s

Report No: FIN-2021-56(E)

02 November 2021

MALDIVES INTEGRATED TOURISM DEVELOPMENT CORPORATION LIMITED

FINANCIAL YEAR 2019

އޮޑިޓަރ ޖެނެރަލްގެ އޮފީސް

AUDITOR GENERAL'S OFFICE

Contents

AUDITOR GENERAL'S OFFICE

AUDITOR GENERAL'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF MALDIVES INTEGRATED TOURISM DEVELOPMENT CORPORATION

Opinion

We have audited the financial statements of Maldives Integrated Tourism Development Corporation (the "Company") which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information set out in pages 8 to 34.

In our opinion, except for the possible effects of the matters 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 20.2 to the financial statements, MVR 1,921,887 is recorded under Trade & Other Payables as Corporate Social Responsibility (CSR) Funds. These were funds collected on behalf of the Ministry of Tourism (MoT) as CSR from different projects in Tourism industry and deposited to the CSR fund account maintained at MITDC. For the reason these were state revenue, per section 5.10 of the Public Finance Regulation (PFR), it should have been deposited to Public Bank account. In years prior to the 2019, the fund in this account was disbursed by MITDC to different public institutions as per instructions from the Ministry of Tourism. Thus, maintaining and operating this fund was a non-compliance with the said provision of the PFR.

2. Company has spent MVR 1,998,017 in the financial year ended 31 December 2016 as Corporate Social Responsibility (CSR) expenses. For the audits of financial years prior to 31 December 2019, owing to lack of sufficient and appropriate evidence, we were unable to get assurance that it was in fact a company's CSR activity. However, during the audit of financial year ending 31 December 2019, upon its analysis and evaluation, management informs us that this expenditure is made outside the scope of CSR activities of the Company and shall be recovered. Based on the evidence that were provided to us, we suspect that these funds were spent on fabrication and renovation works of an office of a political party. However, this figure has not been included in Trade and Other Receivables figure of MVR 666,434 as at 31 December 2019. Therefore, accuracy and valuation and completeness of Trade Receivable as at 31 December 2019 is not truly and fairly stated.

3. We have observed that the development of L.Baresdhoo which was leased to the Company to undertake the integrated resort project in Laamu Atoll has been ceased since the project was assigned to the Company on 18 April 2018. As per IAS 36 "Impairment of Assets", the Company

shall assess as at the end of each reporting period whether there are any indicators that an asset may be impaired. Given that the project was ceased and no development work was carried out for a long period of time, these factors should have been considered as impairment indicators. Whilst, MVR 21,586,228 has been incurred as capital work-in-progress related to Laamu Baresdhoo Project as at 31 December 2019, no impairment has been provided in respect of this project. Therefore, we were unable to determine whether any adjustments and resulting effect to the financial statements of this impairment.

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' International Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion

Emphasis of Matter

1. We draw attention to Note 2.4 to the financial statements. The Company has incurred a loss of MVR 41,997,771/- for the year ended 31 December 2019 and accumulated losses of MVR 59,088,209/- as at 31 December 2019. Further, the Company's current liabilities exceed its current assets by MVR 89,874,869/- and total liabilities exceeded its total assets by MVR 45,463,434/- 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.

2. We draw attention to Note 17 to the financial statements. A contractor was awarded the project of construction of L. Baresdhoo – Integrated Tourism Island - on 24th April 2017 with an advance payment of MVR 15,034,500. As disclosed in the note, the contractor failed to carry out any work since. Thus, for the financial year ended 31 December 2019, the Company has made impairment of MVR 15,034,500/- against advance payment made to the contractor and is now in the process of filing the case against the contractor with the court for claiming back advance payment made.

   Also, we draw attention to Note 16 to the financial statements which states that Company has written off four tourism development projects with a total value of MVR 4,122,606/- that have been recognised as capital work-in progress as the Company does not possess legal right to ownership of the lands to carry out the projects.

   Our opinion is not modified in respect of these matters.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRS), 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 interim financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 m0anagement'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 interim 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.

02 November 2021

H. Niyazy

Hussain Niyazy
Auditor General

MALDIVES INTEGRATED TOURISM DEVELOPMENT CORPORATION LTD

FINANCIAL STATEMENT

FOR THE YEAR ENDING 31st DECEMBER 2019

mitdc

MALDIVES INTEGRATED TOURISM DEVELOPMENT CORPORATION LIMITED
STATEMENTS OF COMPREHENSIVE INCOME

For the year ending 31st December	Note	2019 MVR	RESTATED 2018 MVR
Revenue	6	30,000	19,811
Gross Profit		**30,000**	**19,811**
Administrative Expenses	7	(27,422,641)	(5,356,478)
Sales & Marketing Expenses	8	(63,537)	(1,707,006)
Operating Profit/ (Loss)		**(27,456,177)**	**(7,043,673)**
Financing Cost	9	(14,547,785)	-
Other Income	10	6,191	1,304,782
Net Profit/ (Loss) Before Tax		**(41,997,771)**	**(5,738,891)**
Tax Expense	11	-	-
Net Profit/ (Loss) After Tax		**(41,997,771)**	**(5,738,891)**
Earning Per Share (in Rufiyaa)		(25.20)	(5.22)

The Financial Statements are to be read in conjunction with the related notes which form an integral part of the Financial Statements of the Corporation set out on pages 8 to 31. The Report of the Independent Auditor is given on pages 1 to 3.

