Report No: FIN-2026-18(E)

10 May 2026

Regional Airports Company Limited

Financial Year 2023

AUDITOR GENERAL'S OFFICE

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AUDITOR GENERAL'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF REGIONAL AIRPORTS COMPANY LIMITED

Adverse Opinion

We have audited the financial statements of Regional Airports Company Limited (the "Company"), which comprise the statement of financial position as at December 31, 2023, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information set out in pages 5 to 44.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying financial statements do not give a true and fair view of the financial position of the Company as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) Accounting Standards, as issued by International Accounting Standards Board.

Basis for Adverse Opinion

1. As explained in Note 6.4, during the year ended December 31, 2023, the Company has completed the asset verification and recognised assets transferred from Regional Airports amounting to MVR 262,909,574, which should have been recorded in the period in which they were originally acquired on March 16, 2021. The Company has not restated its prior years' financial statements which is a departure from IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. Had the Company accounted for this restatement, the depreciation expense recognised in the statement of comprehensive income for the current and prior periods would have been materially affected. Consequently, the opening balances of the property, plant and equipment, advance for share capital and retained earnings are materially misstated in the financial statements.

2. As detailed in Note 2.4 and 6.4 to the financial statements, the Company has recorded the value of assets transferred from Regional Airports and corresponding advance for share capital relating to the Government of Maldives as per the asset-transfer agreement. As per the asset-transfer agreement the advance for share capital should be determined on a net asset basis.

We draw attention to note 12 relating to trade payables, in which we noted a significant discrepancy of MVR 14,741,469 between the balance confirmations and trade payable balances in the financial statements. Management could not explain this discrepancy. In absence of any alternative procedures, we were unable to gain assurance over completeness and accuracy of this figure.

Further we were unable to confirm the completeness and accuracy of advance for share capital of MVR 263,038,674 disclosed in Note 11. Had the Company accounted for these transactions in the books of accounts, many elements in the accompanying financial statements would have been materially affected.

3. As disclosed in Note 30, during the financial year 2024 the Government of Maldives resolved to merge the Company with Maldives Airports Company Limited ("MACL"). A merger and liquidation agreement ("agreement") was signed between the Company, MACL and the Ministry of Finance and Planning on May 28, 2025. Thus, at the time of finalisation these financial statements the company is not said to be a going concern. Thus, the financial statements should have been prepared and presented on liquidation basis.

4. We were unable to obtain the minutes of meetings of the Board of Directors held during the year 2022, 2023, and subsequent to the reporting date. Accordingly, we were unable to obtain sufficient appropriate audit evidence regarding the completeness of disclosures relating to subsequent events and capital commitments as required by the IFRS Accounting Standard as issued by International Accounting Standards Board.

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

Key Audit Matters

Except for the matter described in the Basis for Adverse Opinion section, we have determined that there are no key audit matters to communicate in our report.

Responsibilities of the 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 IFRS Accounting Standards as issued by International Accounting Standards Board and Law of Jurisdiction of Republic of Maldives, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

10th May 2026

Hussain Niyazy
Auditor General

REGIONAL AIRPORTS COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
as of 31st December 2023
All amounts are stated in Maldivian Rufiyaa

	Note	31-Dec-23 MVR	31-Dec-22 MVR
ASSETS			
Non-Current Assets			
Property, plant and equipment	6	323,856,528	28,457,511
Right of use assets	7	16,165,434	10,839,203
		340,021,962	**39,296,714**
Current Assets			
Trade and other receivables	8	30,189,898	33,652,898
Cash and cash equivalents	9	35,536,383	59,247,443
		65,726,281	**92,900,341**
TOTAL ASSETS		**405,748,243**	**132,197,055**
EQUITY AND LIABILITIES			
Equity and Reserves			
Share capital	10	351,092,240	237,370,090
Advance for share capital	11	263,038,674	-
Accumulated losses		(241,881,895)	(131,168,682)
		372,249,019	**106,201,408**
Non-Current Liabilities			
Lease liability	12	13,329,743	8,068,488
		13,329,743	**8,068,488**
Current Liabilities			
Lease liability	12	3,986,578	3,306,293
Trade and other payables	13	16,182,903	14,620,866
		20,169,481	**17,927,159**
TOTAL EQUITY AND LIABILITIES		**405,748,243**	**132,197,055**

We draw your attention to accounting policies and notes on page 9 through 44, which are an integral part of the financial statements. The report of the independent auditors is set out on pages 1 to 4.
These financial statements were approved by the Board of Directors and signed on its behalf by:

For and on behalf of the Board of Directors:

Name	Signature
1. Ahmed Shafeez, Acting Managing Director	------------------------------------
2. Hussain Riyaz, Director	------------------------------------
3. Husam Mohamed, Chief Finance Officer	------------------------------------

April 9, 2026

REGIONAL AIRPORTS COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31st December 2023
All amounts are stated in Maldivian Rufiyaa

	Note	31-Dec-23 MVR	31-Dec-22 MVR
Revenue	14	24,071,584	20,777,748
Other income	15	9,595,586	9,535,266
Operating expenses	16	(62,156,452)	(45,547,934)
Employee benefit expenses	17	(79,738,899)	(68,121,982)
Impairment loss on trade and other receivables	18	(456,815)	(2,986,509)
Operating loss		**(108,684,996)**	**(86,343,411)**
Finance cost	19	(2,028,217)	(1,201,309)
Loss before tax		**(110,713,213)**	**(87,544,720)**
Income tax	20	-	-
Loss after tax for the year		**(110,713,213)**	**(87,544,720)**
Loss per share	22	(3)	(4)

We draw your attention to accounting policies and notes on page 9 through 44, which are an integral part of the financial statements. The report of the independent auditors is set out on pages 1 to 4.

REGIONAL AIRPORTS COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
as of 31st December 2023
All amounts are stated in Maldivian Rufiyaa

	Share Capital MVR	Advance for Share capital MVR	Accumulated Losses MVR	Total Equity MVR
Balance as at 1st January 2022	98,512,510	-	(43,623,962)	54,888,548
Transactions with Owners of the Company				
Shares issued during the period	139,028,480	-	-	139,028,480
Call in arrears	(170,900)	-	-	(170,900)
Net loss for the year	-	-	(87,544,720)	(87,544,720)
Balance as at 31st December 2022	**237,370,090**	**-**	**(131,168,682)**	**106,201,408**
Balance as at 1st January 2023	237,370,090		(131,168,682)	106,201,408
Transactions with Owners of the Company				
Shares issued during the period	113,551,250	129,100	-	113,680,350
Call in arrears settled	170,900	-	-	170,900
Asset recognition from valuation on airport assets	-	262,909,574	-	262,909,574
Net loss for the year	-	-	(110,713,213)	(110,713,213)
Balance as at 31st December 2023	**351,092,240**	**263,038,674**	**(241,881,895)**	**372,249,019**

We draw your attention to accounting policies and notes on page 9 through 44, which are an integral part of the financial statements. The report of the independent auditors is set out on pages 1 to 4.

