ISLAND AVIATION SERVICES LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2023

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(INCORPORATED IN THE REPUBLIC OF MALDIVES)
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2023

CONTENTS

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Independent Auditor's Report
To the Shareholders of Island Aviation Services Limited

Opinion

We have audited the accompanying financial statements of Island Aviation Services Limited ("the Company"), which comprise the statement of financial position as at 31st December 2023, the statements of comprehensive income, changes in equity and cash flows for the period then ended, and notes to the financial statements, comprising material accounting policies and other explanatory information set out in pages 6 to 49.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Emphasis of matter – Restatement of comparative balances

We draw attention to Note 35 to the financial statements which describes that the Company's prior period errors and omission and made retrospective adjustments to the comparative information in the accompanying financial statements. Consequently, the comparative information in the accompanying financial statements has been restated. Our opinion is not modified in respect of this matter.

Material Uncertainty Related to Going Concern

We draw attention to Note 36 of the financial statements, which indicates that the Company has reported total loss of MVR 71,427,613/- during the year ended 31st December 2023 and accumulated losses of MVR 1,786,833,162/- as at 31st December 2023. Further, the Company's current liabilities exceeded the current assets by MVR 1,909,081,873/- as at 31st December 2023. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material

Key Audit Matters (Continued)

Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition of passenger income from domestic and regional services

(Refer to the material accounting policies note 4.16 and note 7 in the financial statements)

Risk Description	Our Response
Passenger and cargo sales are recognised as revenue when the related transportation service is provided. The value of the sales for which the related transportation service has not yet been provided at the end of the reporting period is record as forward revenue in the statement of financial position. The Company maintains sophisticated information technology ("IT") systems to record transactions relating to the passenger and cargo revenue. We identified revenue recognition as a key audit matter because revenue is one of the Company's key performance indicators, judgement within the estimate for the proportion of unused tickets which are expected to be expire and it involves complicated IT systems which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet targets or expectations.	Our audit procedures to assess revenue recognition included the following: • assessing the design, implementation and operating effectiveness of management's general IT controls and key application controls over the Company's IT systems which govern revenue recognition, including access controls, controls over program changes, interfaces between different systems and key manual controls over revenue recognition: • Performing reconciliations of amounts from reservation system based on flown status to the revenue sub-ledger and to the general ledger; • Cross-checking the completeness of revenue from movement analysis of deferred revenue supported with total ticket issued amounts and revenue recognized based on the flown status and, • Examining material manual journal entries and other material manual adjustments to revenue accounting.

2. Assessing the carrying value of property, plant and equipment

(Refer to the material accounting policies note 4.5 and note 13 in the financial statements)

Risk Description	Our Response
The carrying value of the property, plant and equipment as at 31st December 2023 was MVR 2,075,260,321/- and related depreciation charged for the year is MVR 378,343,507/-. Estimated useful lives, residual values and the carrying value of property, plant and equipment are reviewed annually taking into consideration factors such as changes in fleet composition, current and forecast market values and technical factors which may affect the useful life expectancy of the assets and, therefore, could have a material impact on any impairment	Our audit procedures to assess the carrying value of property, plant and equipment included the following: • assessing the estimated useful lives and residual values of property, plant and equipment with reference to the Company's historical experience and future operating plans. • challenging any changes to the estimated useful lives and residual values of property, plant and equipment by considering the factors.

2. Assessing the carrying value of property, plant and equipment (Continued)

Risk Description	Our Response
charges or the depreciation charge for the year. Impairment assessment is performed by management annually. Therefore, assessing the carrying value of Property, Plant and Equipment is considered as a key audit matter.	• discussing indicators of possible impairment of property, plant and equipment with management and engineering team, and where such indications are identified, assessing whether management has performed impairment testing in accordance with the requirements of the prevailing accounting standards; • challenging the assumptions and critical judgements used by management in their impairment assessment.

Other Matter relating to comparative balances

The financial statements of the Company as at and for the year ended 31st December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 23rd October 2023. We were not engaged to audit, review, or apply any procedures to the comparative information. Accordingly, we do not express an opinion or any other form of assurance on comparative information.

As part of our audit of the financial statements as at and for the period ended 31st December 2023, we also audited the respective adjustments described in Note 35 to the financial statements that were applied to restate the comparative information.

We were not engaged to audit, review, or apply any procedures to the comparative information, other than with respect to the respective adjustments described in Note 35. Accordingly, we do not express an opinion or any other form of assurance on comparative information. However, in our conclusion, the respective adjustments described in Note 35 to the financial statements are appropriate and have been properly applied.

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

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

In preparing the financial statements, the 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 processes.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

  If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

  Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

From the matters communicated with the Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ali Muaaz
Audit License No: ICAM-IL-FQ1
For and on behalf of KPMG Maldives

26th May 2024
Male

ISLAND AVIATION SERVICES LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2023 MVR	2022 MVR Restated*
Revenue	7	2,109,892,940	1,826,025,974
Other income	8	116,926,131	45,132,994
Total Operating Income		**2,226,819,071**	**1,871,158,968**
Operating Cost			
Aircraft fuel cost		(495,638,000)	(554,379,239)
Employee cost		(522,171,848)	(473,844,865)
Airport, enrout and passenger cost		(261,497,209)	(252,243,443)
Rentals on lease aircraft		(43,019,300)	(61,530,232)
Aircraft maintenance and overhaul cost		(166,086,180)	(151,765,278)
Depreciation and amortizations		(379,453,722)	(408,440,425)
Selling, marketing and advertisings expense		(13,179,722)	(15,273,310)
Impairment loss on trade and other receivables	17.4/ 17.5	(81,556,695)	(63,095,583)
Crew expense		(4,861,641)	(5,083,515)
Other operating expenses		(249,581,829)	(265,263,272)
Operating loss before impairment loss of property, plant and equipment		**9,772,925**	**(379,760,194)**
Impairment of property, plant and equipment		(13,286,298)	(39,078,602)
Results from operating activities		**(3,513,373)**	**(418,838,796)**
Finance Income	9.1	6,882,730	7,536,371
Finance cost	9.2	(120,469,623)	(79,387,818)
Net Finance Costs	9	(113,586,893)	(71,851,447)
Loss before tax		**(117,100,266)**	**(490,690,243)**
Income tax credit/ (expense)	11	45,672,653	(2,384,329)
Loss for the year		**(71,427,613)**	**(493,074,572)**
Other comprehensive income			
Items that will not be subsequently reclassified to the profit or loss:			
Remeasurement of defined benefit obligation	23	(5,064,394)	140,758
Related taxes		759,659	(21,114)
Other comprehensive income for the year net of tax		**(4,304,735)**	**119,644**
Total comprehensive income for the year		**(75,732,348)**	**(492,954,928)**
Loss per share	12	**(41.73)**	**(493.07)**

* Refer note 35

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes which form an integral part of the financial statements of the company set out on pages 10 to 49. The report of the independent auditors is given on pages 1 and 5.