AUDITOR GENERAL'S OFFICE

mitdc
MALDIVES INTEGRATED TOURISM DEVELOPMENT CORPORATION

MALDIVES INTEGRATED TOURISM DEVELOPMENT CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31st December	Note	2019 MVR	RESTATED 2018 MVR
ASSETS			
Non- Current Assets			
Property, Plant & Equipment	12	536,031	1,050,994
Right-of-use Assets	13	1,723,153	-
Investment Property	14	132,742,049	21,586,228
Intangible Assets	15	14,787	47,379
Work- in Progress (WIP)	16	26,721,446	30,844,052
		161,737,465	**53,528,653**
Current Assets			
Trade & Other Receivables	17	666,434	15,618,089
Cash & Cash Equivalents	18	1,007,244	993,682
		1,673,678	**16,611,770**
TOTAL ASSETS		**163,411,143**	**70,140,423**
EQUITY & LIABILITIES			
Share Capital & Reserves			
Share Capital	19	16,666,530	11,000,000
Advance Received against Share Capital	19	(3,041,755)	(3,041,755)
Retained Earnings		(59,088,209)	(17,090,438)
		(45,463,434)	**(9,132,193)**
Non-Current Liabilities			
Lease Liability	22	117,326,030	-
		117,326,030	**-**
Current Liabilities			
Trade & Other Payables	20	63,843,547	63,852,616
Short Term Borrowings	21	15,420,000	15,420,000
Lease Liability	22	12,285,000	-
		91,548,547	**79,272,616**
TOTAL EQUITY AND LIABILITIES		**163,411,143**	**70,140,423**

The Financial Statements are to be read in conjunction with the related notes which form an integral part of the Financial Statements of the Corporation set out on pages 8 to 31. The Report of the Independent Auditor is given on pages 1 to 3.

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

Mohamed Raaidh
Managing Director

Mohamed Kinaanath
Chairperson

02nd November 2021

AUDITOR GENERAL'S OFFICE

MALDIVES INTEGRATED TOURISM DEVELOPMENT CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY

For the year ending 31st December	Note	2019 AS AT 31 DEC	RESTATED 2018 AS AT 31 DEC
Advance Share Capital			
Opening as at 01st January		(3,041,755)	49,386,245
Prior period Adjustment for 2018	24	-	(52,428,000)
Closing as at 31st December		(3,041,755)	(3,041,755)
Share Capital			
Opening as at 01st January		11,000,000	6,000,000
Share Issued during the period		5,666,530	5,000,000
Closing as at 31st December		16,666,530	11,000,000
Retained Earnings			
Opening as at 01st January		(17,090,438)	(12,893,547)
Prior period Adjustment for 2017	24	-	1,542,000
Profit/(Loss) for the period		(41,997,771)	(5,738,891)
Closing as at 31st December		(59,088,209)	(17,090,438)
TOTAL EQUITY		**(45,463,434)**	**(9,132,193)**

The Financial Statements are to be read in conjunction with the related notes which form an integral part of the Financial Statements of the Corporation set out on pages 8 to 31. The Report of the Independent Auditor is given on pages 1 to 3.

AUDITOR GENERAL'S OFFICE

MALDIVES INTEGRATED TOURISM DEVELOPMENT CORPORATION LIMITED
STATEMENT OF CASH FLOWS

For the year ending 31st December	Note	2019 MVR	RESTATED 2018 MVR
CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit/ (Loss)		(41,997,771)	(5,738,891)
Adjustment for			
Depreciation	7	2,851,526	308,138
Gain/ Loss on Disposal	7	337,396	-
Capital Work-in Progress Written off	7	4,122,606	-
Interest on Lease	9	14,294,212	-
Provision for Impairment for Advance Payments	7	15,034,500	-
Operating Profit/ (Loss) Before Working Capital Changes		**(5,357,532)**	**(5,430,753)**
Changes in Trade & Other Receivables		(82,845)	8,197,323
Changes in Trade & Other Payables		(9,069)	49,969,149
Changes in Short Term Borrowing		-	15,420,000
Cash Generated From / (Used In) Operating Activities		**(5,449,446)**	**68,155,719**
Lease Liabilities Paid	22	(120,000)	-
Net Cash From/ (Used in) Operating Activities		**(5,569,446)**	**68,155,719**
Cash Flows From Investing Activities			
Acquisition of Property, Plant & Equipment		(83,522)	(62,237)
Acquisition and Development of Investment Property		-	(861,641)
Investment in Work-in Progress		-	(26,801,737)
Net Cash Used in Investing Activities		**(83,522)**	**(27,725,615)**
Cash Flow From Financing Activities			
Advance Share Capital	24	-	(52,428,000)
Share Capital	19.1	5,666,530	5,000,000
Retained Earnings	24	-	1,542,000
Net Cash Flows From Financing Activities		**5,666,530**	**(45,886,000)**
Net Increase / (Decrease) in Cash and Cash Equivalents		**13,562**	**(5,455,895)**
Cash and Cash Equivalents at the Beginning of the period		993,682	6,449,578
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		**1,007,244**	**993,682**

The Financial Statements are to be read in conjunction with the related notes which form an integral part of the Financial Statements of the Corporation set out on pages 8 to 31. The Report of the Independent Auditor is given on pages 1 to 3.