REGIONAL AIRPORTS COMPANY LIMITED
STATEMENT OF CASH FLOWS
for the year ended 31st December 2023
All amounts are stated in Maldivian Rufiyaa

	Note	31-Dec-23 MVR	31-Dec-22 MVR
Cash flows from operating activities			
Operating loss before working capital changes	23	**(91,682,752)**	**(79,885,744)**
Decrease / (Increase) in trade and other receivables		3,006,185	(28,608,809)
Increase in trade and other payables		1,562,037	8,963,100
Net cash used in operating activities		**(87,114,530)**	**(99,531,453)**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(44,917,161)	(22,863,262)
Changes in work in progress		(24,602)	(1,306,300)
Net cash used in investing activities		**(44,941,763)**	**(24,169,562)**
Cash flows from financing activities			
Share capital		113,851,250	138,857,580
Cash payment for the principal portion of lease liabilities		(3,477,800)	(2,164,464)
Cash payments for the interest portion of lease liabilities		(2,028,217)	(1,201,309)
Net cash flows from financing activities		**108,345,233**	**135,491,807**
Net decrease in cash and cash equivalents		**(23,711,060)**	**11,790,792**
Cash and cash equivalents at the beginning of the year		59,247,443	47,456,651
Cash and cash equivalents at the end of the year		**35,536,383**	**59,247,443**

We draw your attention to accounting policies and notes on page 9 through 44, which are an integral part of the financial statements. The report of the independent auditors is set out on pages 1 to 4.

1. Reporting Entity and Statutory Base

Regional Airports Company Limited (RACL) is a limited liability Company incorporated on January 11, 2021, as a limited liability Company under the Companies Act No. 7/2023 and domiciled in the Republic of Maldives. RACL is fully owned by the Government of Maldives.

Principal activities and nature of operations

The principal activities of the Company are maintaining and operating airports and all related activities.

Authorization for issue of financial statements

The financial statements of the Company for the year ended December 31, 2023, were authorized for issue on January 20, 2026.

2. Basis of Preparation

2.1 Statement of Compliance

The financial statements of the Company are prepared in accordance with the International Financial Reporting Standards (IFRS).

2.2 Basis of Preparation

The individual financial statements of the Company have been prepared based on the historical costs basis except for certain financial assets and financial liabilities that have been measured at fair value.

2.3 Functional and Presentation Currency

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

2.4 Asset transfer agreement

The Company signed an Asset Transfer Agreement with Regional Airports and Ministry of Finance to transfer all assets, on as is where is basis, along with all rights and liabilities to RACL. As per the agreement, RACL has agreed to consider aggregate net asset value transferred to RACL as share capital which has been fully paid up by the Government of Maldives and subsequently issue share certificates against the share capital paid, within 7 (seven) days form the date of completion of asset valuation. As of December 31, 2023:

- The entity has completed the asset verification and valuation and has recognized the value of assets transferred from Regional Airports in the financial statements amounting to MVR 262,909,574.
- The entity has not recognised liabilities transferred from Regional Airports in the financial statements.
- The entity has recognized advance for share capital for assets transferred from Regional Airports amounting to MVR 262,909,574. However, as liabilities are not yet recognized, capital contribution recognized as of the date of the financial statements is not equivalent to the net asset value to be transferred from Regional Airports. The entity is required to recognize the net asset value as share capital contribution from Government of Maldives as required in the sub-clause 5.1 of the share transfer agreement.

2.5 Going Concern

The Company incurred a net loss of MVR 110,713,213 during the period ended December 31, 2023. The Company has accumulated losses of MVR 241,881,895 as of December 31, 2023. This indicates that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as going concern.

2. Basis of Preparation (Continued…)

2.5 Going Concern (Continued…)

Subsequent to the reporting date, as disclosed in Note 30, the Government of Maldives has announced its decision to merge Maldives Airports Company Limited (MACL) with Regional Airports Company Limited (RACL), followed by a merger and liquidation agreement between the parties and Ministry of Finance and Planning.

3. Significant accounting judgements, estimates and assumptions

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. All necessary contractual terms, including those with related parties, have been disclosed, except for those that are statutorily restricted from disclosure.

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.

3.1 Critical accounting estimates, assumptions and judgements

In the preparation of these financial statements, a number of estimates and assumptions have been made relating to the performance and the financial position of the Company. Results may differ significantly from those estimates under different assumptions and conditions. These policies require subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are uncertain. Information about and areas of estimation, uncertainty and critical estimates, assumptions and judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are addressed in the respective notes as below.

- **Estimated useful lives of Property Plant and Equipment (PPE)**

The Company reviews annually the estimated useful lives of PPE recognised under cost model based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of PPE would increase the recorded depreciation charge and decrease the carrying value in accordance with the accounting policy stated in note 5.6.

- **Recognition of deferred income tax assets**

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. This involves judgment regarding future financial performance of the Company in which the deferred income tax asset has to be recognised in accordance with the accounting policy stated in note 5.15.2. During the year ended December 31, 2023, deferred income 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.

- **Impairment of trade receivables and due from related parties**

The Company makes an estimate of the recoverable value of trade receivables. When assessing impairment, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The Company applies the simplified approach for IFRS 9 when measuring expected credit losses.

3. Significant accounting judgements, estimates and assumptions (Continued…)

3.1 Critical accounting estimates, assumptions and judgements (Continued…)

- **Impairment of trade receivables and due from related parties (Continued…)**

Therefore, the Company does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. See note 8 for the net carrying amount of the receivables.

- **Estimations in relation to lease accounting**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

As the Company cannot readily determine the interest rate implicit in the lease, it uses its Incremental Borrowing Rate ('IBR') to measure the lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the Right-of-Use asset in a similar economic environment. The Company uses an Internal Rate of Return (IRR) of 12% as its Incremental Borrowing Rate (IBR) for measuring lease liabilities.

- **Estimation of fair value of property, plant and equipment**

The Company measures non-financial assets such as buildings and infrastructure classified under property, plant and equipment at fair value with sufficient regularity to ensure that carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. External valuers are involved for valuation of significant assets, such as buildings, infrastructure and land. Accounting policy for fair value measurement is detailed in Note 5.3. Fair-value related disclosures for assets that were initially recognised at cost are summarized under Note 6.4. The initial recognition of these assets were derived from a valuation because there is no historical purchase cost available.

- **Contingent liabilities**

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities or litigation is based on management's judgement.

4. Standards, Interpretations and amendments to existing standards

4.1 New Standards, amendments, and Interpretations effective from January 1, 2023.

A number of other new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Company's financial statements.