KPMG CHARTERED ACCOUNTANTS

ISLAND AVIATION SERVICES LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF FINANCIAL POSITION

AS AT	Note	31/12/2023 MVR	31/12/2022 MVR Restated*	1/1/2022 MVR Restated*
ASSETS				
Non-current assets				
Property, plant and equipment	13	2,075,260,321	2,063,017,735	1,333,404,931
Intangible assets	14	1,388,008	1,476,647	296,501
Deferred tax assets	11.5	255,084,378	208,652,066	211,057,509
Total non-current assets		2,331,732,707	2,273,146,448	1,544,758,941
Current assets				
Inventories	16	111,887,340	100,764,383	83,581,824
Trade and other receivables	17	723,500,182	677,409,207	601,256,762
Cash and bank balances	18	59,332,341	60,063,348	69,388,478
Total current assets		894,719,863	838,236,938	754,227,064
Total assets		3,226,452,570	3,111,383,386	2,298,986,005
EQUITY AND LIABILITIES				
Equity				
Share capital	19.1	577,383,800	100,000,000	100,000,000
Advance towards share capital	19.3	84	477,383,884	477,383,884
General reserve	20	312,771,168	312,771,168	312,771,168
Contributed capital	19.4	24,609,101	24,609,101	24,609,101
Accumulated losses		(1,786,833,162)	(1,711,100,814)	(1,218,145,886)
Total equity		(872,069,009)	(796,336,661)	(303,381,733)
Non-current liabilities				
Loan from shareholder	21	137,585,737	199,015,867	213,554,238
Loans and borrowings	22.2	59,271,450	122,660,229	149,461,477
Employee retirement benefits obligation	23	7,030,570	2,003,021	1,997,155
Lease liability	25	1,063,622,762	950,335,916	332,184,307
Other provisions	26	27,209,324	23,146,573	87,435,812
Total non-current liabilities		1,294,719,843	1,297,161,606	784,632,989
Current liabilities				
Loan from shareholder	21	248,796,419	172,286,649	142,117,423
Loans and borrowings	22.3	69,825,642	69,153,856	85,081,261
Trade and other payables	24	1,102,832,757	1,047,428,913	888,126,239
Amount due to related parties	32.4	1,226,500,174	968,888,248	541,182,550
Lease liability	25	80,060,219	69,556,974	81,544,087
Income tax payable		2,080,557	2,080,557	2,080,557
Bank overdraft	27	73,705,968	77,588,731	77,602,632
Other provision	26	-	203,574,513	-
Total current liabilities		2,803,801,736	2,610,558,441	1,817,734,749
Total liabilities		4,098,521,579	3,907,720,047	2,602,367,738
Total equity and liabilities		3,226,452,570	3,111,383,386	2,298,986,005

* Refer note 35

The financial statements are to be read in conjunction with the related notes which form an integral part of the financial statements of the company set out on pages 10 to 49. The report of the independent auditors is given on pages 1 and 5.

These financial statements were approved by the board of directors and signed on its behalf by;

Name of the Director | **Signature**

Mohamed Mihad
....

Ibrahim Iyas
....

26th May 2024
Male'

Island Aviation Services Limited
C-830/2007

ISLAND AVIATION SERVICES LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2023

	Share capital	Advance towards share capital	General reserve	Contributed capital	Accumulated losses	Total
	MVR	MVR	MVR	MVR	MVR	MVR
Balance as at 1st January 2022, previously stated	100,000,000	477,383,884	312,771,168	37,039,563	(1,277,946,126)	(350,751,511)
Impact of correction errors / ommissions (Note 35)	-	-	-	(12,430,462)	59,800,240	47,369,778
Restated balance as at 1st January 2022	100,000,000	477,383,884	312,771,168	24,609,101	(1,218,145,886)	(303,381,733)
Total comprehensive income for the year (restated)						
Restated Loss for the year	-	-	-	-	(493,074,572)	(493,074,572)
Other Comprehensive Income for the Year, Net of Tax	-	-	-	-	119,644	119,644
Total comprehensive income for the year (restated)	-	-	-	-	(492,954,928)	(492,954,928)
Restated balance as at 31st December 2022	100,000,000	477,383,884	312,771,168	24,609,101	(1,711,100,814)	(796,336,661)
Restated balance as at 1st January 2023	100,000,000	477,383,884	312,771,168	24,609,101	(1,711,100,814)	(796,336,661)
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(71,427,613)	(71,427,613)
Other Comprehensive Income for the Year, Net of Tax	-	-	-	-	(4,304,735)	(4,304,735)
Total comprehensive income for the year	-	-	-	-	(75,732,348)	(75,732,348)
Transactions with the owners of the Company						
Transferred from advance towards share capital **(Note 19.3)**	477,383,800	(477,383,800)	-	-	-	-
Transactions with the owners of the Company	477,383,800	(477,383,800)	-	-	-	-
As at 31st December 2023	577,383,800	84	312,771,168	24,609,101	(1,786,833,162)	(872,069,009)

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes which form an integral part of the financial statements of the company set out on pages 10 to 49. The report of the independent auditors is given on pages 1 and 5.

KPMG ★ CHARTERED ACCOUNTANTS ★

ISLAND AVIATION SERVICES LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2023 MVR	2022 MVR Restated*
Cash flows from operating activities			
Loss before tax		(117,100,266)	(490,690,243)
Adjustments for:			
Depreciation on property, plant and equipment	13	378,343,507	407,541,767
Amortization of intangible assets	14	1,110,214	898,657
Provision of impairment loss on trade receivables	17.4	31,028,755	31,671,377
Provision of Impairment loss on other receivables	17.5	50,527,940	31,424,206
Provision for employee retirement benefit	23	(36,845)	146,624
Provision for impairment on rotables	13	13,286,298	39,078,602
(Gain on disposal) / write off of PPE	8	(17,631,009)	21,550,874
(Inventory write-back) / write-off during the year		(6,670,780)	16,601,601
Interest income	9.1	(904,079)	(1,396,036)
Interest expense	9.2	120,469,623	79,387,818
Operating profit before working capital changes		452,423,358	136,215,247
Working capital changes			
Change in inventories	16	(4,452,177)	(33,784,160)
Change in trade and other receivables	17	(126,743,591)	(103,205,681)
Change in amount due from related parties	17.3	28,821,316	(34,646,311)
Change in trade and other payables	24	(148,170,669)	283,755,728
Change in amount due to related parties	32.4	243,349,037	427,705,698
Cash from operations		445,227,274	676,040,521
Interest paid		(20,273,942)	(23,470,820)
Tax paid		-	-
Net cash from operating activities		424,953,332	652,569,701
Cash flows from investing activities			
Purchase and construction of property, plant and equipment	13	(170,496,654)	(450,098,513)
Acquisition of intangible asset	14	(1,021,575)	(2,078,803)
Proceeds on disposal of PPE		228,833	-
Net cash used in investing activities		(171,289,396)	(452,177,316)
Cash flows from financing activities			
Interest Capitalisation on Loans		5,352,464	50,271,924
Repayments of borrowings during the year	22	(68,069,457)	(93,000,577)
Repayment of leases	25	(187,795,187)	(166,974,961)
Net cash from financing activities		(250,512,180)	(209,703,614)
Net decrease in cash and cash equivalents		3,151,756	(9,311,229)
Cash and cash equivalents at beginning of the year		(17,525,383)	(8,214,154)
Cash and cash equivalents at end of the year	18	(14,373,627)	(17,525,383)

*Refer note 35

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes which form an integral part of the financial statements of the company set out on pages 10 to 49. The report of the independent auditors is given on pages 1 and 5.

KPMG ★ CHARTERED ACCOUNTANTS ★

1. REPORTING ENTITY

Island Aviation Services Limited (the "Company") is a Company incorporated under the Presidential Decree bearing No: 2000/55 of 13th April 2000 as Limited Liability Company and presently governed under the Companies' Act No. 10 of 1996, with its registered office at M.Dhar-Al-Eirman Building, Majeedhee Magu, K.Male', Maldives.

The main business of the Company is to operating domestic, regional passenger and cargo services, ground handling, CIP lounge and departure control system at Male' International Airport.

2. BASIS OF PREPARATION

(a) Statement of Compliance

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

(b) Basis of Measurement

The financial statements have been prepared on the historical cost except assets and liabilities which are stated as their fair value.

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

The areas involving significant estimates or judgements are:

- Loss Allowance for expected credit losses – Note 4.9
- Estimated useful life of property, plant and equipment- Note 4.5
- Estimated useful life of intangible asset - Note 4.7
- Estimation uncertainties and judgements made in relation to lease accounting – Note 4.14
- Estimation of defined benefit plan/ retirement gratuity benefit – Note 4.12
- Estimation of impairment of non financial assets – Note 4.9
- Recoverability of deferred tax assets – Note 4.23
- Provision for aircraft return conditions – Note 4.11

KPMG ★ CHARTERED ACCOUNTANTS ★

2. BASIS OF PREPARATION (CONTINUED)

(e) Going Concern

In determining the appropriate basis of preparation of the financial statements for the year ended 31st December 2023, the directors are required to consider whether the Company can continue in operational existence for at least the 12 months period from date of approval of the financial statement. The Board of Directors has concluded that it is appropriated to adopt the going concern basis having a letter of support received from the Ministry of Finance.