AUDITOR GENERAL'S OFFICE

mitdc

MALDIVES INTERGRTED TOURISM DEVELOPMENT CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ending 31 December 2019

1. **Reporting Entity and Statutory Base**

Maldives Integrated Tourism Development Corporation LTD ("the Corporation") is a 100% state owned enterprise, incorporated and residing in the Republic of Maldives on 27th October 2016 bearing registration no. C-1043/2016.

Principal activities and nature of operations
The Corporation has been mandated with the development of integrated tourism in the Maldives.

Number of employees
The number of employees at the end of the reporting period was 16.

Authorization for issue
The financial statements of the Corporation for the year ended 31 December 2019 were authorized for issue on 02nd November 2021.

2. **Basis of Preparation**

2.1 Statement of Compliance
The financial statements of the Corporation are prepared in accordance with the International Financial Reporting Standards.

2.2 Basis of Measurement
The financial statements are prepared on the historical cost basis, unless and otherwise identified in a specific accounting policy.

2.3 Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Corporation's annual financial statements for the year ended 31st December 2018, except for the adoption of new standards effective as of 01st January 2019.

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

2.4 Going Concern
The Corporation has incurred a loss of MVR 41,997,771 during the year ended 31st December 2019 and accumulated losses of MVR 59,088,209 as at 31st December 2019. Further, the Corporation's current liabilities excess its current assets by MVR 89,874,869 and total liabilities exceeded its total assets by MVR 45,463,434 as at 31st December 2019. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Corporation's ability to continue as a going concern. However, the shareholders of the Corporation have confirmed by letter that they will continue to provide financial support to the Corporation to enable it to meet its obligations as they fall due.

The Directors have made an assessment of the Corporation's ability to continue as a going concern and they do not intend either to liquidate or to cease trading. Hence the financial statements have been prepared under the going concern basis.

For the year ending 31 December 2019

2.5 Functional & Presentation Currency

All balances presented in the Financial Statements are in Maldivian Rufiyaa (MVR) unless otherwise indicated. MVR is the currency of the country in which the Corporation is domiciled.

3 Significant Changes in Accounting Policies

The Corporation initially applied IFRS 16 Leases from 01st January 2019. A number of other standards are also effective from 01st January 2019, but they do not have any material effect on the Corporation's financial statements.

The Corporation applied IFRS 16 using the modified retrospective approach. Accordingly comparative information presented for 2018 is not restated. It is presented, as previously reported under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirement in IFRS 16 have not generally been applied to comparative information.

(a) As a lessee

As a lessee, the Corporation leases lands obtained from Government of Maldives. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease significantly transferred all the risks and rewards incidental to the ownership of underlying asset to the Corporation. Under IFRS 16, the Corporation recognizes net investment in sub lease and lease liabilities for the leases as required.

At commencement or on modification of a contract that contains a lease component, the Corporation allocates the consideration in the contract to each lease component based on its relative standalone price. However, for the leases of property the Corporation has selected not to separate non-lease components and account for the lease and associated non-lease components as single lease component.

(b) As a lessor

The Corporation has the right to sub lease right-of-use assets which are acquired under head lease arrangement. As at 31st December 2018, the Corporation has not entered in to any sublease arrangements. Therefore, no operating leases were recognized under IAS 17. On transition to IFRS 16, the Corporation was not required to recognize the net investment in sublease from sub-leases and measured at amortized cost.

(c) Impact on transition

On transition to IFRS 16, the Corporation recognized right of use assets under head lease arrangement and additional lease liabilities on head lease arrangement. On 01st January 2019, the Corporation only had one lease agreement (L. Baresdhoo Headlease Agreement) that falls under the initially applied IFRS 16 Leases. The impact of transition is summarized below.

Description	Impact as of 01st January 2019 (MVR)
Right of use Asset - *DEBIT*	71,153,674
Accumulated Depreciation for Right of use Asset - *CREDIT*	5,336,526
Lease Liability - *CREDIT*	111,342,034
Retained Earnings - *DEBIT*	45,524,885

The Corporation discounted the lease payments using its incremental borrowing rate at 01st January 2019. The weighted average discount rate is 12%. As at 31st December 2018, the Corporation was not paying out any Head Lease Rentals to the Government of Maldives under the Headlease Agreement of L. Baresdhoo, as the rent-free construction period ends on 29th March 2020. Therefore, no rent expenses were recognized in 2018, and the Corporation had no lease liability commitments as at 31st December 2018 under IAS 17 to be recognized.

Amounts recognized in Statement of Comprehensive Income in relation to leases under IFRS 16 in 2019 are give below. There was no recognition of expenses on Statement of Comprehensive Income in 2018 under IAS 17.

Description	2019 (MVR)	2018 (MVR)
Head lease Rental Expense	-	-
Interest Expense on Lease Liability	14,138,602	-
Depreciation of Right of use Asset	1,524,435	-

4 Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, by the Corporation.

4.1 Conversion of Foreign Currencies

The Corporation's financial statements are presented in MVR which is the Corporation's functional and presentation currency.

Transactions in foreign currencies are initially recorded by the Corporation at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the end of the reporting period. All differences are taken to the profit or loss as a financing cost.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

4.2 Materiality and Aggregation

In compliance with IAS 1 Presentation of Financial Statements, each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or functions are presented separately unless they are immaterial.

Financial assets and financial liabilities are off set and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously.

Income and expenses are not offset in the profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Corporation.

4.3 Current Versus Non-Current Classification

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

An asset as current when it is:

- Expected to be realized or intended to sell or consumed in 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 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 Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

4.4 Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, and other similar allowances.

