Report No: FIN-2020-38(E)

16 August 2020

ADDU INTERNATIONAL AIRPORT PRIVATE LIMITED FINANCIAL YEAR 2019

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AUDITOR GENERAL'S OFFICE

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AUDITOR GENERAL'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF ADDU INTERNATIONAL AIRPORT PRIVATE LIMITED

Qualified Opinion

We have audited the accompanying financial statements of Addu International Airport Private Limited (the "Company"), which comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information set out in pages 8 to 37.

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Qualified Opinion

1. As per Note 14 to the financial statements the net carrying value of property, plant and equipment relating to the airport operation is MVR 566,409,641/- as at 31 December 2019. As per IAS 36 "Impairment of Assets", the Company shall assess as at end of each reporting period whether there is any indicators that an asset may be impaired. The Company has been making losses for last few years and recorded accumulated losses of MVR 365,613,188/- as at 31 December 2019. These factors should have been considered as impairment indications. However, the Company has not performed an impairment assessment to measure the recoverable amount of the property plant and equipment relating to the airport operation as at 31 December 2019. Therefore, we were unable to determine the possible effects on these financial statements as at 31 December 2019.
2. As per Note 18 to the financial statements, amounts due from Island Aviation Service limited amounting to MVR 13,687,572/- was included in Trade and receivables balance as at 31 December 2019. However, the Company has not assessed the recoverability of this balance as at reporting date. Therefore, we are unable to satisfy ourselves regarding the recoverability of amounts due from Island aviation service limited amounting to MVR 13,687,572/- as at 31 December 2019.

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' 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 qualified opinion.

Material Uncertainty Relating to Going Concern

We draw attention to Note 31 to the financial statements. The Company has incurred a loss of MVR 60,338,985/- during the year ended 31 December 2019 and accumulated losses of MVR 365,613,188/- as at 31 December 2019. Further, the Company's Current Liabilities excess its Current assets by MVR 353,910,948/- and total liabilities exceeded its total assets by MVR 67,613,188/- as at 31 December 2019. These conditions indicate the existence of a material uncertainty which 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.

Emphasis of Matters - Impact of Covid 19 pandemic

We draw attention to Note 26 of the financial statements, which describes that its scheduled international flight operations have temporarily been halted and domestic flight operations have also been limited by the company with effect from 19 March 2020. As the outbreak is ongoing, the potential impact of COVID 19 is subject to significant levels of uncertainties which are often outside of the Company's control with the full range of possible effects are unknown. However, our opinion is not modified in respect of this matter.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors (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 to be reviewed 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 the Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 auditors' 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 the Board.
- Conclude on the appropriateness of the Board'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 auditors' 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 auditors' 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.

13th August 2020

Hassan Ziyath
Auditor General

ADDU INTERNATIONAL AIRPORT PRIVATE LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER	Note	2019 MVR	2018 MVR
Revenue	7	65,030,122	52,609,106
Other operating income	8	7,530,448	6,258,150
Operating expenses	9	(101,951,807)	(96,302,838)
Impairment loss on trade and other receivables	10	(3,261,578)	(16,816,837)
Result from operating activities		(32,652,815)	(54,252,419)
Finance costs	11	(27,686,170)	(30,247,782)
Loss before tax		(60,338,985)	(84,500,201)
Tax expense	12	-	-
Loss (Total comprehensive income) for the year		(60,338,985)	(84,500,201)
Basic loss per share	13	**(189)**	**(264)**

The figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Company set out on pages 8 to 37. The Reports of the Independent Auditors' is given on pages 1 and 3.

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ADDU INTERNATIONAL AIRPORT PRIVATE LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER	Note	2019 MVR	2018 MVR
ASSETS			
Non-current assets			
Property, plant and equipment	14	566,409,641	575,781,158
Intangible assets	15	598,396	1,219,835
Right-of-use assets	16	541,581	-
Total non-current assets		567,549,618	577,000,993
Current assets			
Inventories	17	8,580,533	12,539,578
Trade and other receivables	18	26,373,967	14,624,865
Cash and cash equivalents	19	4,004,369	1,790,887
Total current assets		38,958,869	28,955,330
Total assets		606,508,487	605,956,323
EQUITY AND LIABILITIES			
Equity			
Share capital	20	298,000,000	298,000,000
Accumulated losses		(365,613,188)	(305,274,203)
Total Equity		(67,613,188)	(7,274,203)
Non-current liabilities			
Loans and borrowings	21.3	281,146,575	279,598,093
Lease liability	22	105,283	-
Total non-current liabilities		281,251,858	279,598,093
Current liabilities			
Loans and borrowings	21.3	147,315,459	96,134,768
Lease liability	22	766,374	-
Trade and other payables	23	244,787,984	237,497,665
Total current liabilities		392,869,817	333,632,433
Total liabilities		674,121,675	613,230,526
Total equity and liabilities		606,508,487	605,956,323

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Company set out on pages 8 to 37. The Reports of the Independent Auditors' is given on pages 1 and 3.