Standard / Interpretation	Description	Effective for annual years beginning on or after
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
IAS 8	Definition of Accounting Estimates	January 1, 2023
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
IFRS 3	Reference to the Conceptual Framework	January 1, 2023

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

- IFRS 17 – Insurance Contracts (Amendments to IFRS 17)

The following amendment to IFRS have been applied by the Company in preparation of these financial statements which became effective on May 23, 2023:

- International Tax Reform Pillar Two Model Rules – Amendments to IAS 12

4.2 New Standards, amendments and revised IFRS issued but not yet effective

Standard / Interpretation	Description	Effective for annual years beginning on or after
IAS 1	Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current	January 1, 2024
IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
IAS 21	Lack of Exchangeability	January 1, 2025
IAS 7 and IFRS 7	Supplier Finance Arrangements	January 1, 2024
IFRS S1 and S2	General Requirements for Disclosure of Sustainability-related Financial Information and Climate-related Disclosures	January 1, 2024

5. Material accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, by the Company.

5.1 Statement of compliance

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

5.2 Current versus non-current classification

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

An asset is current when it is:

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

A liability is current when:

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

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

5.3 Fair value measurement

The Company measures non-financial assets such as Buildings and Infrastructure classified under property, plant and equipment at fair value with sufficient regularity to ensure that carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

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

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

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

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

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

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

5. Material accounting policies (Continued…)

5.3 Fair value measurement (Continued…)

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

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

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

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

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

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

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

Fair-value related disclosures for assets that were initially recognized at cost are summarized under Note 6.4. The initial recognition of these assets were derived from a valuation because there is no historical purchase cost available.

5.4 Revenue from contracts with customers

To recognise revenue the Company applies the following five steps:

Identify the Contract with a Customer

The Company enters into legally enforceable arrangements with airlines and other airport users under which it is entitled to revenue from the sale of goods and the provision of airport-related services. These arrangements outline the terms and conditions applicable to the sale of goods and the rendering of services, including the determination of applicable charge rates and the responsibilities of each party.

Identify the Performance Obligations in the Contract

The performance obligations relate to the sale of goods and the provision of airport operational services. For the sale of goods, the performance obligation is satisfied when the goods are handed over to customers. For airport services including ground handling charges, landing fees, parking fees, departure control system charges, cargo handling services etc., the performance obligation is satisfied at the point in time when the services are consumed by the customer. Each good sold and each service rendered represents a distinct performance obligation.

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

- Landing charges: On the basis of the particular aircraft type, when the aircraft lands on the runway.
- Aircraft parking charges: Over the duration of time the aircraft is parked and maximum take-off weight.

5. Material accounting policies (Continued…)

5.4 Revenue from contracts with customers (Continued…)

- Ground handling: On the basis of the particular aircraft type or basis of maximum take-off weight, when the service is consumed.
- Departure control system charges: On the basis of the particular aircraft type, when the service is performed and consumed by customer.

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

- Cargo income: On the basis of volume handled.
- Utility charges: On the basis of volume consumed by the customer. All the revenues are billed on a monthly basis.
- Sales of product income: On the basis of inventories purchased and sold to customers.

Determine the Transaction Price

The transaction price is determined based on the charge rates and prices stipulated in the Company's published rate circulars or contractual agreements, with reference to the specific good or service provided. These rates specify the consideration to which the Company is entitled for sales of goods and the use of airport facilities and services.

Allocate the Transaction Price to the Performance Obligations in the Contract

Each contract involves distinct performance obligations that are separately priced. Accordingly, the transaction price corresponds directly to the good sold or the service rendered, and no further allocation is required beyond applying the relevant tariff or contractual rate to each transaction.

Recognize Revenue when (or as) the Entity Satisfies a Performance Obligation

Revenue is recognized at the point in time when the respective performance obligation is satisfied. For the sale of goods, revenue is recognized when control of the goods passes to the customer. For airport services, revenue is recognized when the services are performed and consumed by the customer. This ensures that revenue is recorded in the period in which the goods are delivered, or the services are rendered.

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

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

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

5. Material accounting policies (Continued…)

5.5 Foreign currency translation

5.5.1 Functional and presentation currency

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

5.5.2 Transactions and balances

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

5.6 Property, plant and equipment

5.6.1 Recognition and measurement

During 2023, property, plant and equipment of the Company have been recognized at initial cost based on valuation by an external independent valuer as required by the Asset Transfer Agreement signed along with the transfer of the Airports to the Company from the Government.

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 profit or loss.

5.6.2 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.

5.6.3 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.

5. Material accounting policies (Continued…)

5.6 Property, plant and equipment (Continued…)

5.6.3 Depreciation (Continued…)

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

Buildings	Over 50 years
Furniture and fixtures	Over 10 years
Infrastructure	Over 25 years
Machinery and equipment	Over 10 years
Vehicles and vessels	Over 20 years
Office and IT equipment	Over 5 years
Leasehold improvements	Shorter of useful life and remaining lease period

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.

5.6.4 Capital work-in-progress

Capital work- in- progress is stated at cost and includes all development expenditure and other direct costs attributable to such projects including borrowing costs capitalized. Capital work in progress is not depreciated until its completion of construction, and the asset is put into use upon which the cost of completed construction works is transferred to the appropriate category of property, plant, and equipment.

5.7 Intangible assets

5.7.1 Computer software

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

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

5.8 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

5. Material accounting policies (Continued…)

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation reserve.

5.9 Financial Instruments - Initial recognition and subsequent measurement

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

5.9.1 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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

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

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets of the Company are classified into the following:

Financial assets at amortised cost

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

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

And

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

5. Material accounting policies (Continued…)

5.9 Financial Instruments - Initial recognition and subsequent measurement (Continued…)

5.9.1 Financial assets (Continued…)

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

The Company's financial assets at amortised cost includes investment on treasury bills, investment on fixed deposits, trade and other receivables.

De-recognition

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

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

Impairment of financial assets

The Company applies a simplified approach in calculating ECLs for trade receivables and due from related parties. Therefore, the Company does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

5.9.2 Financial liabilities

Initial recognition and measurement

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

5. Material accounting policies (Continued…)

5.9 Financial Instruments - Initial recognition and subsequent measurement (Continued…)

5.9.2 Financial liabilities (Continued…)

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

Subsequent measurement

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

Loans and borrowings

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

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

De-recognition

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

5.10 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within a year and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

5.11 Trade and other payables

These amounts represent liabilities for goods and services provided to the Company and the Company prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortised cost using the effective interest method.

5.12 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which

5.13 Other liabilities and provision

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

5. Material accounting policies (Continued…)

5.13 Other liabilities and provision (Continued…)

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 after one year from the end of the reporting period.

Provisions are recognized when the Company has a present obligation (legal or Constructive) as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, 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 of any reimbursement.

5.14 Leases

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

Regional Airports Company as a lessee

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

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

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

5.14.1 Right-of-use assets

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

Buildings on lease 3 - 7 years

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

5.14.2 Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that

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5. Material accounting policies (Continued…)

5.14 Leases (Continued…)

5.14.2 Lease liabilities (Continued…)

depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

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

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

5.15 Taxation

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

5.15.1 Current tax

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

5.15.2 Deferred tax

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

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

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

5. Material accounting policies (Continued…)

5.15 Taxation (Continued…)

5.15.3 Current and deferred tax for the year

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

5.16 Employee benefits

5.16.1 Short-term obligations

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

5.16.2 Defined contribution plan

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

5.17 Share Capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

6 Property, Plant and Equipment

6.1 Cost

	Balance As at 1-Jan-23 MVR	Additions / Adjustments MVR	Disposals / Transfer MVR	Balance As at 31-Dec-23 MVR
Buildings	2,065,300	251,570,934	-	253,636,234
Furniture and fixtures	2,329,860	6,455,348	-	8,785,208
Infrastructure	-	50,500	-	50,500
Machinery and equipment	16,670,934	33,347,023	-	50,017,957
Vehicles and vessels	-	13,499,500	-	13,499,500
Office and IT equipment	3,208,155	1,712,147	-	4,920,302
Leasehold improvements	2,207,282	1,191,283	-	3,398,565
Capital work in progress (Note 6.2)	1,975,980	24,602	-	2,000,582
	28,457,511	**307,851,337**	**-**	**336,308,848**