4.5 Expenditure Recognition

Expenses are recognized in the Statements of Comprehensive Income on the basis of direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

Expenditure 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 expenditure.

4.6 Taxes

Income Tax

Income tax expense comprises current and deferred tax. It is recognized in Statements of Comprehensive Income except to the extent that it relates to a business combination, or items recognized directly in equity or in Other Comprehensive Income (OCI). The Corporation has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

(a) Current tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities and any adjustment to the tax payable or receivable in respect of previous years. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the end of the reporting period.

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

(b) Deferred tax

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference s will not reverse in the foreseeable future.

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

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

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Sales Tax

Revenue and expenses are recognized based on the net of the amount of sales tax. Receivable and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to the taxation authority is included as part of receivables of payables in the Statement of Financial Position.

4.7 Property, Plant and Equipment

(a) Recognition and Measurement

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

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 labour, 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 Statements of Comprehensive Income.

(b) Subsequent Costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in Statements of Comprehensive Income as incurred.

(c) 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 Statements of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

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

Buildings	25 years
Furniture & Fittings	10 years
Motor Vehicles	05 years
Plant & Equipment	10 years
Office Equipment	05 years
Other Assets	10 years

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

A full month's depreciation is provided in the first full calendar month after the date of ready to use while, full depreciation is provided in the month of disposal.

AUDITOR GENERAL'S OFFICE

mitdc
MALDIVES INTEGRATED TOURISM DEVELOPMENT CORPORATION

For the year ending 31 December 2019

(d) Capital Work in Progress

Assets under construction as at the year end represents the costs incurred or accrued for the assets which have not been commenced the usage as at the end of the fiscal year.

4.8 Leases

The Corporation has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 01st January 2019

(a) As a lessee

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration as per IFRS 16.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate. The Corporation determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease.

The lease payments included in the measurement of the lease liability comprise the following,

- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of net investment in sublease or retained earnings.

After the commencement date, a lessee shall measure the lease liability by:

(i) increasing the carrying amount to reflect interest on the lease liability;

(ii) reducing the carrying amount to reflect the lease payments made; and

(iii) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

After the commencement date, a lessee shall recognize interest cost in Statements of Comprehensive Income, unless the costs are included in the carrying amount of another asset applying other applicable

For the year ending 31 December 2019

Standards, both:

- interest on the lease liability; and
- variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

(b) As a lessor

On the date of initial application an intermediate lessor shall reassess subleases that were classified as operating leases applying IAS 17 and are ongoing at the date of initial application, to determine whether each sublease should be classified as an operating lease or a finance lease applying this Standard. The intermediate lessor shall perform this assessment at the date of initial application on the basis of the remaining contractual terms and conditions of the head lease and sublease at that date.

For subleases that were classified as operating leases applying IAS 17 but finance leases applying this Standard, account for the sublease as a new finance lease entered into at the date of initial application. Net investment in sub lease shall be measured by discounting total rentals to be received over future lease period as the net investment, using the discount rate applied for head lease. Net investment in sub lease is subsequently recognized at amortized cost using the effective interest rate method.

The lessor shall use the interest rate implicit in the lease to measure the net investment in the lease. In the case of a sublease, if the interest rate implicit in the sublease cannot be readily determined, an intermediate lessor may use the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease.

At the commencement date, the lease payments included in the measurement of the net investment in the lease comprise the following that are not received at the commencement date:

- fixed payments including in-substance fixed payments less any lease incentives payable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

If the sublease is for all of the remaining term of the corresponding head lease, the intermediate lessor no longer has the right to use the underlying asset. Accordingly, the intermediate lessor shall;

- Derecognize the right-of-use asset relating to the head lease that it transfers to sub lessee and recognizes the net investment in the sub-lease.
- Recognizes any difference between the carrying amounts of the right-of-use asset and the net investment in the sub-lease in retained earnings;
- Continues to recognize the lease liability relating to the head lease, which represents the lease payments owed to the head lessor.

A lessor shall recognize finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

A lessor aims to allocate finance income over the lease term on a systematic and rational basis. A lessor shall apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income.

Policy applicable before 01st January 2019

For contracts entered into before 01st January 2019, the Corporation determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met;
  - The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(a) As a lessee

In the comparative period, as a lessee the Corporation classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Corporations 's Statement of Financial Position. Payments made under operating leases were recognized in Statements of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

(b) As a lessor

When the Corporation acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Corporation made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Corporation considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

4.9 Impairment of Non-Financial Assets

The carrying amounts of the Corporation's assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the Statements of Comprehensive Income.

An asset's recoverable amount is the higher of an asset ' s or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates that reflects current market assessments of the time value of money and the risks specific to the assets.

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

Financial Assets
(a) Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through Other Comprehensive Income (OCI), and fair value through Statements of Comprehensive Income.
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Corporation's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Corporation has applied the practical expedient, the Corporation initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through Statements of Comprehensive Income, transaction costs. Trade receivables that do not contain a significant financing component or for which the Corporation 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 amortized 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 Corporation'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 recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

(b) Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

(c) Financial assets at amortized cost (debt instruments)
The Corporation measures financial assets at amortized 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 amortized cost are subsequently measured using the effective interest (EIR) method

AUDITOR GENERAL'S OFFICE

mitdc

and are subject to impairment. Gains and losses are recognized in Statements of Comprehensive Income when the asset is derecognized, modified or impaired.