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

Name of the Director | **Signature**

Hussain Mohamed Didi | Ahmed Marzoog

13 August 2020

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ADDU INTERNATIONAL AIRPORT PRIVATE LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital MVR	**Accumulated losses MVR**	**Total equity MVR**
Restated balance as at 1 January 2018	283,000,000	(218,395,220)	64,604,780
Adjustment due to initial application of IFRS 9 **(Note 18.1 and 18.2)**	-	(2,378,782)	(2,378,782)
Loss (Total comprehensive income) for the year	-	(84,500,201)	(84,500,201)
Transactions with owners of the Company			
Proceeds received for shares issued during the year ended 31 december 2018 **(Note 20)**	15,000,000	-	15,000,000
Balance as at 31 December 2018	298,000,000	(305,274,203)	(7,274,203)
Balance as at 1 January 2019	298,000,000	(305,274,203)	(7,274,203)
Loss (Total comprehensive income) for the year	-	(60,338,985)	(60,338,985)
Balance as at 31 December 2019	298,000,000	(365,613,188)	(67,613,188)

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Company set out on pages 8 to 37. The Reports of the Independent Auditors' is given on pages 1 and 3.

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ADDU INTERNATIONAL AIRPORT PRIVATE LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER	**Note**	**2019 MVR**	**2018 MVR**
Cash flow from operating activities			
Loss before tax		(60,338,985)	(84,500,201)
Adjustments for:			
Depreciation	**14**	23,849,644	23,659,997
Amortization of intangible asset	**15**	621,439	622,712
Interest expenses	**11**	27,686,170	30,247,782
Write off of trade receivable	**10**	-	641,954
Impairment loss on trade and other receivable and related parties	**10**	3,261,578	16,816,837
Depreciation of-right-of use assets	**16**	464,213	-
Loss before working capital changes		(4,455,941)	(12,510,919)
Changes in;			
Inventories		3,959,045	997,444
Trade and other receivables		(15,010,680)	8,316,915
Trade and other payables		7,290,319	19,897,119
Cash (used in) / generated from operating activities		(8,217,257)	16,700,559
Interest paid	**11**	(27,608,282)	(30,247,782)
Net cash used in operating activities		(35,825,539)	(13,547,223)
Cash flows from investing activities			
Purchase of property, plant and equipment	**14**	(14,478,127)	(9,345,880)
Purchase of intangible assets	**15**	-	(1,358,749)
Net cash used in investing activities		(14,478,127)	(10,704,629)
Cash flows from financing activities			
Proceeds from issue of share capital	**20**	-	15,000,000
Repayment of borrowings	**21.1**	(32,529,718)	(29,713,251)
Proceeds from shareholders loan	**21.2**	85,258,891	35,996,768
Repayment of lease during the year	**22**	(212,025)	-
Net Cash from operating activities		52,517,148	21,283,517
Net increase / (decrease) in cash and cash equivalents		2,213,482	(2,968,335)
Cash and cash equivalents at beginning of the year		1,790,887	4,759,222
Cash and cash equivalents at end of the year	**19**	4,004,369	1,790,887

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the Company set out on pages 8 to 37. The Reports of the Independent Auditors is given on pages 1 and 3.

1. REPORTING ENTITY

Addu International Airport Private Limited (the "Company") is a Company incorporated and domiciled in the Republic of Maldives since 21 March 2011 as a private limited liability Company under the Companies' Act No. 10 of 1996 with its registered office at Building No. 100 Gan International Airport, Addu City, Republic of Maldives.

The rights, interests, liabilities and ownership of Gan Airport Company Limited were transferred to Addu International Airport Private Limited in accordance with Clause B of the Memorandum of Understanding between Gan Airport Company Limited and Addu International Airport Private Limited dated with effect from 31 March 2013.

The principal activity of the Company is operating the Gan International Airport at Gan Island in Addu City in the Republic of Maldives.

The main objectives of the Company are to develop, manage; operate either on its own or by way of third party engagements, Gan Airport as an International Airport and develop any and all ancillary or related facilities in the same manner together with the airport, and to enter into the business of tourism; to own, develop, manage and operate tourist resorts, city hotels, safari vessels and any other tourist properties or developments.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

This is the first set of the Company's annual financial statements in which IFRS 16, "Leases" has been applied. The related changes to significant accounting policies are described in Note 3.

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and Presentation Currency

These financial statements are presented in Maldivian Rufiyaa, which is the Company's functional currency. All financial information presented in Maldivian Rufiyaa has been rounded to the nearest Rufiyaa, except for otherwise indicated.

(d) Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Company's financial statements is included in the respective notes.

Information about assumptions and estimation of uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the relevant notes.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Company initially applied IFRS 16 Leases from 1 January 2019. A number of new amendments are also effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

The Company has applied IFRS 16 using the modified retrospective approach, under which there is an effect of the initial application to retained earnings as at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of as identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transaction are leases. It applies IFRS 16 only to contacts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

(b) As a lessee

As a lessee, the Company lease lands. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidents to the ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of–use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

At inception or on a reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone selling prices.

However, for leases of lands in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

The Company presents right-of-use assets as a separate line item in the statement of financial position.

(i) Lease classified as operating lease under IAS 17

Previously, the Company classified land leases as operating leases under IAS 17. On transition, for the leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

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3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) As a lessee (Continued)

(i) Lease classified as operating lease under IAS 17 (Continued)

- Their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application; or

- An amount equivalent to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company has tested its right-to-use assets for impairment on the date of transition and has concluded that there is no indication that the right-to-use assets are impaired.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- did not recognize right of use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognize right of use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right of use asset at the date of initial application; and
- used hindsight when determining the lease term.

(c) Significant judgments

Following are the key judgments applied by the Company on application of IFRS 16:

- The present value of the lease payment is determined using the discount rate representing the incremental borrowing rate that the Company would have to pay to borrow over a similar term, and with a similar security, the fund necessary to obtain an asset of a similar value to the right-to-use asset in a similar economic environment.