(f) Comparative information

Comparative information including quantitative, narrative, and descriptive information as relevant is disclosed in respect of previous period in the Financial Statements.

The presentation and classification of the financial statement of the previous year has been amended, where relevant for better presentation and to be comparable with these of the current year.

3. CHANGES IN MATERIAL ACCOUNTING POLICIES

The Company assessed the impact from amendments to International Accounting Standards which are effective from 1st January 2023 and early adoption also permitted. However, there is no material impact to the financial statements of the Company from amendments to International Accounting Standards which are effective from 1st January 2023.

4. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Company except if mentioned otherwise in note 3 to the Financial Statements.

4.1 Foreign Currency Transactions

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

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

4.2 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 date or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability at least twelve months after the reporting date.

KPMG ★ CHARTERED ACCOUNTANTS ★

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2 Current versus non-current classification (Continued)

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 Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

4.3 Financial Instruments

(i) Financial Assets (Non-derivative)

(a) Recognition and Initial Measurement

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

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

(b) Classification and Subsequent Measurement

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

(c) Financial Assets – Business Model Assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed

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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial Instruments (Continued)

(d) Financial Assets - Assessment whether Contractual Cash flows are Solely Payments of Principal and Interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- Contingent events that would change the amount or timing of cash flows.
- Terms that may adjust the contractual coupon rate, including variable-rate features.
- Prepayment and extension features; and
- Terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

(e) Subsequent Measurement and Gains and Losses

Financial assets at amortized cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Financial assets at amortized cost comprises trade and other receivables, amounts due from related parties, short term loans given to related parties, amounts due from directors and investments in other financial instruments and cash and cash equivalents.

(f) De-recognition

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

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4.3 Financial Instruments (Continued)

(f) De-recognition (Continued)

The Company enters transactions whereby it transfers assets recognized in its statement of financial position but, retains either all or substantially all the risks and rewards of the transferred assets. In these cases, the transferred assets are not de-recognized.

(ii) Financial Liabilities (Non-derivative)

(a) Recognition and Initial Measurement

Financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

The Company has got the following financial liabilities (non-derivative):

- Loans and Borrowings
- Lease liabilities
- Trade and Other Payables
- Amount Due to Related Parties

(b) De-recognition

The Company de-recognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also de-recognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

4.4 Share Capital

Ordinary Shares

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

4.5 Property, Plant and Equipment

(i) Recognition and Measurement

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

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

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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.5 Property, Plant and Equipment (Continued)

(i) Recognition and Measurement (Continued)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

(ii) Subsequent Expenditure

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 its 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 profit or loss as incurred.

(iii) Depreciation

Depreciation on property, plant and equipment of the Company is charged on the straight-line basis to write off the cost over the estimated useful lives of the assets on following basis.

- Aircraft	Over 14 Years	- Seaplane Infrastructure	Over 25 years
- Engines, Engine Overhauls, Propeller, APUs	Over Remaining Flying Hours (up to 12,000 hours)	- Plant and Equipment	Over 5 years
- Landing Gears	Over remaining Cycles (up to 30,000 cycles)	- Furniture and Fixes	Over 10 years
- Aircraft Rotable spares	Over 10 years	- Computer and Accessories	Over 5 years
		- Motor Vehicles	Over 5 years

Aircraft and its components are depreciated on a straight-line basis at rates which are calculated to write down their cost to their estimated residual value at the end of their useful lives. Certain estimates regarding the useful lives and residual values of the fleet are made by the Company based on past experience and these are in line with the industry.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The charge for the depreciation commences from the date on which the property, plant and equipment is ready for use.

Rotable spares

Aircraft rotable spares, which are treated as tangible assets, are initially recorded at cost less depreciated over the estimated useful life and Impairment. This item is grouped under "Aircraft Related Equipment".

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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.5 Property, Plant and Equipment (Continued)

(iv) 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. 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.

4.6 Borrowing Cost

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of that asset.

4.7 Intangible Assets

(i) Recognition and Measurement

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

Costs that are directly associated with the purchase and implementation of identifiable and unique software products by the Company are recognized as intangible assets. Expenditures that enhance and extend the benefits of computer software programs beyond their original specifications and lives are recognized as a capital improvement and added to the original cost of the software.

(ii) Subsequent Expenditure

Subsequent expenditure is only capitalized if costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and the Company has sufficient resources to complete development and to use the asset.

(iii) Amortization

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Software	3 Years

4.8 Inventories

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

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Where necessary, provision is made in the financial statements for obsolete, slow-moving and defective inventory.

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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.9 Impairment

(i) Non-derivative Financial Assets (Including Receivable)

Financial Instruments and Contract Assets

The Company recognizes loss allowances for Expected Credit Losses ("ECL") on

- Financial assets measured at amortized cost;
- Contract assets.

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

- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

(ii) Non-Financial Assets

The carrying amounts of the Company's non-financial assets except other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.10 Provision

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

4.11 Provision for aircraft return conditions

Provision for aircraft return conditions (restoration obligations) represents the estimate of the cost to meet the contractual lease-end obligations on certain aircraft and engines at the time of re-delivery. At lease commencement, the present value of the expected cost for each restoration obligation considering the existing fleet plan and long-term maintenance schedules is recognised as a provision and are capitalised as part of the right-of-use asset and depreciated over the lease term. Unwinding of the associated discount is recognised as a finance cost (within 'Other finance costs') over the lease term. Subsequent changes to the estimated cost for each restoration obligation is accounted for as a remeasurement to the provision for aircraft return conditions with a corresponding impact to the related right-of-use asset, if, and depreciated over the remaining lease term. Otherwise, the remeasurement is accounted as a credit to the income statement within 'Operating costs'.

4.12 Retirement benefit obligation

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will e paid, and that have terms approximating to the terms of the related obligation. However, in Maldives there is no deep market in such bonds and therefore market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

4.13 Defined contribution plan - pension contribution

The Company is liable to enrol the employees in the Retirement Pension Scheme with effect from 1st May 2011 based on the Regulation on Maldives Retirement Pension Scheme published by Government of Maldives and shall make contributions at a rate of 7% from the employee's pensionable wages on behalf of the employees of age between 16 and 65 years to the pension office. The Company's contribution to retirement pension scheme is at the rate of 7% on pensionable wages.

Contributions to retirement pension scheme is recognized as an employee benefit expense in the statement of comprehensive income.

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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.14 Leases

At inception of a contract, the Company assesses whether a contract is, or contains. a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

(i) As a Lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is re measured when there is a change in future lease payments arising from a change in an index or rate. if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.14 Leases (Continued)

(ii) As a Lessee (Continued)

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in "Right-of-use assets" and lease liabilities in "Lease liabilities" in the statement of financial position.

Short-term Leases and Leases of Low-Value Assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a Lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risk and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an immediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as a operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the de-recognition and impairment requirements in IFRS 09 to the net investment in the lease (See Note 4.2 and 4.10). The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of the Revenue

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered in to during current reporting period that resulted in a finance lease classification.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.14 Employee Benefit

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

4.15 Operating Expense

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

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

4.16 Revenue Recognition

The Company recognises revenue based on a five-step model on revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

(i) Airline revenue

Revenue is generated principally from the carriage of passengers, cargo, excess baggage and mail, rendering of airport terminal services, engineering services, air charters and related activities. These are recognized as revenue when each performance obligation for the airline services are fulfilled and is presented net of discounts and taxes. The transaction price is allocated to each performance obligation based on the relative stand-alone selling price related to each performance obligation. Payment of the transaction price is due immediately when customer obtain the service.