The Corporation's financial assets at amortized cost includes trade receivables, included under other non-current financial assets.

(d) Financial assets at fair value through OCI (debt instruments)

The Corporation measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, 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.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the Statements of Comprehensive Income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to Statements of Comprehensive Income.

The Corporation does not have debt instruments which required to recognize at fair value through OCI.

(e) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Corporation can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by -instrument basis.

Gains and losses on these financial assets are never recycled to Statements of Comprehensive Income. Dividends are recognized as other income in the Statements of Comprehensive Income when the right of payment has been established, except when the Corporation benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Corporation does not have equity instruments which required to recognize at fair value through OCI.

(f) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognized in the Statements of Comprehensive Income.

The Corporation does not have financial assets which required to recognize at fair value through Statements of Comprehensive Income.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through Statements of Comprehensive Income.

(g) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Corporation's Statement of Financial Position) when;

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

When the Corporation 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 the risks and rewards of the asset, nor transferred control of the asset, the Corporation continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Corporation also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Corporation 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 Corporation could be required to repay.

(h) Impairment of financial assets

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

Financial Liabilities

(i) 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 recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The corporation's financial liabilities include trade and other payables.

(j) Subsequent measurement

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

(k) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in Statement of Comprehensive Income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized 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 amortization is included as finance costs in the Statement of Comprehensive Income. This category generally applies to interest-bearing loans and borrowings.

(l) De-recognition

Financial liability is de-recognized 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 recognized in the Statement of Comprehensive Income.

4.11 Trade and Other Receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due, according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the Statement of Comprehensive Income within selling and marketing costs. Trade receivables are carried at anticipated realizable value. A general provision is made for doubtful receivables based on a review of all outstanding amounts from customers at the year end. Bad debts are written off during the year in which they are identified.

4.12 Contract Assets

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

4.13 Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise of cash at banks and cash in hand, other short-term highly liquid investments with original maturities of three months or less. For the purpose of Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Cash Flow Statement is prepared in "indirect method".

4.14 Other Liabilities and Provisions

All known liabilities have been accounted for in preparing the Financial Statements. The materiality of the events occurring after the reporting period have been considered and appropriate adjustments and provisions have been made in the Financial Statements where necessary.

Liabilities classified as Current Liabilities in the statement of financial position are those which fall due for payment on demand or within one year from the end of the reporting period. Non-current Liabilities are those balances, which fall due for payment after one year from the end of reporting.

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

When the Corporation expects some or all, of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

4.15 Contract Liabilities

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

4.16 Defined Contribution Plans

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

4.17 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.

4.18 Events Occurring After the Reporting Date

The materiality of the events occurring after the reporting date has been considered and appropriate adjustments and provisions have been made in the Financial Statements wherever necessary.

4.19 Fair Value Measurement

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 in the principal or, in its absence, the most advantageous market to which the Corporation has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Corporation'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 Corporation 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 Corporation 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 an asset or a liability measured at fair value has a bid price and an ask price, then the Corporation 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 Corporation 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 than when the valuation is wholly supported by observable market data or the transaction is closed out.

5 Standards Issued but Not Still Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Corporation's Financial Statements are disclosed below. The Corporation intends to adopt these standards, if applicable, when they become effective.

The following amended standards and interpretations are not expected to have a significant Impact on the Corporation's Financial Statements.

- Amendments to References 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.

AUDITOR GENERAL'S OFFICE

mitdc

	For the year ending 31st December	2019	2018
6	**Revenue**	**MVR**	**MVR**
	Bid Income	-	19,811
	Other Revenue	30,000	-
		30,000	**19,811**

			RESTATED
		2019	**2018**
7	**Administrative Expenses**	**MVR**	**MVR**
	Bank Charges	4,990	142,757
	Bid Expenses	-	3,000
	Cleaning Expenses	48,838	49,330
	Depreciation & Amortisation Expenses	2,851,526	308,138
	Insurance Expenses	-	4,766
	Legal & Professional Fees	243,066	522,419
	License & Permits	18,459	84,283
	Meals and Entertainments	6,197	24,746
	Office Supplies	51,351	79,932
	Other Expenses	-	281
	Repair and Maintenance	144,118	380
	Director's Remunerations	766,932	1,051,250
	Payroll Expenses	2,546,267	2,617,469
	Pension	100,551	108,485
	Postage and Delivery	-	929
	Stationeries	22,788	47,437
	Staff Training Expenses	6,000	84,497
	Staff Ramadan allowance	48,000	49,900
	Staff welfare expenses	-	6,715
	Telephone Charges	32,518	115,707
	Travelling Expenses	204,783	15,279
	Internet Expenses	81,601	34,680
	Withholding Tax	-	3,997
	Fine Expenses	731,924	100
	Utilities	18,231	-
	Loss on Impairment	15,034,500	-
	Loss on Disposal	337,396	-
	Capital Work-in Progress Written Off	4,122,606	-
		27,422,641	**5,356,478**

		2019	2018
8	**Sales & Marketing Expenses**	**MVR**	**MVR**
	Accommodation	-	34,754
	Marketing Consultancy	75,000	204,200
	Promotional Expenses	-	148,334
	Sponsor	-	85,582
	Event Management Expense	-	117,960
	Fair Participation	(12,684)	860,116
	Travelling Expense	1,220	256,060
		63,537	**1,707,006**