(d) Impact on transition

On transition to IFRS 16, the Company recognized an additional of right-of-use of assets and lease liabilities. The Impact on transition is summerised below.

	1 January 2019 MVR
Right-of-use asset	1,005,794/-
Lease liability	1,005,794/-

When measuring lease liabilities for leases that ware classified as operating leases, the Company discount lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 9%.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) As a lessee (Continued)

(d) Impact on transition (Continued)

	1 January 2019 MVR
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Company's financial statements	1,102,530/-
Discounted using the incremental borrowing rate at 1 January 2019	1,005,794/-
Lease liabilities recognised at 1 January 2019	1,005,794/-

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company except for the changes in accounting policies resulted from the adoption of IFRS 9 from 1 January 2018.

4.1 Foreign Currency Transactions

Transactions in currencies other than Maldives Rufiyaa are translated to Maldives Rufiyaa at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in currencies other than Maldives Rufiyaa are translated to Maldives Rufiyaa at the exchange rate ruling at the reporting date. Foreign exchange differences arising on translations are recognized in profit or loss.

Non-monetary assets and liabilities, which are measured at historical cost, denominated in currencies other than Maldives Rufiyaa, are translated to Maldives Rufiyaa at the exchange rates ruling at the dates of transactions. Non monetary assets and liabilities, which are stated at fair value, denominated in currencies other than Maldives Rufiyaa, are translated to Maldives Rufiyaa at the exchange rates ruling at the dates the values were determined.

4.2 Financial Instruments

(i) Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (Unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL (fair value through profit or loss), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI (fair value through other comprehensive income) – debt investment; FVOCI – equity investment; or FVTPL.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Financial Instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

The Company classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;

Financial assets

Held to maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de-recognition is also recognized in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Financial Instruments (Continued)

(iii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfer nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company derecognizes a financial liability when its contractual obligations are discharges or cancelled, or expire. The Company also derecognizes a financial liability when its terms are

modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in profit or loss.

4.3 Impairment

(i) Financial Assets (including receivables)

The Company recognize loss allowance for ECLs (Expected Credit Loss) on financial assets measured at amortized cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which measured at 12-month ECLs.

- Debt instruments that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information.

ECLs are probability- weighted estimate of credit losses. Credit losses are measured as the present value of all the cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Impairment (Continued)

(i) Financial Assets (including receivables)

The Company considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables were assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant were collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost was calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

(i) Non-derivative financial assets (including receivables)

Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

4.4 Share Capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

4.5 Property, Plant and Equipment

(i) Recognition and Measurement

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Property, Plant and Equipment (Continued)

(i) Recognition and Measurement (Continued)

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as 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. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

(ii) Subsequent Costs

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized.

Other subsequent expenditure is capitalized only if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss 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.

The estimated useful lives for the current and comparative periods are as follows:

Land Improvement	Over the lease period
Runway and Island Infrastructure	Over 25 years
Buildings	Over 25 years
Plant and Machinery	Over 10 years
Office Equipment	Over 5 years
Computer Equipment	Over 5 years
Tools and Electrical Equipment	Over 5 years
Furniture and fittings	Over 10 years
Vehicles	Over 10 years

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Property, Plant and Equipment (Continued)

(iii) Depreciation (Continued)

The charge for the deprecation commences from the month subsequent to the month on which the property, plant and equipment is ready for use.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

4.6 Intangible Assets

(i) Recognition & Measurement

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

(ii) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows.

Computer software - Over 3 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

4.7 Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

4.8 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Revenue

Type of product	Nature and timing of satisfaction of performance obligations, including significant payment terms
Sale of Goods	The performance obligation is satisfied when the goods are handed over to customers.
Ground handling charge, Landing fees, Parking fee, Ground power unit charges, Passenger service charge, Airport pass, Cargo handling /terminal income, Monthly Training Income	The performance obligation relating to the rendering of services is satisfied when the services are consumed by the customer.

4.10 Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date.

Deferred tax

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax rate enacted or substantively enacted at the reporting date.

4.11 Finance Costs

Finance cost comprises interest expense on borrowings. Borrowings costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognized in profit or loss using the effective interest method.

4.13 Operating Expenses

All expenses incurred in the running of the business and in maintaining the capital assets in a state of efficiency has been charged to the profit or loss for the year.

Expenses incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.14 Employment Benefit

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 recognized 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.

5. FAIR VALUE MEASUREMENT

'Fair value' is the price that would be received to sell as asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principle or, in its absence, the most advantageous market to which the Company has accessed at that date. The fair value of a liability reflects its non – performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non – financial assets and liabilities.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If and asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later that when the valuation is wholly supported by observable market data or the transaction is closed out.

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6. NEW STANDARDS AND INTERPRATATIONS NOT YET ADOPTED

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- Amendments to Reference to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- IFRS 17 Insurance Contracts.