- Passenger, cargo, excess baggage sales and other related fees are recognised as operating revenue when the transportation/ facility or service is provided.
- The value of unused tickets and airway bills is included in current liabilities as sales in advance of carriage. The value of unused tickets and airway bills are recognised as revenue if they remain unutilised and expire after the designated validity period.
- Revenue from the provision of airport terminal services is recognised upon rendering of services.
- Revenue from the provision of flight operation services is recognised upon rendering of services.

(ii) Dividend income

Dividend income is accounted for when the shareholders' right to receive the payment is established.

(iii) Rental income

Rental income is recognised on an accrual basis.

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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.16 Revenue Recognition (Continued)

(i) Interest income

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest method.

(ii) Other income

Other income is recognised on an accrual basis.

4.17 Contract assets

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

4.18 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore all are classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details of the Company's impairment policies and the calculation of loss allowance are provided in note 3.15 (v) and note 27 (iii).

4.19 Trade payable

These amounts represent liabilities for goods and services provided to 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.

4.20 Contract liabilities

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

4.21 Expenditure recognition

Expenses are recognised in the statements of comprehensive income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant, and equipment in a state of efficiency has been charged to income in arriving at the profit for the year. Expenditure incurred for the purpose of acquiring, expanding, or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.22 Tax Expense

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

Current Tax

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

Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax rate enacted or substantively enacted at the reporting date.

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

a) Goods and Service tax

Revenue, expenses assets are recognised net of the amount of sales tax. Receivable and payables that are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

4.23 Finance Income and Expense

Finance income comprises interest income on funds invested and exchange gain. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

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

4.24 Recognition of Deferred Contingent Consideration

Deferred contingent consideration is recognized only and when company receives such deferred contingent consideration.

4.25 Events Occurring After the Reporting Date

The materiality of the events occurring after the reporting date has been considered and appropriate adjustments and provisions have been made in the financial statements where necessary.

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5. DETERMINATION OF FAIR VALUES

A number of the Company accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/ or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Measurement of Fair Values

The Company has an established control framework with respect to the measurement of fair values. When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: Quoted prices (Unadjusted) in active market for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (i.e as prices) or indirectly (i.e. derived from process).
- Level 3: Inputs for the assets or liability that are not used on observable market data (unobservable inputs).

(i) Trade and Other Receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(ii) Investment Measured at FVOCI

The fair value of investment available for sale of the non-quoted companies are measured based on the net asset value as at the reporting date.

(iii) Financial liabilities (Non-derivative)

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

6. NEW STANDARDS AND INTERPRATATIONS NOT YET ADOPTED

A number of amendments to International Accounting Standards are effective for annual period beginning after 1st January 2023 and earlier adoption is permitted; however, the Company has not adopted or early adopted following amended standards in preparing these financial statements.

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

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Lease Liability in a Sale and Lease back (Amendments to IFRS 16)
- Lack of Exchangeability (Amendments to IAS 21)

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7 REVENUE

A Revenue Streams

The Company generates revenue primarily from the carriage of passengers, cargo, excess baggage and mail, rendering of airport terminal services, engineering services, air charters and related activities.

B Disaggregation of Revenue from Contracts with Customers

Disaggregation of revenue by major categories are disclosed as follows;

	2023 MVR	2022 MVR
Passenger income - domestic services	1,326,803,944	1,136,421,955
Passenger income - regional services	319,627,953	313,136,498
Commercially important passengers revenue	59,583,518	53,858,974
Ground handling revenue	122,921,938	54,157,370
Cargo handling income	29,985,043	39,062,506
Seaplane operation revenue	250,970,544	229,388,671
	2,109,892,940	1,826,025,974

8 OTHER INCOME

	2023 MVR	2022 MVR
Rental income	2,150,451	1,666,547
Management fee	5,751,311	4,952,808
Other operating income **(Note 8.1)**	91,393,361	38,513,639
Gain on disposal of property, plant and equipment	17,631,008	-
	116,926,131	45,132,994

8.1 Other operating income includes MVR 18,812,400/- (2022 : MVR Nil) attributed to a late delivery compensation of a ATR air craft, write back of other payables amounting to MVR 27,936,838/- (2022 : MVR Nil) and disposal gain of the lease relating to the Ruhthibirah land amounting to MVR 33,800,000/- (2022 : MVR Nil) for the year ended 31st December 2023.

9 NET FINANCE COSTS

9.1 Finance Income

	2023 MVR	2022 MVR
Unwinding interest income from security deposits	904,079	1,396,036
Foreign currency exchange gain	5,978,651	6,140,335
	6,882,730	7,536,371

9.2 Finance costs

	2023 MVR	2022 MVR
Interest on loans and borrowings	(12,802,691)	(16,350,587)
Interest on loan from shareholder	(15,079,641)	(15,429,996)
Interest on bank overdraft	(7,471,250)	(7,321,092)
Interest on retun condition	(4,062,751)	(14,832,220)
Interest on lease liabilities	(81,053,290)	(25,453,923)
	(120,469,623)	(79,387,818)
Net Finance Costs	(113,586,893)	(71,851,447)

KPMG CHARTERED ACCOUNTANTS

10 LOSS BEFORE TAX

	2023 MVR	2022 MVR
is stated after charging all the expenses including the following:		
Short term lease rentals on aircraft	43,019,300	61,530,232
Loss on Disposals of Property, Plant and Equipment	-	21,550,874
Depreciation on property, plant and equipment and Right of use assets (including depreciation on rotables) **(Note 13)**	378,343,507	406,383,109
Amortization of intangible assets **(Note 14)**	1,110,214	898,657
Directors' remuneration **(Note 32.6)**	2,380,556	2,380,556
Personnel Costs **(Note 10.1)**	522,169,448	473,844,865

10.1 Personnel costs

	2023	2022
Staff salaries and allowances	477,638,195	429,040,240
Uniform, tailoring and laundry costs	3,175,381	1,712,653
Training costs	19,991,736	24,376,994
Traveling expenses	7,090,288	7,852,535
Pension fund	8,290,380	5,947,286
Staff recreation expenses	838,904	816,952
Staff medical expenses	364,133	638,090
Staff insurance	3,473,076	3,291,217
Provision for retirement benefit obligations	1,307,355	168,898
	522,169,448	473,844,865

11 TAX EXPENSE

	2023 MVR	2022 MVR
A Amount recognized in Profit or Loss		
Current tax expense **(Note 11.1)**	-	-
Deferred tax asset (recognized)/ reversed **(Note 11.3)**	(45,672,653)	2,384,329
	(45,672,653)	2,384,329
B Amount recognized in Other Comprehensive Income		
Differed Tax Asset (Recognized)/ Reversed	(759,659)	21,114

11.1 Reconciliation between Accounting Loss and Taxable Loss;

	2023	2022
Loss before tax	(117,100,266)	(490,690,243)
Aggregate disallowable items	484,487,738	526,156,823
Aggregate allowable items	(607,041,784)	(273,175,512)
Total tax loss	(239,654,312)	(237,708,932)
Income tax @ 15%	-	-

The taxable profits and income of the Company is liable at the rate of 15% in terms of provisions of the Income Tax Act No 25 of 2019 which is effective from 1st January 2020, relevant regulations and amendments thereto. (2022 : 15%)

11.2 Reconciliation of Effective Income Tax Rate

	2023		2022	
	%	MVR	%	MVR
Loss before tax		(117,100,266)		(490,690,243)
Income tax for the year	0%	-	0%	-
Impact from reconciliation of accounting loss to taxable loss	0%	-	0%	-
Deferred taxation	39%	(45,672,653)	0%	2,384,329
Total income tax expenses	**39%**	**(45,672,653)**	**0%**	**2,384,329**