AUDITOR GENERAL'S OFFICE

mitdc

	For the year ending 31st December	2019	2018
9	**Financing**	MVR	MVR
	Interest on Borrowings	253,573	-
	Interest on Lease	14,294,212	-
		14,547,785	-

		2019	2018
10	**Other Income**	MVR	MVR
	CRS Commission	-	1,304,532
	Discount Received	-	250
	Other Income	6,191	-
		6,191	**1,304,782**

		2019	2018
11			
11.1	**Business Profit Tax**	MVR	MVR
	Profit/ (Loss) Before Tax (Accounting Profit)	(41,997,771)	(5,738,891)
	Add: Disallowable Expenses	30,313,090	416,623
	Less: Allowable Expenses	(15,250,324)	(361,692)
	Taxable Profit/ (Loss) Before Threshold Allowance	(26,935,005)	(5,683,960)
	Less: Tax-free Threshold	(500,000)	(500,000)
	Taxable Profit	-	-
	Business Profit Tax on Taxable Profit at 15%	-	-

		2019	2018
11.2	**Accumulated Tax Loss**	MVR	MVR
	Taxable loss carried forward from the previous year	(18,531,592)	(12,847,632)
	Adjustment (Note: 24)	1,542,000	-
	Taxable loss for the period	(26,935,005)	(5,683,960)
	Accumulated tax loss at the end of the period	**(43,924,597)**	**(18,531,592)**

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

		2019	2018
11.3	**Deferred Tax on Temporary Differences**	MVR	MVR
	Deferred tax asset (Note 11.4)	4,040,251	854,680
	Deferred tax liability	-	-
	Deffered tax asset as at 31st December	**4,040,251**	**854,680**

		2019	2018
11.4	**Deferred tax assets /(liability) are attributed to the following**		
	Deferred Tax Asset	MVR	MVR
	Taxable Loss for the period	26,935,005	5,683,960
	Temporary difference from capital allowance	2,235	13,909
		26,937,240	5,697,869
	Business Profit Tax of 15%	4,040,251	854,680

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

AUDITOR GENERAL'S OFFICE

	For the year ending 31st December	2019	2018
12	**Property, Plant & Equipment**	**MVR**	**MVR**
	Cost		
	Office Equipment		
	Opening Balance	645,961	602,984
	Changes During the Period	(10,862)	42,977
	Closing Balance	635,099	645,961
	Office Interior		
	Opening Balance	574,729	574,729
	Changes During the Period	(574,729)	-
	Closing Balance	-	574,729
	Furniture and Equipment		
	Opening Balance	352,595	333,335
	Changes During the Period	(29,346)	19,260
	Closing Balance	323,249	352,595
	Total Cost	**958,347**	**1,573,285**
	Accumulated Depreciation		
	Office Equipment		
	Opening Balance	331,108	109,200
	Changes During the Period	10,585	126,143
	Closing Balance	341,693	235,343
	Office Interior		
	Opening Balance	218,876	103,930
	Changes During the Period	(218,876)	114,946
	Closing Balance	-	218,876
	Furniture and Equipment		
	Opening Balance	68,072	33,615
	Changes During the Period	12,551	34,457
	Closing Balance	80,624	68,072
	Total Accumulated Depreciation	**422,316**	**522,291**
	Net Book Value		
	Office Equipment	293,406	410,618
	Office Interior	-	355,854
	Furniture and Equipment	242,625	284,523
	Net Book Value of Property, Plant & Equipment	**536,031**	**1,050,994**

On 01st November 2019, the Corporation moved its Head Office from Velanage 5th floor to M. Dhoonifushi, asset capitalised for major renovations & interior work made to Velanage 5th floor, was written off, which had a Carrying Value of MVR 260,090.

Furnitures that were handed over by previous management to Ministry of Tourism and which are currently being used by the Ministry of Tourism has been removed from the books of MITDC which had a Carrying Value of MVR 45,312.

Additionally, assets that were damaged beyond economic repair was disposed off and assets that were unable to move from Velanage to the new Head Office, due to limited space were given in kind to Ministry of Tourism, which had total Carrying Value of MVR 31,994.

		2019	2018
13	**Right-of-use Asset**	MVR	MVR
	Cost		
	Opening Balance (as at 01 Jan)	-	-
	Adjustment due to initial application of IFRS 16	-	-
	Additions during the period	1,824,515	-
	Closing Balance	**1,824,515**	-
	Accumulated Depreciation		
	Opening Balance (as at 01 Jan)	-	-
	Adjustment due to initial application of IFRS 16	-	-
	Additions during the period	101,362	-
	Closing Balance	**101,362**	-
	Net Book Value of Right-of-use Asset	**1,723,153**	-

On 01st January 2019, IFRS 16 Lease was initially applied in the preparation of the Corporation's Financial Statements (Note 3).

On 01st November 2019, the Corporation moved its Head Office from Velanage 5th Floor to a privately owned office space. The office space lease agreement has been recognised as additions to Right-of-use Asset during the year.