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7 REVENUE

	2019 MVR	2018 MVR
Jet fuel revenue	40,479,054	34,255,454
Ground handling charge	13,064,623	8,662,901
Landing fees	4,572,075	3,595,597
Parking fee	3,637,331	3,079,550
Ground power unit charges	2,034,669	1,402,449
Passenger service charge	420,331	750,424
Airport pass	58,250	60,300
Cargo handling /terminal income	589,157	653,242
Monthly fee on flight training	174,632	149,189
	65,030,122	52,609,106

8 OTHER OPERATING INCOME

	2019 MVR	2018 MVR
Rent income	6,815,310	5,434,306
Lounge income	420,608	497,645
Miscellaneous income	211,797	254,624
Electricity charges	82,733	71,575
	7,530,448	6,258,150

9 OPERATING EXPENSES

	2019 MVR	2018 MVR
Jet fuel expenses	28,003,262	25,534,264
Employee benefit expense **(Note 9.1)**	32,295,859	30,826,605
Depreciation of propert,Plant and equipment **(Note 14)**	23,849,641	23,659,999
Amortization of intangible assets **(Note 15)**	621,438	622,713
Electricity charges	3,729,660	3,648,852
Supplies and requisites	1,647,347	1,802,150
Subscription expenses	1,498,078	2,101,011
Consultancy expenses	1,373,343	1,933,137
Freight and duty charges	2,563,858	759,586
Repair and maintenance expenses	342,304	362,503
Fuel expenses	506,705	425,818
Telephone expenses	376,402	365,841
Uniform expenses	599,880	60,152
Balance carried forward	97,407,777	92,102,631

9	OPERATING EXPENSES (CONTINUED)	2019 MVR	2018 MVR
	Balance carried forward	97,407,777	92,102,631
	Insurance expenses	2,562,995	2,646,507
	Bank charges	74,238	49,985
	Travelling expenses	400,633	254,506
	Directors' remuneration **(Note 30.4)**	353,444	401,710
	Fines and penalties	22,619	77
	Printing and stationery	108,153	133,926
	Depreciation of-right-of use assets	464,213	-
	Others	557,735	713,496
		101,951,807	96,302,838

9.1	Employee benefit expense		
	Wages and salaries	16,449,850	15,872,731
	Allowances	14,350,614	13,416,340
	Training expenses	258,221	133,540
	Pension contribution	1,237,174	1,113,752
	Staff insurance	-	290,242
		32,295,859	30,826,605

10	IMPAIRMENT (REVERSAL) / LOSS ON TRADE & OTHER RECEIVABLES AND RELATED PARTY RECEIVABLES	2019 MVR	2018 MVR
	Write off of trade receivable	-	641,954
	Impairment (reversal) / loss on trade receivable **(Note 18.1)**	(109,422)	2,904,073
	Impairment loss on related party receivables **(Note 18.2)**	181,272	4,036
	Impairment loss on other receivable **(Note 18.3)**	3,189,728	13,266,774
		3,261,578	16,816,837

11	FINANCE COSTS	2019 MVR	2018 MVR
	Interest on bank loans	27,608,282	30,247,782
	Interest on lease liability	77,888	-
		27,686,170	30,247,782

12 TAX EXPENSE

	2019 MVR	2018 MVR
Current tax expense **(Note 12.1)**	-	-
Deferred tax asset **(Note 12.3)**	-	-
	-	-

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

12.1 Reconciliation between Accounting profit and Taxable profit

	2019 MVR	2018 MVR
Loss before tax	(60,338,985)	(84,500,201)
Aggregate disallowable items	57,605,699	73,166,425
Aggregate allowable items	(52,346,335)	(57,732,249)
Total taxable losses	(55,079,621)	(69,066,025)
Business profit tax @ 15%	-	-

12.2 Accumulated tax losses

	31/12/2019 MVR	31/12/2018 MVR
Opening balance	134,026,759	64,960,734
Taxable loss for the year	55,079,621	69,066,025
Adjustment to the Carried Forwad Tax Losses	(7,548,881)	-
Closing balance	181,557,499	134,026,759

12 TAX EXPENSE (CONTINUED)

12.3 Unrecognised deferred tax assets

	31/12/2019 MVR	31/12/2018 MVR
Deferred tax assets **(Note 12.4)**	32,964,115	53,841,813
Deferred tax liabilities **(Note 12.4)**	(34,505,762)	(831,889)
	(1,541,647)	53,009,924

The above net deferred tax assets are not recognized since the management is not certain whether the Company will have sufficient taxable profits in the future against which these benefits could be claimed.

12.4 Deferred tax assets / (liability) are attributable to the followings;

	31/12/2019		31/12/2018	
	Temporary Difference MVR	Tax Effect MVR	Temporary Difference MVR	Tax Effect MVR
Deferred tax assets				
Impairment loss on trade receivable	21,746,764	3,262,015	21,674,914	3,251,237
Accumulated tax losses	181,557,499	27,233,625	324,003,736	48,600,560
Impairment loss on other receivable	16,456,502	2,468,475	13,266,774	1,990,016
	219,760,765	32,964,115	358,945,424	53,841,813
Deferred tax liablity				
Property, plant and equipment	(229,440,018)	(34,416,003)	(222,590,041)	(33,388,506)
Intangible assets	(598,396)	(89,759)	(145,463)	(21,819)
	(230,038,414)	(34,505,762)	(222,735,504)	(33,410,325)

13 BASIC LOSS PER SHARE

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

	2019	2018
Loss for the year attributable to shareholders (MVR.)	(60,338,985)	(84,500,201)
Weighted average number of ordinary shares in issue	320,000	320,000
Basic loss per shares (MVR.)	(189)	(264)

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14 PROPERTY, PLANT AND EQUIPMENT