6.2 Capital Work in Progress

	Balance As at 1-Jan-23 MVR	Additions MVR	Disposals MVR	Balance As at 31-Dec-23 MVR
Work in progress - Fire ground	1,335,104	-	-	1,335,104
Work in progress - Kulhudhufushi Lighting	-	-		-
Work in progress - Others	51,782	-	-	51,782
Work in progress - CIP Lounge HAQ	225,694	-	-	225,694
Work in progress - FVM EMS project	278,208	24,602	-	302,810
Work in progress - HUT - RUL	24,730	-	-	24,730
Work in progress - RUL EMS project	60,462	-	-	60,462
	1,975,980	**24,602**	**-**	**2,000,582**

6.3 Depreciation

	Balance As at 1-Jan-23 MVR	Charge for the year MVR	Disposals MVR	Balance As at 31-Dec-23 MVR
Buildings	-	4,678,425	-	4,678,425
Furniture and fixtures	-	803,530	-	803,530
Infrastructure	-	2,020	-	2,020
Machinery and equipment	-	4,533,559	-	4,533,559
Vehicles and vessels	-	674,975	-	674,975
Office and IT equipment	-	888,283	-	888,283
Leasehold improvements	-	871,528	-	871,528
	-	**12,452,320**	**-**	**12,452,320**
Net Book Value	**28,457,511**			**323,856,528**

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6 Property, Plant and Equipment (Continued...)

6.4 The Company's property, plant and equipment was valued on December 31, 2022, by the independent professional valuer, Moore Consulting Private Limited, Havelock Central, Havelock Road, Colombo, Sri Lanka based on the depreciated replacement cost of the properties. The firm is a member firm of the Moore Global network, providing services such as property and asset valuation, business valuation, financial reporting advisory and IFRS consultancy.

The valuation of assets amounting to MVR 262,909,574 was incorporated in these financial statements as the initial recognition of assets transferred from Regional Airports to the Company under asset transfer agreement between the Company, Regional Airports and the Government of Maldives.

6.4.1 Fair value technique, inputs and relationship with fair value

Property	Revaluation Technique	Effective date	Fair Value measurement using Significant unobservable inputs (Level 3)	Sensitivity
Buildings and Infrastructure	Depreciated Replacement Cost	December 31, 2022	Rate per square metre of Building	Estimated fair value would increase / decrease if rate per sq. feet increase / decrease
Furniture And Fixtures	Depreciated Replacement Cost	December 31, 2022	Market replacement or reproduction costs adjusted for wear and tear	Estimated fair value would increase / decrease if replacement cost per unit increases / decreases.
Infrastructure	Depreciated Replacement Cost	December 31, 2022	Market replacement or reproduction costs adjusted for wear and tear	Estimated fair value would increase / decrease if cost per linear meter or square meter of infrastructure increases / decreases.
Machinery And Equipment	Depreciated Replacement Cost	December 31, 2022	Market replacement or reproduction costs adjusted for wear and tear	Estimated fair value would increase / decrease if replacement cost per machine or unit increases / decreases.

6 Property, Plant and Equipment (Continued...)

6.4.1 Fair value technique, inputs and relationship with fair value (Continued…)

Office And IT Equipment	Depreciated Replacement Cost	December 31, 2022	Market replacement or reproduction costs adjusted for wear and tear	Estimated fair value would increase / decrease if replacement cost per item increases / decreases.
Vehicles and Vessels	Depreciated Replacement Cost	December 31, 2022	Market replacement or reproduction costs adjusted for wear and tear	Estimated fair value would increase / decrease if market replacement cost per vehicle or vessel increases / decreases.

6.4.2 During the year, the Company recognized previously unrecorded property, plant and equipment at their initial cost as of December 31, 2022. Historical cost information is not available; therefore, the Company has not disclosed the carrying amount that would have been recognised had the assets been carried under the cost model

6.4.3 The land on which the Company's airports' facilities are located were also valued on December 31, 2022, with a combined value of MVR 1,755,105,922. However, the asset has not been recognized in the financial statements as the transfer of land titles to the Company is still pending.

6.4.4 Summary description of depreciation valuation methodology

Depreciated Replacement Cost (DRC)
Depreciated replacement cost method uses the current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

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6 Property, Plant and Equipment (Continued...)

6.5 Cost	Balance As at 1-Jan-22 MVR	Additions MVR	Disposals MVR	Balance As at 31-Dec-22 MVR
Buildings	-	2,065,300	-	2,065,300
Furniture and fixtures	486,916	1,842,944	-	2,329,860
Machinery and equipment	1,673,778	14,997,156	-	16,670,934
Office and IT equipment	689,604	2,518,551	-	3,208,155
Crockery, cutlery, linen and fabrics	2,689	376	3,065	-
Leasehold improvements	768,347	1,438,935	-	2,207,282
Capital work in progress (Note 6.6)	2,018,761	1,306,300	1,349,081	1,975,980
	5,640,095	**24,169,562**	**1,352,146**	**28,457,511**

6.6 Capital Work in Progress	Balance As at 1-Jan-22 MVR	Additions MVR	Disposals MVR	Balance As at 31-Dec-22 MVR
Work in progress - Fire ground	617,898	717,206	-	1,335,104
Work in progress - Kulhudhufushi Lighting	1,349,081	-	1,349,081	-
Work in progress - Others	51,782	-	-	51,782
Work in progress - CIP Lounge HAQ	-	225,694	-	225,694
Work in progress - FVM EMS project	-	278,208	-	278,208
Work in progress - HUT - RUL	-	24,730	-	24,730
Work in progress - RUL EMS project	-	60,462	-	60,462
	2,018,761	**1,306,300**	**1,349,081**	**1,975,980**

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6 Property, Plant and Equipment (Continued...)

6.7 Depreciation

	Balance As at 1-Jan-22 MVR	Charge for the year MVR	Disposals MVR	Balance As at 31-Dec-22 MVR
Furniture and fixtures	-	-	-	-
Machinery and equipment	-	-	-	-
Office and IT equipment	-	-	-	-
Crockery, cutlery, linen and fabrics	-	-	-	-
Leasehold improvements	-	-	-	-
	-	**-**	**-**	**-**
Net Book Value	**5,640,095**			**28,457,511**

7 Right of Use Assets

7.1 Cost

	Balance As at 1-Jan-23 MVR	Additions / Modifications MVR	Disposals MVR	Balance As at 31-Dec-23 MVR
H. Suez office premises	12,216,177	9,419,340	-	21,635,517
Warehouse	2,397,345	-	-	2,397,345
	14,613,522	**9,419,340**	**-**	**24,032,862**

7.2 Amortisation

	Balance As at 1-Jan-23 MVR	Charge for the year MVR	Disposals MVR	Balance As at 31-Dec-23 MVR
H. Suez office premises	3,405,259	3,292,829	-	6,698,088
Warehouse	369,060	800,280	-	1,169,340
	3,774,319	**4,093,109**	**-**	**7,867,428**
Net Book Value	**10,839,203**			**16,165,434**

7.3 Cost

	Balance As at 1-Jan-22 MVR	Additions / Modifications MVR	Disposals MVR	Balance As at 31-Dec-22 MVR
H. Suez office premises	9,931,842	2,391,067	106,732	12,216,177
Warehouse	-	2,397,345	-	2,397,345
	9,931,842	**4,788,412**	**106,732**	**14,613,522**

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7 Right of Use Assets (Continued...)