		2019	2018
14	**Investment Properties**	MVR	MVR
14.1	**Right-of-use Asset: Baresdhoo**		
	Cost		
	Opening Balance (as at 01 Jan)	-	-
	Adjustment due to initial application of IFRS 16	113,612,303	-
	Additions during the period	-	-
	Closing Balance	**113,612,303**	-
	Accumulated Depreciation		
	Opening Balance (as at 01 Jan)	-	-
	Adjustment due to initial application of IFRS 16	-	-
	Additions during the period	2,456,482	-
	Closing Balance	**2,456,482**	-
	Net Book Value of Right-of-use Asset	**111,155,821**	-

On 01st January 2019, IFRS 16 Lease was initially applied in the preparation of the Corporations Financial Statements (Note 3). L. Baresdhoo headlease was recognised as a Right-of-use Asset on 01st January 2019.

		2019	2018
14.2	**Work-In Progress: Baresdhoo**		
	Opening Balance	21,586,228	20,724,587
	Changes During the Period	-	861,641
	Closing Balance	**21,586,228**	**21,586,228**
	Right-of-use Asset: Baresdhoo	111,155,821	-
	Work-In Progress: Baresdhoo	21,586,228	21,586,228
	Total of Investment Properties	**132,742,049**	**21,586,228**

		2019	2018
15	**Intangible Assets**	**MVR**	**MVR**
	Cost		
	Opening Balance	97,778	97,778
	Changes During the Period	-	-
	Closing Balance	97,778	97,778
	Amortisation		
	Opening Balance	50,398	17,806
	Changes During the Period	32,593	32,593
	Closing Balance	82,991	50,398
	Net Book Value of Intangible Assets	**14,787**	**47,379**

		2019	2018
16	**Work-In Progress**	**MVR**	**MVR**
	Project Palm		
	Opening Balance	3,613,006	3,613,006
	Changes During the Period	(3,613,006)	-
	Closing Balance	-	3,613,006
	Addu Integrated Tourism Project		
	Opening Balance	425,600	373,308
	Changes During the Period	(425,600)	52,292
	Closing Balance	-	425,600
	Kaashidhoo Project		
	Opening Balance	26,721,446	-
	Changes During the Period	-	26,721,446
	Closing Balance	26,721,446	26,721,446
	Fuvahmulah Project		
	Opening Balance	28,000	28,000
	Changes During the Period	(28,000)	-
	Closing Balance	-	28,000
	Kelaa Project		
	Opening Balance	56,000	28,000
	Changes During the Period	(56,000)	28,000
	Closing Balance	-	56,000
	Total Work-In Progress	**26,721,446**	**30,844,052**

The projects, namely; Project Palm, Addu Integrated Tourism Project, Fuvahmulah Project and Kelaa Project, for which MITDC incurred costs over in year 2017 and 2018, were recognised as Work-In Progress projects. However, as MITDC do not have any intellectual rights for these islands or plots, and since 2019 onwards no work has been carried out for the development of these projects nor any instructions or communications has been given by any government authority, that these properties will be handed over to MITDC for development. Furthermore, MITDC do not expect to gain any future economic benefits from these projects. Therefore, these projects has been written off from the books.

		2019	RESTATED 2018
17	**Trade & Other Receivables**	**MVR**	**MVR**
	Accounts Receivables	44,570	38,402
	Prepayment	-	24,672
	Other Receivable	60,000	6,091
	GST Refundable	561,864	514,424
	Advance payments to Suppliers	15,034,500	15,034,500
	Provision for Impairment for Advance Payments	(15,034,500)	-
		666,434	**15,618,089**

Advance payments made to suppliers include an advance payment settled to Jausa Construction Maldives Pvt Ltd amounting to MVR 15,034,500.00 for the construction works of L.Baresdhoo Project with reference to the agreement dated April 2017. Dispite the advance payment made to Juasa Construction Maldives Pvt Ltd, there has been no significant work carrried out. Therefore, the Corporation plans to terminate the contract, through court of law and the Corporation is in the process of preparing for the litigation process to claim the advance amount paid.

In 2019, an impairment allowance has been created for this advance payment to Jausa Construction Maldives Pvt Ltd.

		2019	2018
18	**Cash & Cash Equivalent**	**MVR**	**MVR**
	Cash at Bank	1,007,170	988,942
	Cash in Hand	74	4,740
		1,007,244	**993,682**

		2019	2018
19			
19.1	**Share Capital**	**MVR**	**MVR**
	Opening Balance (as at 01 Jan)	11,000,000	6,000,000
	Additions during the period	5,666,530	5,000,000
		16,666,530	**11,000,000**

The Authorized Share Capital of the Corporation is MVR 1,000,000,000 divided into 100,000,000 Ordinary Shares with a par value of MVR 10 per share. The Corporation has issued 500,000 Ordinary Shares at par for the year ending 31st December 2018 and 566,653 for the year ending 31st December 2019.

		2019	RESTATED 2018
19.2	**Advance Received Against the Share Capital**	**MVR**	**MVR**
	Value of assets Transferred	32,434,133	32,434,133
	Value of Liabilities Transferred	(35,475,888)	(35,475,888)
	Net Value of assets Transferred	**(3,041,755)**	**(3,041,755)**

The Government of Maldives has transferred all the assets and liabilities attached to Baresdhoo project from MMPRC to MITDC as of 24th November 2016. The total value, net of assets and liabilities transferred to MITDC is recognised as an Advance Received Against the Share Capital. Refer Note 24 for the details of restatement.