	Land imporovement	Runway and Island infrastructure	Buildings	Plant and machinery	Office equipment	Computer equipment	Tools and electrical equipment	Furniture and fittings	Vehicles	Total 31/12/2019	Total 31/12/2018
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Cost											
Opening balance	245,956,105	343,348,409	15,705,912	3,851,704	249,116	7,571,394	1,390,267	7,231,617	19,346,849	644,651,373	635,305,493
Additions during the year	-	-	-	813,935	14,057	25,134	19,624	312,337	13,293,040	14,478,127	9,345,880
Closing balance	245,956,105	343,348,409	15,705,912	4,665,639	263,173	7,596,528	1,409,891	7,543,954	32,639,889	659,129,500	644,651,373
Accumulated Depreciation											
Opening balance	12,296,459	35,377,692	3,755,407	1,482,070	112,348	2,265,773	1,006,033	3,864,478	8,709,955	68,870,215	45,210,218
Additions during the year	4,915,890	13,733,939	628,236	389,435	36,848	1,373,737	62,939	735,951	1,972,669	23,849,644	23,659,997
Closing balance	17,212,349	49,111,631	4,383,643	1,871,505	149,196	3,639,510	1,068,972	4,600,429	10,682,624	92,719,859	68,870,215
Net Carrying Value											
As at 31 December 2019	228,743,756	294,236,778	11,322,269	2,794,134	113,977	3,957,018	340,919	2,943,525	21,957,265	566,409,641	
As at 31 December 2018	233,659,646	307,970,715	11,950,505	2,369,634	136,768	5,305,621	384,234	3,367,139	10,636,894		575,781,158

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The buildings and certain other fixed assets are erected on land leased to the Company from the Gan Airport Company Limited for 50 years in accordance with Addendum to Memorandum of Agreement between Ministry of Finance and Treasury and Gan Airport Company Limited dated 21 July 2011. The Company operates from premises leased out by Gan Airport Company Limited, for a nominal fee of MVR 100 which was paid. The rights, interests, liabilities and ownership from Gan Airport Company Limited were transferred to Addu International Airport in accordance with Clause B of Memorandum of Understanding between Gan Airport Company Limited and Addu International Airport Private Limited dated 1 February 2012. The lease of the Airport island is for a period of 50 years commencing from 21 July 2011.

15 INTANGIBLE ASSETS

	31/12/2019 MVR	31/12/2018 MVR
Cost		
Opening Balance	1,912,422	553,673
Additions during the Year	-	1,358,749
Closing balance	1,912,422	1,912,422
Accumulated Amortization		
Opening Balance	692,587	69,875
Amortized during the Year	621,439	622,712
Closing balance	1,314,026	692,587
Net Carrying Value	598,396	1,219,835

The purchase cost of accounting software has been recognized as an intangible asset and amortized over a period of three years.

16 RIGHT-OF-USE ASSETS

	31/12/2019 US$	31/12/2018 US$
Cost		
Initial recognition as of 1 January 2019 **(Note 3 (d))**	1,005,794	-
Transferred from lease prepayments	115,650	-
Closing Balance	1,005,794	-
Accumulated depreciation		
Charge for the Year	464,213	-
Closing Balance	464,213	-
Net Carrying Value	541,581	-

Right of use assets will be depreciate over the remaining lease period.

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17 INVENTORIES	**31/12/2019 MVR**	**31/12/2018 MVR**
Jet fuel	6,913,630	11,411,244
Spares and others	1,666,903	1,128,334
	8,580,533	12,539,578

18 TRADE AND OTHER RECEIVABLES	**31/12/2019 MVR**	**31/12/2018 MVR**
Financial assets		
Trade receivables	23,120,743	23,076,456
Less: Impairment loss on trade receivable **(Note 18.1)**	(21,412,888)	(21,522,310)
	1,707,855	1,554,146
Receivables from related parties	14,916,479	7,366,014
Less : Impairment loss on amount due from related parties **(Note 18.2)**	(333,876)	(152,604)
	16,290,458	8,767,556
Non-financial assets		
Prepayments	9,793,570	1,093,175
Other receivables	16,746,441	18,030,908
	26,540,011	19,124,083
Less: Impairment loss on other receivable (**Note 18.3**)	(16,456,502)	(13,266,774)
	10,083,509	5,857,309
	26,373,967	14,624,865

18.1 Impairment (reversal) / loss on trade receivables		
Opening balance	21,522,310	16,362,913
Adjustment due to Initial Application of IFRS 9	-	2,255,324
(Reversal) / provision made during the year	(109,422)	2,904,073
Closing balance	21,412,888	21,522,310

18.2 Impairment loss on amount due from related parties		
Opening balance	152,604	25,110
Adjustment due to Initial Application of IFRS 9	-	123,458
Provision made during the year	181,272	4,036
Closing balance	333,876	152,604

18.3 Impairment loss on other receivables		
Opening balance	13,266,774	-
Provision made during the year	3,189,728	13,266,774
Closing balance	16,456,502	13,266,774

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19 CASH AND CASH EQUIVALENTS

	31/12/2019 MVR	31/12/2018 MVR
Cash in hand	47,427	110,931
Balances with banks	3,956,942	1,679,956
	4,004,369	1,790,887

20 SHARE CAPITAL

Authorized Share Capital

Authorized Share Capital comprises of 400,000/-(2018 : 400,000) ordinary shares of MVR.1,000/- each.

Issued Share capital

The company has not issued share or called for equity in the year 2019. (2018 : 320,000), And Company has not received proceeds for shares issued earlier for the year ended 31 December 2019 . (2018 : 15,000,000)

	31/12/2019 MVR	31/12/2018 MVR
Issued Share Capital (320,000 ordinary shares of each MVR 1.000/-)	320,000,000	320,000,000
Less: Call in arears (22,000 ordinary shares of each MVR 1,000/-)	(22,000,000)	(22,000,000)
	298,000,000	298,000,000

Dividends and Voting Rights

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company. The Company has not declared any dividend for the year ended 31 December 2019 (2018: Nil).