KPMG CHARTERED ACCOUNTANTS

11 TAX EXPENSE (CONTINUED)

11.3 Accumulated Tax Loss

	31/12/2023 MVR	31/12/2022 MVR
Opening Balance	1,265,331,473	1,027,622,541
Tax Loss for the Year **(Note 11.1)**	239,654,312	237,708,932
Closing Balance	1,504,985,785	1,265,331,473

11.4 Tax Losses are set to Expires as Follows

		Expires in			
	Amount MVR	2025 MVR	2026 MVR	2027 MVR	2028 MVR
Tax Loss for Y/A 2020	611,760,399	611,760,399	-	-	-
Tax Loss for Y/A 2021	415,862,142	-	415,862,142	-	-
Tax Loss for Y/A 2022	237,708,932	-	-	237,708,932	-
Tax Loss for Y/A 2023	239,654,312	-	-	-	239,654,312
	1,504,985,785	611,760,399	415,862,142	237,708,932	239,654,312

11.5 Deferred Tax Asset

	31/12/2023 MVR	31/12/2022 MVR
Opening Balance	208,652,066	211,057,509
Recognized / (Reversed) during the year	45,672,653	(2,384,329)
Recognized / (Reversed) through Other Comprehensive Income	759,659	(21,114)
Closing Balance	255,084,378	208,652,066

Deferred tax asset is attributable to the followings;

	31/12/2023		31/12/2022	
	Temporary difference MVR	Tax effect MVR	Temporary difference MVR	Tax effect MVR
Property, plant and equipment	598,272,736	89,740,910	557,922,317	83,688,348
Intangible assets	401,351	60,203	433,583	65,037
Trade receivables impairment	267,059,835	40,058,975	174,501,145	26,175,172
Employee retirement benefits obligation-P&L	1,966,176	294,926	2,143,779	321,567
Employee retirement benefits obligation-OCI	5,064,394	759,659	(140,758)	(21,114)
Aircraft return condition provision	27,209,324	4,081,399	226,721,086	34,008,163
Accumulated Tax Losses	800,588,706	120,088,306	429,432,612	64,414,892
	1,700,562,522	255,084,378	1,391,013,764	208,652,065

Deferred tax asset had not been recognised in respect of accumulated tax losses amounting to MVR 704,397,079/- (2022: MVR 835,898,861/-) because it is not probable that the future taxable profit will be available against which the Company can unitlize the benefit therefrom.

12 Loss per share

The loss is calculated by dividing the loss for the year attributable to ordinary equity holders of the parent by weighted average number of ordinary shares outstanding during the year.

	2023	2022
Loss for the year **(MVR)**	(71,427,613)	(493,074,572)
Weighted average number of ordinary shares **(Nos.)**	1,711,843	1,000,000
Loss per share **(MVR)**	(41.73)	(493.07)

KPMG ★ CHARTERED ACCOUNTANTS ★

FOR THE YEAR ENDED 31ST DECEMBER 2023

13 PROPERTY, PLANT AND EQUIPMENT

	Fleet and Engines	Leasehold Land, Buildings and Seaplane Infrastructure	Plant and Equipment	Furniture and Fixtures	Computers and Accessories	Motor Vehicles	Aircraft Related Equipments	Total 31/12/2023	Total 31/12/2022
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Cost/ Revalued									
Opening Balance	2,914,626,605	310,191,565	19,396,099	6,493,504	21,432,419	28,093,603	438,258,579	3,738,492,374	2,656,248,496
Additions during the year	379,049,244	43,174,758	7,278,492	2,327,969	5,061,493	9,494,200	56,514,069	502,900,225	1,197,784,047
Disposals during the year	(461,145,118)	(98,888,717)	(1,131,341)	(129,897)	(357,424)	(2,967,988)	-	(564,620,485)	(76,461,567)
Provision for impairment	-	-	-	-	-	-	(13,286,298)	(13,286,298)	(39,078,602)
Closing Balance	2,832,530,731	254,477,606	25,543,250	8,691,576	26,136,488	34,619,815	481,486,350	3,663,485,816	3,738,492,374
Accumulated depreciation									
Opening Balance	1,238,764,700	35,710,402	8,154,374	2,449,758	13,099,222	13,988,657	363,307,526	1,675,474,639	1,322,843,565
Charge for the year	346,330,298	7,557,491	3,500,202	691,017	3,000,281	4,117,706	13,146,512	378,343,507	407,541,767
Disposals during the year	(455,130,200)	(5,988,946)	(1,115,878)	(76,618)	(313,021)	(2,967,988)	-	(465,592,651)	(54,910,693)
Closing Balance	1,129,964,798	37,278,947	10,538,698	3,064,157	15,786,482	15,138,375	376,454,038	1,588,225,495	1,675,474,639
Net carrying amount									
As at 31st December 2023	1,702,565,933	217,198,659	15,004,552	5,627,419	10,350,006	19,481,440	105,032,312	2,075,260,321	
As at 31st December 2022	1,675,861,905	274,481,163	11,241,725	4,043,746	8,333,197	14,104,946	74,951,053		2,063,017,735
Analysis as at 31st December 2023									
Free hold	1,592,545,156	79,626,418	15,004,552	5,627,419	10,350,006	19,481,440	105,032,312	1,827,667,303	1,630,980,156
Capital work-in-progress **(Note 13.4)**	45,173,197	33,121,451	-	-	-	-	-	78,294,648	91,186,680
Right of use assets **(Note 13.6)**	64,847,580	104,450,790	-	-	-	-	-	169,298,370	338,872,253
As at 31st December 2023	1,702,565,933	217,198,659	15,004,552	5,627,419	10,350,006	19,481,440	105,032,312	2,075,260,321	2,063,017,735

13.1 Aircraft related equipment (Rotable spares) have been impaired on the basis of reduction in fair value compared to the carrying amount.

The company engages external, independent and qualified valuer to determine the fair value of aircraft related equipment at the end of every financial year. As at 31st December 2023, the fair values of the aircraft related equipment have been determined by Aviation Asset Management Inc. Fair values are estimated by Aviation Asset Management Inc. using actual market data attributing part value and market demand using their extensive and proprietary database (level 3 data).

13.2 Fleet and engines include ATR aircrafts with net carrying amount of MVR 1,012,023,092/- (2022: 747,310,215/-) obtained under finance lease with purchase option to buy the asset at a price of US$1.

KPMG ★ CHARTERED ACCOUNTANTS ★

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

13.3 Fleet and engines

	Airframe	Engines	Landing Gears	Floats	Propellers	Auxiliary Power Unit (APU)	Total 31/12/2023	Total 31/12/2022
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Cost								
Opening balance	1,058,491,511	685,038,021	81,768,871	124,984,545	197,379,990	34,836,581	2,182,499,519	1,321,496,496
Additions during the year	184,499,231	128,279,894	19,411,336	-	84,895,242	-	417,085,703	934,919,790
Disposals / write off during the year	(21,704,292)	(14,268,287)	(7,545,191)	-	(12,288,286)	-	(55,806,056)	(73,916,767)
Closing balance	1,221,286,450	799,049,628	93,635,016	124,984,545	269,986,946	34,836,581	2,543,779,166	2,182,499,519
Accumulated depreciation								
Opening balance	322,311,390	288,553,840	27,072,886	47,330,491	17,727,971	15,256,940	718,253,518	576,637,958
Charge for the year	76,672,210	122,889,631	11,386,492	13,740,047	54,904,431	3,178,819	282,771,630	194,103,405
Disposals / write off during the year	(21,704,292)	(10,960,608)	(5,792,165)	-	(11,334,073)	-	(49,791,138)	(52,487,845)
Closing balance	377,279,308	400,482,863	32,667,213	61,070,538	61,298,329	18,435,759	951,234,010	718,253,518
Net carrying amount								
As at 31st December 2023	844,007,142	398,566,765	60,967,803	63,914,007	208,688,617	16,400,822	1,592,545,156	
As at 31st December 2022	736,180,121	396,484,181	54,695,985	77,654,054	179,652,019	19,579,641		1,464,246,001

ROU Aircrafts as per **Note 13.6** with a carrying amount of MVR 75,268,306/- (2022: MVR 138,103,878/-) is included within the Fleet and Engines (**Note 13**) carrying amount.