AUDITOR GENERAL'S OFFICE

mitdc
MALDIVES INTEGRATED TOURISM DEVELOPMENT CORPORATION
C1043/2016

		2019	RESTATED 2018
20			
20.1	**Trade & Other Payables**	**MVR**	**MVR**
	Trade Payables	14,056,754	14,175,616
	Accrued Expenses	21,236	61,210
	Advance Rent - Baresdhoo Rent Model	4,972,836	8,899,701
	Advance Deposit - Baresdhoo LAC Model	26,985,000	28,527,000
	Refund Payable	13,920,310	9,402,345
	Accrued Interest	1,965,524	980,027
	CSR Funds	1,921,887	1,806,717
		63,843,547	**63,852,616**

		2019	2018
20.2	**CSR Funds**	**MVR**	**MVR**
	Opening Balance	1,806,717	1,900,101
	Additions during the period	-	15,673,521
	Disbursements During the Period	-	(14,462,372)
	Adjustments	115,170	-
	10% Commission Charges	-	(1,304,532)
	Closing Balance	1,921,887	1,806,717

CSR Funds are funds provided by Ministry of Tourism, that needs to be disbursed as per their instructions. MITDC board decided to charge 10% commission for all the funds that were remitted to MITDC from June 2018 onwards as administration charges.

		2019	2018
21	**Short Term Borrowing**	**MVR**	**MVR**
	Loan from Government	15,420,000	15,420,000
		15,420,000	**15,420,000**

A Loan agreement was signed between MITDC and Ministry of Finance on 26th April 2018 for a short term borrowing of MVR 15,420,000 at an interest rate of 8% (Per annum) for integrated tourism development project on the island of Kaashidhoo in Male', Atoll. The loan shall be repaid in 1 (One) year time from the date of disbursement. Late fines associated with this loan is recognised as Fine Expenses under Administrative Expense in Note 07.

		2019	2018
22	**Lease Liability**	**MVR**	**MVR**
	Opening Balance (as at 01 Jan)	-	-
	Adjustment due to initial application of IFRS 16	113,612,303	-
	Additions during the period	1,824,515	-
	Interest charge for the period	14,294,212	-
	Payment made during the period	(120,000)	-
	Closing Balance	**129,611,030**	-
	Current Lease Liability	12,285,000	-
	Non-Current Lease Liability	117,326,030	-
	Total Lease Liability	**129,611,030**	-

On 01st January 2019, IFRS 16 Lease was initially applied in the preparation of the Corporations Financial Statements (Note 3).

23 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:

	2019 MVR	2018 MVR
Bank of Maldives		
Services Obtained for the period	3,694	31,963
Outstanding at the end of the period	-	-
Dhiraagu		
Services Obtained for the period	94,146	147,523
Outstanding at the end of the period	13,382	-
Island Aviation Services Limited		
Services Obtained for the period	42,344	89,777
Outstanding at the end of the period	38,191	34,251
Maldives Airports Company Limited		
Services Obtained for the period	-	7,708
Outstanding at the end of the period	-	88,670
Male' Water and Sewerage Company Limited		
Services Obtained for the period	643	-
Outstanding at the end of the period	-	-
Maldives Ports Limited		
Services Obtained for the period	-	73,682
Outstanding at the end of the period	73,682	73,682
State Electric Company		
Services Obtained for the period	7,414	14,855
Outstanding at the end of the period	14,855	14,855
State Trading Organisation		
Services Obtained for the period	-	5,875
Outstanding at the end of the period	-	-
Waste Management Corporation		
Services Obtained for the period	2,408	1,400
Outstanding at the end of the period	-	252

24 Prior Year Adjustments

Maldives Marketing and Public Relation Corporation Ltd (MMPRC) was the lessee (Leasehold Owner) of the L. Baresdhoo Island, pursuant to the agreement signed between MMPRC and the Government of Maldives represented by Ministry of Tourism on 30th March 2015 to lease the island of Baresdhoo in Laamu atoll to undertake the development of an integrated resort.

As per the letter from Ministry of Finance to MITDC dated 29th October 2017, Ministry of Finance approved the transfer of all assets and labilities of Baresdhoo Project from MMPRC to MITDC as per the agreed values MVR 50,244,233 and MVR 3,941,988 for assets and liabilities respectively. Which resulted in a Net Asset of MVR 49,386,245. As per instructions of Ministry of Finance this amount was recognised as equity, that the state has provided. This amount is disclosed as Advance Share Capital.

During 2017 and 2018's audit it was brought to attention that the valuation of assets and liabilities were incorrectly recognised, where assets were overstated and liabilities were understated.

After reviewing the assets and liabilities of Baresdhoo project, the Net Asset value has be revised on 2019, and restated in 2018.

Following are the entries passed, to correct the Net Asset value;

	Debit	Credit
LAC Receivables (Asset) - Incorrect recognition write off		10,845,600
Advance Received Against the Share Capital	10,845,600	
Advance Deposit - Baresdhoo LAC Model (Liability) -Recognition		41,942,400
Advance Received Against the Share Capital	41,942,400	
Retained Earnings - 2017 Refund Expense Recognition Reversal		1,542,000
Administrative Expenses - 2018 Refund Expense Recognition Reversal		11,873,400
Advance Deposit - Baresdhoo LAC Model (Liability) -Adjustme	13,415,400	

Advance Share Capital prior to adjustment	**49,386,245**
Advance Share Capital - Revised	**(3,401,755)**
Advance Deposit - Baresdhoo LAC Model (Liability)	**28,527,000**

Ghaazee Building, Ameeru Ahmed Magu
Male', Republic of Maldives
Tel: +960 332 3939
Email: info@audit.gov.mv
www.audit.gov.mv