
	Professional fees		128,850
	Insurance liability		21,235
	Rent expense		82,200
	Other operating expenses		3,372,909
	Other expenses		54,828
	Total		**63,485,057**
15.1	**Personnel emoluments**		
	Basic salary		26,590,249
	Other allowances		16,125,986
	Pension contribution		1,815,934
	Total		**44,532,169**
16	**Finance Cost**		
	Finance cost		925,723
	Total		**925,723**

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		31-Dec-21 MVR
17	**Taxation**	
	Accounting loss	(42,081,862)
	Add:	
	Depreciation and amortisation expense	-
	Other disallowable expenses	-
		(42,081,862)
	Less:	
	Capital allowances	334,369
	Other allowable expenses	-
		334,369
	Taxable loss for the period	**(42,416,231)**

18	**Accumulated Tax Losses**	
	Tax loss for the current year of assessment	(42,416,231)
	Tax losses carried forward	**(42,416,231)**

19 Unrecognised Deferred Tax Asset

The deferred tax is arrived at by applying the income tax rate of 15% to the timing differences as at 31 December 2021.

Deferred tax asset on carry forward losses	6,362,435
Deferred tax asset / (liability) on temporary differences	-
Total	**6,362,435**

The deferred tax resulting from carried forwarded tax losses and on temporary differences has not been recognised in these financial statements since it is not probable that future profit will be available against which the Company can utilize the benefits there from.

The Income Tax Act (25/2019) of the Maldives is effective from 1st January 2020. As per the income tax act, business' profit is subject to tax of 15% on profits exceeding tax free threshold limit of MVR 500,000 for any tax year. The company is not liable to pay income tax for the period ended 31st December 2021, as the company incurred a loss during the period.

20 Loss Per Share

Basic Loss Per Share is calculated by dividing the net loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Loss for the period	(43,623,962)
Weighted average number of ordinary shares	9,851,251
Loss per share	**(4)**

21	**Operating Loss before Working Capital Changes**	
	Net loss	(43,623,962)
	Depreciation / Amortisation expense	1,655,307
	Finance cost	925,723
	Total	**(41,042,932)**

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22 Related Party Transactions

The Government of Maldives is the sole shareholder (100%) of the issued shares of the Corporation as at the end of the reporting period. The transactions incurred with other state owned enterprises of Maldives during the year and outstanding balances at the end of the reporting period are as follows:

22.1 *Due from related parties*

		31-Dec-21 MVR
Name	**Nature of relationship**	
Dhivehi Raajjeyge Gulhun Plc	***Entity under common control***	
Opening balance		-
Services provided		303,665
Payments collected / settlements		(277,222)
Closing balance		**26,442**
Name	**Nature of relationship**	
Island Aviation Services Limited	***Entity under common control***	
Opening balance		-
Services provided		19,434,305
Payments collected / settlements		(13,532,207)
Closing balance		**5,902,098**
Name	**Nature of relationship**	
State Trading Organisation	***Entity under common control***	
Opening balance		-
Services provided		91,600
Payments collected / settlements		(4,500)
Closing balance		**87,100**

22.2 *Due to related parties*

		31-Dec-21 MVR
Name	**Nature of relationship**	
Bank of Maldives	***Entity under common control***	
Opening balance		-
Services obtained		29,543
Payments collected / settlements		(29,543)
Closing balance		**-**
Name	**Nature of relationship**	
Dhivehi Raajjeyge Gulhun Plc	***Entity under common control***	
Opening balance		-
Services obtained		457,618
Payments collected / settlements		(296,431)
Closing balance		**161,187**
Name	**Nature of relationship**	
Island Aviation Services Limited	***Entity under common control***	
Opening balance		-
Services obtained		1,065,152
Payments collected / settlements		-
Closing balance		**1,065,152**

22.2 *Due to related parties (Continued…)*

Name	Nature of relationship	31-Dec-21 MVR
Male' Water and Sewerage Company Limited	***Entity under common control***	
Opening balance		-
Services obtained		91,713
Payments collected / settlements		(77,222)
Closing balance		**14,491**

Name	Nature of relationship	31-Dec-21 MVR
Fenaka Corporation Limited	***Entity under common control***	
Opening balance		-
Services obtained		2,727,094
Payments collected / settlements		(2,406,073)
Closing balance		**321,021**

Name	Nature of relationship	31-Dec-21 MVR
State Electric Company	***Entity under common control***	
Opening balance		-
Services obtained		89,832
Payments collected / settlements		(75,352)
Closing balance		**14,480**

Name	Nature of relationship	31-Dec-21 MVR
State Trading Organisation	***Entity under common control***	
Opening balance		-
Services obtained		580,147
Payments collected / settlements		(451,744)
Closing balance		**128,403**

Name	Nature of relationship	31-Dec-21 MVR
Waste Management Corporation Limited	***Entity under common control***	
Opening balance		-
Services obtained		890
Payments collected / settlements		(779)
Closing balance		**111**

Name	Nature of relationship	31-Dec-21 MVR
Maldives Airports Company Limited	***Entity under common control***	
Opening balance		-
Services obtained		1,796
Payments collected / settlements		(1,796)
Closing balance		**-**

Name	Nature of relationship	31-Dec-21 MVR
Maldives Transport and Contracting Company Plc	***Entity under common control***	
Opening balance		-
Services obtained		86,544
Payments collected / settlements		(72,450)
Closing balance		**14,094**

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23 Financial Instruments

23.1 Capital Management

The Company manages its capital to ensure that Company will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including lease liability and excluding trade and other payables, as shown in the statement of financial position less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

Net debt	8,857,565
Less: Cash and cash equivalents	(47,456,651)
Net debt	(38,599,086)
Total equity	54,888,548
Total capital	16,289,462
Gearing	**-237%**

23.2 Financial Risk Management Objectives

The Company's management co-ordinates access to banks and other financial institutions, monitors and manages the financial risks relating to the operations of the company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

23.3 Foreign Currency Risk Management

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

23.4 Interest Rate Risk Management

The company is not exposed to interest rate risk because the company borrow funds at fixed interest rates.

23.5 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient guarantee, where appropriate, as a means of mitigating the risk of financial loss from defaults.

23.6 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

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24 Events After the End of the Reporting Period

There are no significant events after the balance sheet date which warrants disclosure.

25 Approval of Financial Statements

These financial statements were approved by the board of directors and authorised for issue on 9th February 2023.