7.4 Amortisation

	Balance As at 1-Jan-22 MVR	Charge for the year MVR	Disposals MVR	Balance As at 31-Dec-22 MVR
H. Suez office premises	1,655,307	1,749,952	-	3,405,259
Warehouse	-	369,060	-	369,060
	1,655,307	**2,119,012**	**-**	**3,774,319**
Net Book Value	**8,276,535**			**10,839,203**

The Company have the following lease contracts as of December 31, 2023.

Lease	Agreement Date	Lease Start Date	Lease End Date	Lease Period
H. Suez office premises	01-Mar-21	01-Mar-21	29-Feb-28	7 Years
Warehouse	16-Jul-22	16-Jul-22	15-Jul-25	3 Years

			31-Dec-23 MVR	31-Dec-22 MVR
8	**Trade and Other Receivables**			
	Accounts receivable		22,251,506	22,303,064
	Less: Provision for impairment of trade receivables	*Note 8.1, 8.2*	(3,443,324)	(2,986,509)
			18,808,182	19,316,555
	Advance payments with suppliers		7,085,722	12,456,408
	GST receivable		1,310,521	869,395
	Refundable deposits		1,012,500	675,000
	Prepaid expenses		1,972,973	335,540
	Total		**30,189,898**	**33,652,898**
8.1	**Provision for Impairment of Accounts Receivables**			
	Opening balance		2,983,984	-
	Recognised during the year		456,861	2,983,984
	As at 31st December		**3,440,845**	**2,983,984**
8.2	**Provision for Impairment of Other Government receivables**			
	Opening balance		2,525	-
	(Reversed) / Recognised during the year		(46)	2,525
	As at 31st December		**2,479**	**2,525**
	Total impairment		**3,443,324**	**2,986,509**
9	**Cash and Cash Equivalents**			
	Cash at bank		35,501,857	59,201,041
	Cash in hand		34,526	46,402
	Total		**35,536,383**	**59,247,443**

10 Share Capital

10.1 Authorized Share Capital

Authorized Share Capital comprises of 200,000,000 (2022: 200,000,000) ordinary shares of MVR 10 per share (2022: 10

		31-Dec-23 MVR	**31-Dec-22 MVR**

10.2 Issued Share Capital

The Company has issued 11,355,125 (2022: 13,902,848) ordinary shares of MVR 10 (2022: MVR 10) each. Issued and fully paid share capital comprises of 35,109,224 (2021: 23,737,009) ordinary shares.

		31-Dec-23 MVR	**31-Dec-22 MVR**
Opening balance		237,370,090	98,512,510
Shares issued during the period		113,551,250	139,028,480
Call in arrears settled		170,900	-
Call in arrears		-	(170,900)
Total		**351,092,240**	**237,370,090**

10.3 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. The Company has not declared any dividend for the year ended December 31, 2023 (2022: Nil).

11 Advance for Share Capital

Share additions		129,100	-
Asset valuation additions	*Note 6.4*	262,909,574	-
Closing balance		**263,038,674**	**-**

12 Lease liabilities

Non-Current			
H. Suez	*Note 12.1*	12,830,000	6,724,585
Warehouse	*Note 12.2*	499,743	1,343,903
		13,329,743	**8,068,488**
Current			
H. Suez	*Note 12.1*	3,142,418	2,563,391
Warehouse	*Note 12.2*	844,160	742,902
		3,986,578	**3,306,293**
Total		**17,316,321**	**11,374,781**

12.1 The Company has obtained lease for an office space, with a lease term of seven years commencing from March 1, 2021. During the year ended December 31, 2022, an addendum was made to the agreement which increased the monthly rent, and the lease liability and right of use asset accordingly. Further, an additional addendum was made to the agreement during 2023 to include an additional floor, and to increase the lease term from five to seven years, which increased the lease liability and right of use asset value accordingly.

12.2 The Company has obtained lease for a warehouse, with a lease term of three years commencing from July 16, 2022.

12.3 Breakdown of Lease

As at 1st January	11,374,781	8,857,565
Lease liabilities recognised during the year	-	2,397,345
Lease modifications during the year	9,419,339	2,284,335
Interest expense for the year	2,028,217	1,201,309
Repayment during the year	(5,506,016)	(3,365,773)
As at 31st December	**17,316,321**	**11,374,781**

12 Lease liabilities (Continued...)

12.4 Maturity Analysis of Undiscounted Future Lease Payments are as follows;

	31-Dec-23 MVR	31-Dec-22 MVR
Less than one year	5,850,000	4,493,516
Between one and five years	16,003,710	9,148,710
More than five years	-	-
Total	**21,853,710**	**13,642,226**

13 Trade and Other Payables

	31-Dec-23 MVR	31-Dec-22 MVR
Trade payables	14,182,282	11,353,494
Advance payments received from customers	28,436	216,971
Accrued expenses	1,690,341	3,016,966
Other payables	281,844	33,435
Total	**16,182,903**	**14,620,866**

14 Revenue

Revenue from contracts with customers recognised at a point in time:

Aero Revenue		31-Dec-23 MVR	31-Dec-22 MVR
Hanimaadhoo International Airport		6,649,348	9,226,462
Kaadehdhoo Airport	*Note 14.1*	-	1,637,945
Fuvahmulah Airport		4,388,518	3,951,406
Kulhudhuhfushi Airport		4,765,522	1,550,813
Funadhoo Airport		990,890	671,758
Maavarulu Airport		1,276,867	1,860,963
Hoarafushi Airport		5,394,974	1,878,401
Faresmaathoda Airport	*Note 14.2*	605,465	-
Total		**24,071,584**	**20,777,748**

The performance obligation associated with the provision of services is fulfilled at the point when the customer utilizes the services. Accordingly, revenue is recognized based on the timing when the services are consumed by the customer.

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

14.1 Handover of Kaadehdhoo Airport by the Company to Villa

Pursuant to Ministry of Transport and Civil Aviation letter No. 472/PRIV/2021/42 dated July 11, 2021, and in accordance with the Supreme Court verdict No. 2019/SC-A/85 dated May 10, 2021, the handover of G.Dh. Kaadehdhoo Airport to Villa Air Private Limited was completed by the end of February 2022.