13.4 The capital work-in- progress at end of the reporting period comprises of following projects;

Asset under construction included in property, plant and equipment at the year-end comprises of:

	Balance as at 1st January 2023	Additions during the year	Transferred to PPE	Transferred to Expense	Balance as at 31st December 2023
	MVR	MVR	MVR	MVR	MVR
Buildings	19,653,300	41,166,334	(27,273,421)	(424,762)	33,121,451
Aircrafts under modification	71,533,380	-	(26,360,183)	-	45,173,197
	91,186,680	**41,166,334**	**(53,633,604)**	**(424,762)**	**78,294,648**

13.5 Aircrafts which are mortgaged to obtain loans and borrowings by the company are disclosed under **Note 22** and **Note 27** to the financial statements.

KPMG ★ CHARTERED ACCOUNTANTS ★

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

13.6 RIGHT-TO-USE ASSETS

	Leased Airports MVR	Leasehold Lands MVR	Leased Aircrafts MVR	Total 31/12/2023 MVR	Total 31/12/2022 MVR
Cost					
Opening balance	106,945,353	103,071,370	648,917,429	858,934,152	734,481,098
Additions - return conditions	-	-	-	-	124,453,054
Derecognition during the year	-	(98,672,837)	-	(98,672,837)	-
Disposals	-	-	(405,339,062)	(405,339,062)	-
Closing balance	106,945,353	4,398,533	243,578,368	354,922,253	858,934,152
Accumulated Depreciation					
Opening balance	4,277,814	4,970,534	510,813,551	520,061,899	330,581,344
Charge for the year	2,138,907	1,433,861	73,256,299	76,829,067	189,480,555
Derecognition during the year	-	(5,928,020)	-	(5,928,020)	-
Disposals	-		(405,339,062)	(405,339,062)	
Closing balance	6,416,721	476,375	178,730,788	185,623,884	520,061,899
Net carrying amount					
As at 31st December 2023	100,528,632	3,922,158	64,847,580	169,298,369	
As at 31st December 2022	102,667,539	98,100,836	138,103,878		338,872,253

13.7 The Company has recognized lease of airports, lands and buildings as right of use assets which are leased from Government of Maldives. Company has also recognized lease of three aircrafts and return condition as right of use assets.

13.8 The Company applied the short term lease recognition to its short-term leases of assets including engines and aircrafts. Expenses relating to short-term lease of the company included in statement of profit and loss amounts to MVR 43,019,300/- (2022: MVR 61,530,232/-).

14 INTANGIBLE ASSETS

	Software MVR	Software under Development MVR	31/12/2023 MVR	31/12/2022 MVR
Cost				
Opening balance	15,735,409	905,925	16,641,334	14,562,531
Additions during the year	1,021,575	-	1,021,575	1,404,178
Transfers during the year	905,925	(905,925)	-	674,625
Closing balance	17,662,909	-	17,662,909	16,641,334
Accumulated amortization				
Opening balance	15,164,687	-	15,164,687	14,266,030
Charge for the year	1,110,214	-	1,110,214	898,657
Closing balance	16,274,901	-	16,274,901	15,164,687
Net carrying amount	1,388,008	-	1,388,008	1,476,647

14.1 At the reporting date, the company's intangible assets are solely computer software.

The amount paid by the company to acquire the software module for Inventory, Acctrack accounting software, Dynamics 365 ERP system and software for flight scheduling and reservations have been recognized as intangible assets and amortized over the period of 3 years commencing from the date of acquisition.

KPMG ★ CHARTERED ACCOUNTANTS ★

15 OTHER INVESTMENT

15.1 Madivaru Holdings Private Limited

The Company has acquired 25,200 and 14,400 ordinary shares of Madivaru Holdings Private Limited at a costs of MVR. 100/- per share costing MVR 3,960,000/- during the year ended 31st December 2006 and 2007 respectively. The management of the company has made a full provision for the above investment since the recoverability is doubtful.

15.2 Airport Investment Maldives Private Limited

The Company has acquired 50,000 shares at a price of MVR. 100/- each, which represents 33.33% of the share capital of Airport Investment Maldives Private Limited in which the company has acquired 15,000 ordinary shares at a price of MVR. 100/- per share costing MVR 1,500,000/- during the year 2009. The management of the company has made a full provision for the above investment since the recoverability is doubtful, as the investee has not commenced its operations

16 INVENTORIES

	31/12/2023 MVR	31/12/2022 MVR
Consumables and expendables	97,982,879	92,781,654
Tools and equipment	5,186,263	4,914,982
Other inventories	8,718,198	3,067,747
	111,887,340	100,764,383

17 TRADE AND OTHER RECEIVABLES

	31/12/2023 MVR	31/12/2022 MVR
Trade receivables from other customers	487,538,855	536,652,291
Trade receivables from related companies **(Note 17.2)**	205,157,608	121,653,456
	692,696,463	658,305,747
Less: Provision for impairment loss on trade receivables **(Note 17.3/ 17.4)**	(205,529,900)	(174,501,145)
	487,166,563	483,804,602
Pre-payments	24,526,242	17,774,768
Advance payments	88,709,739	59,903,948
Security deposits	93,886,885	67,807,746
Other receivables	90,740,688	79,542,349
	297,863,554	225,028,811
Less: Provision for impairment loss **(Note 17.5)**	(61,529,935)	(31,424,206)
	723,500,182	677,409,207

17.1 Other receivables of the Company include K3 input tax receivable of MVR 18,071,512/- (2022: MVR 41,016,909)

17.2 The Company has made refundable deposits amounting MVR 23,315,040/- under the operating lease agreements relevant to the air crafts of MSN 2347, MSN 2599 and MSN 629 covering the period from 1st November 2012 to 1st October 2026.

17.3 Trade receivables from related companies

	31/12/2023 MVR	31/12/2022 MVR
Aasandha	107,035,611	55,656,792
Regional Airports	14,705,768	14,701,566
Ministry of Finance	506,119	507,192
Maldives Airports Company Limited	4,741,563	4,584,240
Public Service Media	3,550,296	3,550,296
Ministry of Education	1,225,730	633,292
State Trading Organisation PLC	5,376,321	4,194,609
Ministry of Youth, Sports and Empowerment	544,195	113,712
Fenaka Corporation Limited	11,322,868	5,275,662
Other Government Institutions	56,149,137	32,436,095
	205,157,608	121,653,456

KPMG ★ CHARTERED ACCOUNTANTS ★

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

17.4 Provision for impairment loss on trade receivables

	31/12/2023 MVR	31/12/2022 MVR
Opening balance	174,501,145	142,829,768
Provision during the year	31,028,755	31,671,377
Closing balance	205,529,900	174,501,145

17.5 Provision for impairment loss on other receivables

	31/12/2023 MVR	31/12/2022 MVR
Opening balance	31,424,206	3,527,165
Provision during the year	50,527,940	31,424,206
Write off during the year	(20,422,211)	(3,527,165)
Closing balance	61,529,935	31,424,206

18 CASH AND BANK BALANCES

	31/12/2023 MVR	31/12/2022 MVR
Cash in hand	1,290,907	9,310,135
Balances with banks	58,041,434	50,753,213
Cash and bank balances	59,332,341	60,063,348
Bank overdraft **(Note 27)**	(73,705,968)	(77,588,731)
Cash and cash equivalents for the purpose of cash flows	(14,373,627)	(17,525,383)

19 SHARE CAPITAL

19.1 Authorized share capital

The authorized share capital comprises of 5,773,838 (2022: 1,000,000) ordinary shares of MVR. 100/- each.

19.2 Issued and fully paid share capital

The issued and fully paid share capital comprises of 5,773,838 (2022: 1,000,000) ordinary shares of MVR. 100/- each.