21 LOANS AND BORROWINGS

	31/12/2019 MVR	31/12/2018 MVR
Bank of Maldives Plc **(Note 21.1)**	307,206,375	339,736,093
Shareholders loan **(Note 21.2)**	121,255,659	35,996,768
	428,462,034	375,732,861

21.1 Bank of Maldives Plc

	31/12/2019 MVR	31/12/2018 MVR
Opening balance	339,736,093	369,449,344
Repayment of borrowings	(32,529,718)	(29,713,251)
Closing balance	307,206,375	339,736,093

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21 LOANS AND BORROWINGS (CONTINUED)

21.1 Bank of Maldives Plc loan (Continued)

The Company has obtained a loan facility from Bank of Maldives Plc, amounting to US$ 7,069,800/- on 12 December 2013 for the purpose of issue standby letter of credit favoring Gulf Cobla Tennssor Maldives Private Limited to guarantee payment against the Gan International Airport Development Project phase I with the option to convert to a Demand Loan. This option has executed on 23 October 2014 by the existing combined standby letter of credit cum demand loan limit has been converted to a demand loan and enhanced the loan amount up to USD 16,000,000 to finance the Gan International Airport Development Project on 23 October 2014. Further, this demand Loan has enhanced upto USD 24,470,000 on 7 April 2015. As per the new section letter dated on 7 April 2015, the loan carries an interest rate of 0.5% per annum above Bank of Maldives PLC base rate charged monthly. Base rate is 8.0% per annum for the USD at the time of the latest sanction letter and it is subject to change. Demand Loan is repayable monthly installments of US$ 327,100 from January 2017 after grace period of 36 Months. The Company has mortgaged the fixed and floating charge over the assets at Gan International Airport, Gan, Addu Atoll, Maldives including all improvements, developments, installations, equipment, machinery, fixtures and fittings (both movable and immovable). Further, loan is secured by the guarantees of the Government of Maldives for the full loan amount or to cover 70% of the loan amount (equivalent to shareholding percentage) and Corporate Guarantee of Kasa Holdings Private Limited to cover 30% of the loan amount (equivalent to shareholding percentage).

However, as part of the Economic recovery plan to minimize the impact on businesses due to COVID-19, the government has announced a deferment of loan repayments for bank of Maldives customers. Which allows a moratorium to the monthly principal and interest repayments for 6 months to help individuals and businesses manage during this challenging time. Hence, to provide ease to the shareholders the management and board of directors agreed to apply the economic relief package.

As at 31 March 2020 the demand loan balance is US$ 19,549,740/- and all the procedures for the moratorium have been finalized and the existing demand loan facility has been amended under the terms and conditions of March 2020 to August 2020 (moratorium period): NIL, September 2020 to February 2021: US$ 260,000/- per month, March 2021 to May 2027: US$ 338,000/- per month and June 2027 balance outstanding amount in full. In addition to that Interest accrued during the moratorium period will be capitalized to the loan at the end of the moratorium period.

21.2 Shareholders loan

	31/12/2019 MVR	31/12/2018 MVR
Opening balance	35,996,768	-
Proceeds from loans and borrowings	85,258,891	35,996,768
Closing balance	121,255,659	35,996,768

The Company has obtained a loan from Shareholder amounting to MVR 85,258,891/- during the year ended 31 December 2019. These loan is interest free and payable on demand. Hense, this classified under the Current liabilities.

21 LOANS AND BORROWINGS (CONTINUED)

21.3 Maturity Analysis

	31/12/2019 MVR	31/12/2018 MVR
Non-current liabilities		
Bank of Maldives Plc	281,146,575	279,598,093
Current liabilities		
Bank of Maldives Plc	26,059,800	60,138,000
Shareholders loan	121,255,659	35,996,768
	147,315,459	96,134,768
Total Loans and borrowings	428,462,034	375,732,861
The repayment of non-current liabilities are scheduled as follows;		
More than one year, less than two years	26,059,800	60,138,000
More than two years, less than three years	60,138,000	60,138,000
More than three years, less than four years	62,543,520	60,138,000
More than four years	132,405,255	99,184,093
	281,146,575	279,598,093

22 LEASE LIABILITIES

	31/12/2019 MVR	31/12/2018 MVR
Adjustment due to Initial application of IFRS 16 **(Note 3 (d))**	1,005,794	-
Add : Interest charge for the year	77,888	-
Less : Repayment during the year	(212,025)	-
Closing balance	871,657	-
Non - current liabilities	105,283	-
Current liabilities	766,374	-

The lease liability is recognised on the rented office premises and previously, this lease was classifid as operating lease under IAS 17 and lease expense (rentals) amounted to US$ 2,750/- recognised in the profit or loss for the year ended 31 December 2018.