14.2 Handover of Faresmaathoda Airport to the Company

Pursuant to Ministry of Finance letter No. 12-M/PRIV/2022/1036 dated December 21, 2022, the Company entered into an agreement with the Government of Maldives for the management and operation of G.Dh. Faresmaathoda Airport, with effective handover on August 24, 2022. The agreement grants the Company the right to operate the airport for a term of 50 years, with provisions for extension upon mutual agreement. Revenue from Faresmaathoda Airport has been recognised from March 2023 onwards. The premises, as further defined, is a facility developed by the Ministry of Finance (MOF) to be used and operated as a regional airport facility within the boundary of the island G.DH. Faresmaathoda.

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			31-Dec-23 MVR	31-Dec-22 MVR
15	**Other Income**			
	Non-aero revenue		8,954,670	7,994,848
	Others		640,916	1,426,519
	Sponsors		-	113,899
	Total		**9,595,586**	**9,535,266**

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

			31-Dec-23 MVR	31-Dec-22 MVR
16	**Operating expenses**			
	Insurance premium		16,255	38,564
	Professional and consulting fees		2,178,838	3,196,989
	Rental, lease and license payments		95,984	214,887
	Repairs and maintenance		3,232,649	4,320,430
	Directors' remuneration		568,230	633,120
	Sales and marketing expenses		2,536,752	1,672,028
	Other expenses	*Note 16.1*	53,527,744	35,471,916
	Total		**62,156,452**	**45,547,934**
16.1	**Other expenses**			
	Right of use asset amortisation		4,093,109	2,119,012
	Depreciation expense		12,452,320	-
	Bank charges		90,831	523,830
	Fuel		3,290,086	3,887,146
	Other operational costs		2,242,884	3,314,281
	Utilities		9,850,511	7,540,086
	Meals and entertainment		1,606,489	1,280,433
	Office expenses		1,364,064	1,196,039
	Transportation and carriage charges		1,308,153	966,124
	Travel expenses		5,774,552	3,856,130
	Materials and supplies		1,482,635	7,772,960
	Printing and stationaries		236,768	284,859
	Medical consumables		103,193	232,934
	IT expenses		210,697	334,322
	Sponsorship expenses		2,102,586	586,926
	Low value assets expensed		-	3,065
	Fines and penalties		2,250	-
	EWT expense		1,711	-
	Events and celebrations		6,349,583	1,473,465
	Miscellaneous expenses		965,322	100,304
	Total		**53,527,744**	**35,471,916**
17	**Employee benefit expenses**			
	Basic salary		46,705,957	38,564,473
	Other allowances		28,204,860	24,662,227
	Pension contribution		3,239,691	2,558,084
	Staff insurance, training, uniforms and accommodation		1,588,391	2,337,198
	Total		**79,738,899**	**68,121,982**
18	**Impairment loss on accounts receivable**			
	Impairment loss on accounts receivable		456,861	2,983,984
	Impairment (reversal) / loss on other government receivables		(46)	2,525
	Total		**456,815**	**2,986,509**

		31-Dec-23 MVR	31-Dec-22 MVR
19	**Finance Cost**		
	Interest on lease liabilities	2,028,217	1,201,309
	Total	**2,028,217**	**1,201,309**
20	**Taxation**		
	Income Tax Expense		
	Current year tax loss	17,445,165	12,642,129
	Increase in deferred tax asset from impairment	68,522	447,976
	Recognition of deferred tax liability from non-current assets	(940,153)	-
	Total	**16,573,534**	**13,090,105**

In accordance with the provisions of the Income Tax Act No. 25/2019, the Income Tax Regulation No. 2020/R-21, and subsequent amendments thereto, the company is liable to income tax at the rate of 15% on its taxable profits. However, no income tax provision has been recognized in these financial statements as the company did not generate any taxable profit for the year ended 31 December 2023.

20.1	**Reconciliation Between Accounting Loss and Taxable Loss**		
	Loss before tax	(110,713,213)	(87,544,720)
	Aggregate disallowable items	24,872,598	9,220,509
	Aggregate allowable items	(30,460,488)	(5,956,648)
	Total tax losses	**(116,301,103)**	**(84,280,859)**
	Tax loss @ 15%	**(17,445,165)**	**(12,642,129)**
20.2	**Accumulated Tax Losses**		
	Opening balance	(126,697,090)	(42,416,231)
	Tax loss for the year	(116,301,103)	(84,280,859)
	Closing Balance	**(242,998,193)**	**(126,697,090)**
20.3	**Unrecognised Deferred Tax Assets**		
	Deferred tax assets	(36,449,729)	(19,004,563)
	Deferred tax liabilities	(940,153)	-
	Total	**(37,389,882)**	**(19,004,563)**
21	**Deferred Tax Asset**		
	Tax losses brought forward	(126,697,090)	(42,416,231)
	Current year tax loss	(116,301,103)	(84,280,859)
	Tax losses carried forward	**(242,998,193)**	**(126,697,090)**
	Impairment loss on trade and other receivables	(3,443,324)	(2,986,509)
	Total temporary difference	**(246,441,517)**	**(129,683,599)**
	Deferred tax asset brought forward	(19,452,540)	(6,362,435)
	Increase in deferred tax asset	(17,513,686)	(13,090,105)
	Deferred tax asset carried forward	**(36,966,226)**	**(19,452,540)**
	Total deferred tax asset	**(36,966,226)**	**(19,452,540)**

The deferred tax assets arising from temporary differences have not been recognized, as management is not certain that the company will generate sufficient taxable profits in the foreseeable future against which these deductible temporary differences can be utilized.

		31-Dec-23 MVR	31-Dec-22 MVR
22	**Deferred Tax Liability**		
	Property, plant and equipment	6,267,684	-
	Total temporary difference	**6,267,684**	**-**
	Recognition of deferred tax liability	940,153	-
	Deferred tax liability carried forward	**940,153**	**-**

Deferred tax liabilities arising from taxable temporary differences on non-current assets have not been recognized, as management does not expect these temporary differences to reverse in the foreseeable future.

22 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:

	31-Dec-23 MVR	31-Dec-22 MVR
Loss for the year	(110,713,213)	(87,544,720)
Weighted average number of ordinary shares	35,122,134	23,737,009
Loss per share	**(3)**	**(4)**

23 Operating Loss before Working Capital Changes

	31-Dec-23 MVR	31-Dec-22 MVR
Net loss	(110,713,213)	(87,544,720)
Depreciation and amortisation	16,545,429	2,119,012
Low value assets expensed	-	3,065
Impairment loss on accounts receivable	456,815	2,986,509
Finance cost	2,028,217	1,201,309
Work in progress written off	-	1,349,081
Total	**(91,682,752)**	**(79,885,744)**

24 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:

24.1 *Due from related parties*

Name	**Nature of relationship**	31-Dec-23 MVR	31-Dec-22 MVR
Dhivehi Raajjeyge Gulhun Plc	***Entity under common control***		
Opening balance		81,697	26,442
Services provided		348,264	563,280
Payments collected / settlements		(425,746)	(508,025)
Closing balance		**4,215**	**81,697**
Name	**Nature of relationship**		
Island Aviation Services Limited	***Entity under common control***		
Opening balance		15,859,890	5,902,098
Services provided		23,153,337	21,903,006
Payments collected / settlements		(23,874,243)	(11,945,214)
Closing balance		**15,138,984**	**15,859,890**
Name	**Nature of relationship**		
State Trading Organisation Plc	***Entity under common control***		
Opening balance		5,000	87,100
Services provided		-	25,000
Payments collected / settlements		-	(107,100)
Closing balance		**5,000**	**5,000**