19.3 Transferred from advance towards share capital

During the year the board of directors resolved that the company shall issue shares towards the advance towards share capital.

19.4 Contributed capital

The company has obtained two loans from Government of Maldives (Note 21.1 and Note 21.2) which are below market rate of interest. The company has recognized the difference between market rate of interest and loan interest as contributed capital.

19.5 Dividends and voting rights

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the company.

The company has not declared any dividend during the year ended 31st December 2023 (2022 : MVR Nil).

20 GENERAL RESERVE

No transfer was made during the year as the company made losses during the year ended 31st December 2023.

KPMG ★ CHARTERED ACCOUNTANTS ★

21 LOAN FROM SHAREHOLDER

Gross Loan	31/12/2023 MVR	31/12/2022 MVR Restated*
Opening balance	371,302,516	355,671,661
Interest charge for the year	15,079,640	15,630,855
Closing balance	386,382,156	371,302,516

21.1 In accordance with the loan agreement dated 22nd July 2015, the Company has obtained a loan facility amounting to MVR 130,684,500/- from the Ministry of Finance and Treasury at an interest rate of 3%, for the purpose of purchasing the DHC-8-300 Q series MSN 591/DHC 8-314 Aircraft. The loan was repayable in 16 semi annual instalments of MVR. 8,167,781/- each, with the repayment starting from 15th November 2016. However the company has not made any repayments during the year ended 31st December 2023.. As the loan received from Government of Maldives (Shareholder) is subjected to a concessionary rate of interest of 3% per annum, the effect of the fair valuation of such loan is recognized as a contributed capital and recorded in equity. The finance cost resulting from fair valuation is recognised through statement of profit or loss.

21.2 The Company has obtained an additional loan facility amounting MVR 196,605,000/- from the Government of the Maldives at an interest rate of 5.5% to acquire 4 DCH-6-300 Twin Otter Aircraft. The loan was payable in 12 semi-annual instalment of MVR 5,554,091/- each with the repayment starting from 25th May 2020. However, the Company did not make any repayments during the year. As the loan received from Government of Maldives (Shareholder) is subjected to a concessionary rate of interest of 5.5% per annum, the effect of the fair valuation of such loan is recognized as a contributed capital and recorded in equity. The finance cost resulting from fair valuation is recognised through Statement of Profit or Loss.

21.3 Maturity Analysis

	31/12/2023 MVR	31/12/2022 MVR
Non- current liabilities	137,585,737	199,015,867
Current liabilities	248,796,419	172,286,649
	386,382,156	371,302,516

21.4 Contractual maturities of the carrying Amount and Undiscounted Cash flows of loans from shareholders

	Carrying Amount		Undiscounted cash flows	
	31/12/2023 MVR	31/12/2022 MVR	31/12/2023 MVR	31/12/2022 MVR
Within 12 months	248,796,419	182,911,073	203,816,144	183,453,048
More than 1 year but less than 2 years	137,585,737	8,167,781	207,713,183	20,363,097
More than 2 years but less than 3 years	-	196,605,000	-	207,713,183
	386,382,156	387,683,854	411,529,327	411,529,328

22 LOANS AND BORROWINGS

	31/12/2023 MVR	31/12/2022 MVR
Opening balance	191,814,085	234,542,738
Add: Loans obtained during the year	-	37,408,987
Interest charge for the year	5,352,464	12,862,937
Less: Loan repayments during the year	(68,069,457)	(93,000,577)
Closing balance	129,097,092	191,814,085

KPMG ★ CHARTERED ACCOUNTANTS ★

22 LOANS AND BORROWINGS (CONTINUED)

22.1 Sources of finance

	31/12/2023 MVR	31/12/2022 MVR
State Bank of India- Male' Branch - term loan I (**Note 22.5**)	49,470,873	69,513,787
Maldives Islamic Bank- Male' Branch - term loan II (**Note 22.6**)	-	3,999,705
State Bank of India- Male' Branch - term loan III (**Note 22.7**)	24,826,047	43,772,865
State bank of India - Male' branch - term loan IV (**Note 22.8**)	11,256,520	24,209,400
State bank of India - Male' Branch - term loan V (**Note 22.9**)	13,331,023	14,574,785
Maldives Islamic Bank- Male' Branch - term loan VI (**Note 22.10**)	30,212,629	35,743,543
	129,097,092	191,814,085

22.2 Non-Current :

	31/12/2023 MVR	31/12/2022 MVR
State Bank of India- Male' Branch - term loan I	30,966,873	49,467,787
State Bank of India- Male' Branch - term loan III	6,322,047	24,806,265
State Bank of India - Male' Branch - term loan IV	-	11,256,600
State bank of India - Male' Branch - term loan V	5,821,399	12,269,411
Maldives Islamic Bank- Male' Branch - term loan VI	16,161,131	24,860,166
	59,271,450	122,660,229

Repayments of non current debts are scheduled as follows;

	31/12/2023	31/12/2022
More than one year but less than two years	44,694,997	68,769,368
More than two years but less than three years	14,576,373	40,285,899
More than three years but less than four years	-	13,604,962
	59,271,370	122,660,229

22.3 Current:

	31/12/2023	31/12/2022
State Bank of India- Male' Branch - term loan I	18,504,000	20,046,000
Maldives Islamic Bank- Male' Branch - term loan II	-	3,999,705
State Bank of India- Male' Branch - term loan III	18,504,000	18,966,600
State Bank of India - Male' Branch - term loan IV	11,256,520	12,952,800
State bank of India - Male' Branch - term loan V	7,509,624	2,305,374
Maldives Islamic Bank- Male' Branch - term loan VI	14,051,498	10,883,377
	69,825,642	69,153,856

22.4 Contractual maturities of Undiscounted Cash flows of loans and borrowings

	31/12/2023 MVR	31/12/2022 MVR
Within 12 Months	79,098,822	80,961,600
More than 1 year but less than 2 years	48,218,582	75,576,413
More than 2 years but less than 5 years	14,996,970	56,566,125
More than 5 years	14,996,970	-
	157,311,344	213,104,138

22.5 State Bank of India - Male' Branch - term Loan 1

The Company obtained a term loan facility of MVR. 133,383,000/- (US$ 8,650,000/-) from State Bank of India - Male' branch on 17th May 2017 at an interest rate of SBAR - US$, Minimum 7.25% per annum for the purpose of acquiring of aircraft Dash 8-300, MSN 420 and MSN 582. The facility has been secured by mortgage of aircraft DHC-6-300. The loan shall be paid with 84 equal quarterly installments of MVR 1,542,000/- each after a grace period of 6 months (May 2017 - November 2017).

KPMG CHARTERED ACCOUNTANTS

22 LOANS AND BORROWINGS (CONTINUED)

22.6 Maldives Islamic Bank- Male' Branch - term Loan II (moratorium loan)

The Company obtained a Term loan facility of MVR. 17,472,703/- (US$ 1,133,119/-) from Maldives Islamic Bank - Male' branch on 4th October 2020 at an interest rate of 7% per annum for the purpose of acquiring aircraft (DHC-6-300) MSN 658. The facility has been secured by mortgage of aircraft DHC-6-300 (MSN 658). The loan shall be paid within 35 Months. The loan has fully settled during the year 2023.

22.7 State Bank of India - Male' Branch - term loan III

The Company obtained a term loan facility of MVR. 115,804,200/- (US$ 7,510,000/-) from State Bank of India - Male' branch during the year 2017 at an interest rate of 0.75% below SBAR-US$, Min 7.25% per annum for the purpose of expansion of capital expenditure such as acquisition of two new aircraft DHC-6-300, MSN 503 and DHC 6-300, MSN 613 and upgrade, repair and modification of assets and overhauling of number of aircraft engines. The facility has been secured by mortgage of aircraft DHC-6-300 (MSN 411), DHC-6-300 (MSN 382), DHC-6-300 (MSN 381). The loan shall be paid by 75 equal quarterly installments of MVR 1,540,000/- each after a grace period of 6 months (December 2016 to May 2017).