23 TRADE AND OTHER PAYABLES

	31/12/2019 MVR	31/12/2018 MVR
Trade payables	7,218,465	10,133,310
Contractor Payable	63,605	1,511,697
Customer Deposits	2,217,066	2,850,273
Redundancy benefit payable	960,366	960,366
Accrued expenses	732,486	1,242,316
Other payables	4,518,977	5,236,064
Amount due to related parties **(Note 23.1)**	229,077,019	215,563,639
	244,787,984	237,497,665

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23 TRADE AND OTHER PAYABLES (CONTINUED)

23.1 Amount due to related parties

	31/12/2019 MVR	31/12/2018 MVR
State Trading Organisation PLC	225,800,049	214,726,179
Island Aviation Services Private Limited	154,007	675,617
Maldives Airports Company Private Limited	146,675	98,935
Maldives Airports Company	593,391	52,216
Maldives Post Limited	-	752
Bank of Maldives PLC	-	40
Hithadhoo Port Private Limited	-	7,670
Hithadhoo Regional Hospital	-	2,230
Fenaka Corporation Limited	643,551	-
Fuel Supplies Maldives Private Limited	1,532,020	-
Southern Utilities Limited	154,000	-
Other Government entities	53,326	-
	229,077,019	215,563,639

24 COMMITMENT

24.1 Capital Commitment

There were no material capital commitments approved or contracted as at the reporting date.

25 CONTINGENT LIABILITIES

There were no material contingent liabilities which require disclosure in the financial statements as at the reporting date.

26 EVENTS AFTER THE REPORTING DATE

On 11 March 2020 the World Health Organization has announced Covid-19 outbreak as a pandemic. Accordingly, some governments and private entities have taken various precautionary actions including travel restrictions and other quarantine measures which have a significant impact on Maldives' economy. The Government of Maldives has temporary suspended arrival visa for all passengers by air or sea with effect 27 March 2020 and travel restriction in between Maldives Islands with effect from 15 April 2020. As a result, the Company has halt its sheduled international operation until 31 August 2019 and limits there domestic operations a effect from 19 March 2020. As the outbreak is ongoing, the potential impact of Covid 19 is subject to significant levels of uncertainties.

No other circumstances have arisen since reporting date which require adjustments to / or disclosure in the financial statements.

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27 COMPARATIVE FIGURES

Comparative figures of the financial statements have been reclassified wherever appropriate to conform with current year's presentation.

28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Overview

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Risk Management Framework

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

(i) Credit Risk

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

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

	Carrying Amount	
	31/12/2019 MVR	31/12/2018 MVR
Trade and other receivables	1,707,855	1,554,146
Amount due from related parties	14,582,603	7,213,410
Cash at bank	3,956,942	1,679,956
	20,247,401	10,447,512

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no concentration of credit risk geographically.

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(i) Credit Risk (Continued)

The Company believes that the outstanding amounts are still collectible, based on historic payment behavior. Based on historic default rates, the Company believes that no provision for impairment is necessary in respect of trade and other receivables.

Expected credit loss assessment under IFRS 9

Exposures within each credit risk grades are segmented by the type of the customers.

The Company uses an allowance Matrix to measure the ECLs of trade receivables from its customers in government and corporate segments.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately based on the type of the customer.

Non government

The following table provides information about the exposure to credit risk and ECLs for trade receivables for non government customers segment as at 31 December 2019 for the Company.

31 December 2019	**Weighted average loss rate**	**Gross carrying amount MVR**	**Loss allowance MVR**	**Credit Impaired**
Not past due or Past due 1-30 days	22%	1,826,968	394,885	Yes
Past due 31-90days	36%	277,201	101,063	Yes
Past due 91-180 days	70%	332,838	233,206	Yes
Past due 181-365 days	100%	86,518	86,518	Yes
Past due more than 365 days	100%	20,597,216	20,597,216	Yes
		23,120,742	21,412,888	

31 December 2018	**Weighted average loss rate**	**Gross carrying amount MVR**	**Loss allowance MVR**	**Credit Impaired**
Not past due or Past due 1-30 days	34%	2,089,041	701,904	Yes
Past due 31-90days	58%	363,179	212,450	Yes
Past due 91-180 days	83%	98,287	82,007	Yes
Past due 181-365 days	100%	76,233	76,233	Yes
Past due more than 365 days	100%	20,449,716	20,449,716	Yes
		23,076,456	21,522,310	

Loss rates are based on actual credit loss experience over past four years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables. Scalar factors are based on GDP forecast.

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29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(i) Credit Risk (Continued)

Expected credit loss assessment for individual specific corporate customers as at 31 December 2019

Special credit customers which are aged for a period of more than 12 months are assessed for specific impairment.

Government Segment

The following table provides information about the exposure to credit risk and ECLs for trade receivables for government customers segment as at 31 December 2019 for the Company.

31 December 2019	Weighted average loss rate	Gross carrying amount MVR	Loss allowance MVR	Credit Impaired
Not past due or Past due 1-30 days	23%	6,776,630	52,004	Yes
Past due 31-90days	38%	1,851,165	6,203	Yes
Past due 91-180 days	59%	2,515,700	3,442	Yes
Past due 181-365 days	86%	2,776,574	6,333	Yes
Past due more than 365 days	100%	996,410	127,550	Yes
		14,916,479	195,531	

31 December 2018	Weighted average loss rate	Gross carrying amount MVR	Loss allowance MVR	Credit Impaired
Not past due or Past due 1-30 days	0%	2,798,990	-	No
Past due 31-90days	0%	2,273,710	-	No
Past due 91-180 days	0%	310,949	-	No
Past due 181-365 days	0%	318,013	-	No
Past due more than 365 days	7%	1,664,352	123,458	Yes
		7,366,014	123,458	

Loss rates are based on actual credit loss experience over past four years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables. Scalar factors are based on GDP forecast.

Government customers which are aged for a period of more than 12 months are assessed for specific impairment.