24 Related Party Transactions (Continued...)

24.2 *Due to related parties*

		31-Dec-23 MVR	31-Dec-22 MVR
Name	**Nature of relationship**		
Allied Insurance Company of the Maldives Private Limited	***Entity under common control***		
Opening balance		-	-
Services obtained		16,255	38,564
Payments collected / settlements		(16,255)	(38,564)
Closing balance		-	-
Name	**Nature of relationship**		
Dhivehi Raajjeyge Gulhun Plc	***Entity under common control***		
Opening balance		-	161,187
Services obtained		431,488	612,141
Payments collected / settlements		(432,087)	(773,328)
Closing balance		**(600)**	-
Name	**Nature of relationship**		
Island Aviation Services Limited	***Entity under common control***		
Opening balance		3,607,494	1,223,361
Services obtained		1,992,422	2,386,133
Payments collected / settlements		-	(2,000)
Closing balance		**5,599,915**	**3,607,494**
Name	**Nature of relationship**		
Male' Water and Sewerage Company Limited	***Entity under common control***		
Opening balance		1,793	14,491
Services obtained		217,599	186,398
Payments collected / settlements		(202,701)	(199,096)
Closing balance		**16,691**	**1,793**
Name	**Nature of relationship**		
Fenaka Corporation Limited	***Entity under common control***		
Opening balance		410,221	251,070
Services obtained		7,470,052	4,520,973
Payments collected / settlements		(6,777,566)	(4,361,822)
Closing balance		**1,102,706**	**410,221**
Name	**Nature of relationship**		
State Electric Company Limited	***Entity under common control***		
Opening balance		52	14,480
Services obtained		287,589	187,054
Payments collected / settlements		(287,640)	(201,482)
Closing balance		-	**52**
Name	**Nature of relationship**		
State Trading Organisation Plc	***Entity under common control***		
Opening balance		119,734	128,403
Services obtained		514,248	1,036,271
Payments collected / settlements		(576,044)	(1,044,940)
Closing balance		**57,938**	**119,734**

		31-Dec-23 MVR	31-Dec-22 MVR

24 Related Party Transactions (Continued…)

24.2 *Due to related parties (Continued…)*

Name	**Nature of relationship**	31-Dec-23 MVR	31-Dec-22 MVR
Fuel Supplies Maldives Private Limited	***Entity under common control***		
Opening balance		-	314,454
Services obtained		-	305,750
Payments collected / settlements		-	(620,204)
Closing balance		**-**	**-**

Name	**Nature of relationship**	31-Dec-23 MVR	31-Dec-22 MVR
Waste Management Corporation Limited	***Entity under common control***		
Opening balance		334	371
Services obtained		465	1,410
Payments collected / settlements		(799)	(1,447)
Closing balance		**-**	**334**

Name	**Nature of relationship**	31-Dec-23 MVR	31-Dec-22 MVR
Maldives Airports Company Limited	***Entity under common control***		
Opening balance		-	-
Services obtained		1,299,479	-
Payments collected / settlements		-	-
Closing balance		**1,299,479**	**-**

Name	**Nature of relationship**	31-Dec-23 MVR	31-Dec-22 MVR
Maldives Transport and Contracting Company Plc	***Entity under common control***		
Opening balance		314,781	14,094
Services obtained		490,979	490,979
Payments collected / settlements		(190,292)	(190,292)
Closing balance		**615,468**	**314,781**

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 1,075,494 as remuneration to the key management personnel during the year ended December 31, 2023. (2022: MVR 1,167,270)

Collectively, but not individually, significant transactions

The Government of Maldives is the major shareholder of the 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.

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25 Commitments

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

26 Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital on the basis of the gearing ratio. Net debt is calculated as total borrowings, trade and other payables and amounts due to related parties as shown in the statement of financial position less cash and cash equivalents. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

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

	31-Dec-23 MVR	31-Dec-22 MVR
Lease liability	17,316,321	11,374,781
Trade and other payables and due to related parties	16,182,903	14,620,866
Less: Cash and cash equivalents	(35,536,383)	(59,247,443)
Net debt	**(2,037,159)**	**(33,251,796)**
Total equity	372,249,019	106,201,408
Total capital	**370,211,860**	**72,949,612**
Gearing	**-1%**	**-46%**

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	31-Dec-23	31-Dec-22
	MVR	MVR

27 Financial Instruments and risk management

(i) 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, the Company's management of capital. Further, quantitative disclosures are included throughout the Company's financial statements.

Risk Management Framework

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

27.1 Credit Risk Management

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from 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-Dec-23	31-Dec-22
	MVR	MVR
Accounts receivables	22,251,506	22,303,064
Cash at bank	35,501,857	59,201,041
Total	**57,753,363**	**81,504,105**

Credit risk arises from cash and cash equivalents, as well as exposures credit exposures to ordinary customers, including outstanding receivables.

Most of the aero customers of the Company mainly includes government related SOEs. The Company's non-aero related revenues are also mostly contributed by government related SOEs, and other government entities. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The compliance with credit limits by customers is regularly monitored by the management.

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27 Financial Instruments and risk management (Continued...)

27.1 Credit Risk Management (Continued…)

Expected credit loss (ECL) assessment under IFRS 9

The Company applies the IFRS 9 simplified approach of measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the past experience on recovery and default.

Measurement of ECL

They key inputs into the measurement of ECL are the term structure of the following variables:

Probability of default (PD)
Loss given default (LGD)
Exposure at default (EAD)

ECL based on simplified approach is calculated by multiplying the lifetime PD by LGD and EAD.

Probability of default (PD)

PD represents the likelihood of a counterparty defaulting on its obligations within a specified period. The PD estimation process involves a combination of historical data analysis, internal credit risk assessments, and external market data.

Loss given default (LGD)

LGD represents the proportion of the exposure that is not expected to be recovered in the event of a counterparty default. The LGD estimation process combines historical data analysis, recovery rate assessments, and internal credit risk evaluations.

Exposure at default (EAD)

EAD represents the estimated value of the exposure to a counterparty at the time of default. The EAD estimation process involves a combination of internal credit risk assessments, portfolio analysis, and external market data.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before December 31, 2023, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted by a loss allowance matrix developed by the Company considering the macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has selected GDP of the region / country of the customer and/or jet fuel price to be most relevant factors. Accordingly developed a loss allowance matrix based on expected changes in the GDP of the region / country and / or jet fuel price and applied to the historical loss rates.

On that basis, the loss allowance of the Company as at December 31, 2023, was determined as follows for trade receivables that were subjected to expected credit loss calculation.

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27 Financial Instruments and risk management (Continued...)

27.1 Credit Risk Management (Continued…)

Aero - Scheduled Airlines

December 31, 2023	Weighted average loss rate	Gross carrying amount MVR	Loss allowance MVR	Credit impaired
Not past due	0.0%	351,508	58	No
Past due 1-90 days	0.0%	1,269,649	368	No
Past due 91-180 days	0.1%	958,148	1,056	No
Past due 181-270 days	0.0%	-	-	No
Past due more than 270 days	20.1%	18,988	3,820	No
Total		**2,598,293**	**5,302**	

Non-Aero

December 31, 2023	Weighted average loss rate	Gross carrying amount MVR	Loss allowance MVR	Credit impaired
Not past due	4.4%	87,992	3,858	No
Past due 1-90 days	4.7%	344,240	16,329	No
Past due 91-180 days	11.8%	206,866	24,484	No
Past due 181-270 days	51.0%	30,562	15,588	No
Past due more than 270 days	83.8%	918,802	769,680	No
Total		**1,588,462**	**829,939**	

Related Parties-Aero

December 31, 2023	Weighted average loss rate	Gross carrying amount MVR	Loss allowance MVR	Credit impaired
Not past due	3.4%	2,112,453	72,533	No
Past due 1-90 days	3.4%	6,009,421	206,338	No
Past due 91-180 days	6.9%	4,070,585	278,906	No
Past due 181-270 days	20.7%	2,411,495	498,152	No
Past due more than 270 days	61.4%	535,029	328,725	No
Total		**15,138,984**	**1,384,654**	

Related Parties-Others

December 31, 2023	Weighted average loss rate	Gross carrying amount MVR	Loss allowance MVR	Credit impaired
Not past due	3.6%	4,323	157	No
Past due 1-90 days	4.7%	540	25	No
Past due 91-180 days	9.7%	1,664,577	161,696	No
Past due 181-270 days	55.3%	54	30	No
Past due more than 270 days	73.8%	1,435,406	1,059,043	No
Total		**3,104,900**	**1,220,950**	

27 Financial Instruments and risk management (Continued...)

27.1 Credit Risk Management (Continued…)

Aero - Scheduled Airlines

December 31, 2022	Weighted average loss rate	Gross carrying amount MVR	Loss allowance MVR	Credit impaired
Not past due	0%	289,648	-	No
Past due 1-30 days	0%	283,558	-	No
Past due 31-60 days	0%	258,702	-	No
Past due 61-90 days	0%	-	-	No
Past due more than 90 days	0%	217,249	-	No
Total		**1,049,159**	**-**	

Non-Aero

December 31, 2022	Weighted average loss rate	Gross carrying amount MVR	Loss allowance MVR	Credit impaired
Not past due	15%	69,449	10,369	No
Past due 1-30 days	18%	2,804,672	496,835	No
Past due 31-60 days	30%	47,377	13,981	No
Past due 61-90 days	52%	32,970	17,136	No
Past due more than 90 days	93%	882,592	819,320	No
Total		**3,837,060**	**1,357,640**	

Related Parties-Aero

December 31, 2022	Weighted average loss rate	Gross carrying amount MVR	Loss allowance MVR	Credit impaired
Not past due	6%	1,746,843	99,481	No
Past due 1-30 days	6%	1,596,786	97,569	No
Past due 31-60 days	7%	1,701,598	121,976	No
Past due 61-90 days	10%	1,590,678	156,629	No
Past due more than 90 days	12%	9,223,986	1,098,246	No
Total		**15,859,890**	**1,573,900**	

Related Parties-Others

December 31, 2022	Weighted average loss rate	Gross carrying amount MVR	Loss allowance MVR	Credit impaired
Not past due	0.8%	4,897	41	No
Past due 1-30 days	1.2%	5,000	58	No
Past due 31-60 days	1.7%	7,806	136	No
Past due 61-90 days	2.7%	8,753	233	No
Past due more than 90 days	3.5%	1,491,965	51,976	No
Total		**1,518,421**	**52,444**	

27 Financial Instruments and risk management (Continued...)

27.1 Credit Risk Management (Continued…)

Receivables from Government Ministries and Departments

Receivables from Government Ministries and Departments consists of portion of other receivables from related parties. The Company assesses the credit quality of its receivables Government Ministries and Departments taking into account their financial position, past experience and other factors. The Company is dealing with Government Ministries and Departments and has not experienced historical credit losses during the past years. Therefore, expected credit loss allowance for receivables Government Ministries and Departments were determined by considering the loss of time value of money. The Company management calculated the expected credit losses on these assets by discounting the future cash flows using the Company's weighted average cost of capital.

On that basis, the Company's the loss allowance for receivables from Government Ministries and Departments as at December 31, 2023 and December 31, 2022 were as follows:

	31-Dec-23 MVR	31-Dec-22 MVR
Gross Carrying Amount	37,840	38,534
Loss allowance	2,479	2,525

27.2 Liquidity Risk Management

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.

December 31, 2023	**Carrying Amount MVR**	**0-12 Months MVR**	**1-2 Years MVR**	**2-5 Years MVR**
Financial Liabilities				
Lease liabilities	17,316,321	3,986,578	4,040,698	9,289,045
Trade and other payables	16,182,903	16,182,903	-	-
Total	**33,499,224**	**20,169,481**	**4,040,698**	**9,289,045**

December 31, 2022	**Carrying Amount MVR**	**0-12 Months MVR**	**1-2 Years MVR**	**2-5 Years MVR**
Financial Liabilities				
Lease liabilities	11,374,781	3,306,293	3,732,652	4,335,836
Trade and other payables	14,620,866	14,620,866	-	-
Total	**25,995,647**	**17,927,159**	**3,732,652**	**4,335,836**

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

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27 Financial Instruments and risk management (Continued...)

27.3 Market Risk Management

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 Management

Interest rate risk refers to the risk that changes in interest rates could impact the Company's financial performance. The Company is not exposed to interest rate risk because the Company does not have variable rate interest bearing borrowings.

(b) Currency Risk

Exposure to currency risk

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

	31-Dec-23 USD	31-Dec-22 USD
Cash and cash equivalents	430,216	351,631
Total	**430,216**	**351,631**

The following significant exchange rate applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2023	2022	31-Dec-23	31-Dec-22
1 USD : MVR	15.42	15.42	15.42	15.42

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.

28 Going Concern

The Company has incurred a loss of MVR 110,713,213 during the year ended December 31, 2023, and accumulated losses of MVR 241,881,895 as at that date. 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.

Subsequent to the reporting date, as disclosed in Note 30, the Government of Maldives has announced its decision to merge Maldives Airports Company Limited (MACL) with Regional Airports Company Limited (RACL), followed by a merger and liquidation agreement between the parties and Ministry of Finance and Planning.

29 Contingent Liabilities

There were no material contingent liabilities that require disclosure in the financial statement as at December 31, 2023.

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30 Events After the End of the Reporting Period

In September 2024, the Government of Maldives announced its decision to merge Maldives Airports Company Limited (MACL) and Regional Airports Company Limited (RACL) as part of ongoing SOE reforms. On May 28, 2025, the Company has entered into a merger and liquidation agreement with MACL and Ministry of Finance and Planning. The merger is expected to be completed during the year 2025. While the merger occurred after the reporting period ended 31 December 2023, it represents a significant operational development that will impact the future structure of RACL, given that the Company will cease to exist after the merger.

31 Comparative figures

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

32 Approval of Financial Statements

These financial statements were approved by the board of directors and authorised for issue on January 20, 2026.

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