The Company has not been recognized an specific incremental impairment as at 31 December 2019 (31 December 2018: 29,146).

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29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(ii) Liquidity Risk

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

31 December 2019	**Carrying Amount MVR**	**0-12 Months MVR**	**1-2 Years MVR**	**2-5 Years MVR**
Financial Liabilities				
Loans and borrowings	428,462,034	147,315,459	60,138,000	221,008,575
Trade and other payables	244,787,984	244,787,984	-	-
	673,250,018	392,103,443	60,138,000	221,008,575

31 December 2018	**Carrying Amount US$**	**0-12 Months US$**	**1-2 Years US$**	**2-5 Years US$**
Financial Liabilities				
Loans and borrowings	375,732,861	96,134,768	60,138,000	219,460,093
Trade and other payables	237,497,665	237,497,665	-	-
	613,230,526	333,632,433	60,138,000	219,460,093

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

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iii) Market risk

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

(a) Interest rate risk

Profile

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

	Carrying Amount	
	31/12/2019 MVR	31/12/2018 MVR
Fixed rate instruments		
Loans and borrowings	307,206,375	339,736,093

A change of 100 basis point in interest rates would have increased or decreased profit for the year ended 31 December 2019 by MVR 276,083/- (2018 : MVR 302,478/-). This analysis assumes that all the other variables remain constant.

(b) Currency risk

The Company`s exposure to foreign currency risk was as follows based on notional amounts:

	31/12/2019 US$	31/12/2018 US$
Cash and cash equivalents	198,215	88,150
Trade and other receivables	281,703	280,142
Trade and other payables	14,743,860	367,198
Loans and borrowings	27,786,124	24,366,593
	43,009,903	25,102,083

The following significant exchange rate applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2019	2018	31/12/2019	31/12/2018
1 US$: MVR	15.42	15.42	15.42	15.42

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iii) Market risk (Continued)

(b) Currency Risk (Continued)

In respect of the monetary assets and liabilities denominated in MVR, the Company has limited currency risk exposure on such balances since the Maldivian Rufiyaa is pledged to the US Dollar within a band to fluctuate within ± 20% of the mid-point of exchange rate.

(iv) Capital management

The Board of Directors monitors the return on capital and the level of dividends to ordinary share holders.

30 RELATED PARTY TRANSACTIONS

The Government of Maldives holds 50% of the ordinary shares of the Company, and has significant interest in the voting power of Kasa Holding Limited, State Trading Organization Plc (STO) and Maldives Airport Company Limited (MACL). In addion to that the Government of Maldives holds 50% (2018: 50%) of the voting rights of the Company as at 31 December 2019 and has significant influence over the financial and operating policies of the Company. Accordingly, the Company has considered the Government of Maldives as a related party according to IAS 24 Related Party Disclosures. During the year ended 31 December 2019, the Company has carried out transactions with the Government of Maldives and other Government related entities in the ordinary course of business.

30.1 (i) Transactions

The following transactions were carried out, on commercial terms and conditions, with related parties:

	31/12/2019 MVR	31/12/2018 MVR
Kasa Holding Limited		
Loan received for operating equipment's and expenses	18,041,400	-
Loan received for BML loan settlement	26,037,159	10,524,150
	44,078,559	10,524,150
Transaction with government and related entities		
Loan received	41,180,332	25,472,618
Sale of jet fuel	26,107,617	13,897,638
Ground handling charges	9,690,113	5,909,510
Landing charges	3,614,178	2,492,905
Rent charges, vip lounge, sale of airport passes, electricity charges income	3,455,153	1,379,460
Parking fees	1,063,980	862,608
Ground power unit charges	1,783,863	749,720
Cargo handling	18,871	21,406
Fuel purchase	387,920	4,214,685
Jet fuel purchases	22,359,478	23,756,708
Other purchases	35,848	1,690,040
	109,697,353	80,447,298

30.2 Receivables from related parties

	31/12/2019 MVR	31/12/2018 MVR
Island Aviation Service Private Limited	14,512,442	7,219,024
Other government entities	404,037	146,990
	14,916,479	7,366,014

30 RELATED PARTY TRANSACTIONS (CONTINUED)

30.3 Payables to related parties

	31/12/2019 MVR	31/12/2018 MVR
State Trading Organization Plc	225,800,049	214,726,179
Other government entities	3,276,970	837,460
	229,077,019	215,563,639

30.4 Transactions with the Key Management Personnel

Board of Directors of the Company are the members of the key management personnel of the Company. The Company has paid MVR. 353,444/- as remuneration to the key management personnel during the year ended 31 December 2019 (2018:MVR 401,710/-)

30.5 Collectively, but not individually, significant transactions

The Government of Maldives is the major shareholder of the parent company. The Company has transactions with entities directly or indirectly controlled by the Government of Maldives through its authorities, agencies, affiliations and other organizations, collectively referred to as government entities. The Company has transactions with other government related entities including but not limited to sales, purchases, rendering of services, lease of assets and use of public utilities.

31 Going concern

The Company has incurred a loss of MVR 60,338,985/- during the year ended 31 December 2019 and accumulated losses of MVR 365,613,188/- as at 31 December 2019. Further, the Company's Current Liabilities excess its Current assets by MVR 353,910,948/- and total liabilities exceeded its total assets by MVR 67,613,188/- as at 31 December 2019. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. However, the shareholders of the Company have confirmed by the letter that they will continue to provide financial support to the Company to enable it to meet its obligations as they fall due.

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