22.8 State bank of India - Male' Branch - term loan IV

The Company obtained a term loan of MVR. 59,829,000/- (US$ 3,880,000/-) from State Bank of India - Male' branch during the year 2018 at an interest rate of 0.75% below SBAR-US$, Min 7.25% per annum for the purpose of expansion of capital expenditure such as acquisition of two new aircraft DHC-6-300, MSN 582 and DHC 6-300, MSN 382. The facility has been secured by mortgage of aircraft DHC-6-300 (MSN 411) and DHC-6-300 (MSN 382). The loan shall be paid by 84 equal quarterly installments of MVR 1,079,400/- each for first 5 years and MVR 1,542,000/- each for remaining 2 years after a grace period of 6 months (December 2018 to July 2018). The loan has fully settled during the year 2023.

22.9 State bank of India - Male' Branch - term loan V (moratorium loan)

The Company obtained a term loan of MVR. 17,351,286/- (US$ 1,125,246/-) from State Bank of India on April 2020 at an interest rate of 8% per annum for the purpose of differed term loans and Over draft interest because of Covid-19 created as a new term loan. The loan shall be paid by 34 months. The loan has fully settled during the year 2023.

22.10 Maldives Islamic Bank- Male' Branch - term loan VI (maafaru project loan)

The Company obtained a Diminishing Mushrakah loan facility of MVR 42,809,004/- (US$ 2,776,200/-) from Maldives Islamic Bank. Current disbursed amount: MVR 35,743,543/- (US$ 2,317,999/- at an interest rate of 8% per annum for the purpose of develop the fuel farm, apron and terminal/ lounge at Maafaru International Airport. The facility has been secured by mortgage of Leasehold rights of Maafaru airport land, leasehold rights over N. Maafaru Airport including all investments made, and US$ 260,998/- security deposit. The loan shall be paid by 48 months.

23 RETIREMENT BENEFITS OBLIGATIONS

	31/12/2023 MVR	31/12/2022 MVR
Opening Balance	2,003,021	1,997,155
Interest charge for the year	93,150	91,855
Current service cost	1,214,205	77,043
Actuarial loss/ (gain) on obligation	5,064,394	(140,758)
	8,374,770	2,025,295
Less: payments during the year	(1,344,200)	(22,274)
Closing balance	7,030,570	2,003,021

KPMG ★ CHARTERED ACCOUNTANTS ★

23 RETIREMENT BENEFITS OBLIGATIONS (CONTINUED)

Following amounts are recognized in profit or loss during the year in respect of retirement benefit obligation.

Amount recognized in statement of profit or loss	2023 MVR	2022 MVR
Total service cost	1,214,205	77,043
Net interest cost	93,150	91,855
Expense recognised in the income statement	1,307,355	168,898
Amount recognized in other comprehensive income		
Actuarial loss/ (gain) on obligation	5,064,394	(140,758)

The retirement benefit obligation of the company is estimated based on the calculation performed by the actuarial valuer. The projected unit credit method is used to determine the present value of the defined benefit obligation. Key assumptions used in the calculation are as follows:

The discount rate is determined by the market yeilds of the Government bond as at the reporting date. Meanwhile, salary growth rate reflects the Company's long term estimate of salary increases, factoring in inflation, seniority, promotion, business plan and HR policies.

Key assumptions	31/12/2023	31/12/2022
Discount rate	4.60%	4.60%
Expected salary increment	2.50%	2.50%
Retirement age (years)	65	65

Attrition at ages	Withdrawal rate%	Withdrawal rate%
Up to 30 years	10.83%	10.83%
From 31 to 44 years	10.83%	10.83%
Above 44 years	10.83%	10.83%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	change in assumption (%)	**2023 MVR**	**2022 MVR**
Impact of the change in discount rate			
Impact due to increase	0.50%	(62,056)	(44,326)
Impact due to decrease	0.50%	148,747	106,248
Impact of the change in salary increase			
Impact due to increase	0.50%	108,406	77,433
Impact due to decrease	0.50%	(102,815)	(73,439)

The liability for defined benefit obligations is not externally funded.

Sensitivities due to mortality and withdrawals are not material and hence impact of change due to these were not

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the defined benefit liability recognised in the balance sheet.

The defined benefit obligation is calculated annually by independent qualified actuary, Charan Gupta Consultants Private Limited using projected unit credit method.

KPMG ★ CHARTERED ACCOUNTANTS ★

24 TRADE AND OTHER PAYABLES

	31/12/2023 MVR	31/12/2022 MVR Restated
Trade payables	301,272,739	304,863,587
Accrued expenses	25,759,418	7,671,217
Dividend payable	94,442,299	94,442,299
GST payable	1,829,924	9,391,821
Security deposits received	6,310,052	6,225,052
Advance received from customers	30,341,945	26,867,952
Forward revenue **(Note 24.1)**	120,035,665	107,922,624
Other payables **(Note 24.2)**	522,840,715	490,044,361
	1,102,832,757	1,047,428,913

24.1 Forward revenue

	31/12/2023 MVR	31/12/2022 MVR
Opening Balance	107,922,624	86,102,245
Tickets issued during the year	1,852,827,164	1,635,328,225
Transferred to revenue during this year	(1,840,714,123)	(1,613,507,846)
Closing balance	120,035,665	107,922,624

24.2 Other payables of the Company include Maldives Inland Revenue dues MVR 433,177,654/- (2022: MVR 391,018,518/-), insurance and fuel surcharge MVR 33,677,010/- (2022: MVR 34,689,234/-), international taxes MVR 34,960,771/- (2022: MVR 39,305,809/-), payable to staff MVR 1,787,408/- (2022: MVR 1,933,892/-).

25 LEASE LIABILITY

	31/12/2023 MVR	31/12/2022 MVR
Opening balance	1,019,892,890	413,728,394
Recognitions during the year	332,403,571	747,685,534
Modification during the year	(101,871,583)	-
Interest charge during the year **(Note 25.2)**	81,053,290	25,453,923
Payments made during the year	(187,795,187)	(166,974,961)
Closing balance	1,143,682,981	1,019,892,890
Maturity analysis		
Current	80,060,219	69,556,974
Non-current	1,063,622,762	950,335,916
	1,143,682,981	1,019,892,890

25.1 During the year company entered in to lease agreements for two new aircraft which are recognized as additions during the year.

25.2 Amounts relating to leases recognised in profit or loss

	Leased airports MVR	Leasehold lands MVR	Leased aircrafts MVR	Total 31/12/2023 MVR	Total 31/12/2022 MVR
Interest expense	7,205,557	4,305,690	69,542,043	81,053,290	25,453,923
Depreciation expense	2,138,907	1,433,861	73,256,299	76,829,067	189,480,555
Total	9,344,464	5,739,551	142,798,342	157,882,357	214,934,478

25.3 Contractual maturities of undiscounted cash flows of lease liabilities

	0 -12 months MVR	1 - 2 years MVR	2 - 5 years MVR	More than 5 years MVR
31st December 2023	148,115,268	142,255,668	217,773,576	1,111,321,148
31st December 2022	136,117,838	128,544,117	302,106,921	1,436,155,175

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26 OTHER PROVISION

	31/12/2023 MVR	31/12/2022 MVR
Opening balance	226,721,086	87,435,812
Unwinding of discounts	4,062,751	14,832,221
Utilized on return of aircrafts	(203,574,513)	-
Remeasurements	-	124,453,053
Closing balance	27,209,324	226,721,086

The company leases aircraft, including the Airbus 320, which is scheduled to be returned in October 2025. Additionally, an Airbus 321 was returned in March 2023 following the conclusion of its lease period. Provisions for return conditions, such as airframe inspections, engine overhauls, and spare part replacements, have been factored into the estimated re-delivery costs for these aircraft.

Maturity analysis

Current	-	203,574,513
Non-current	27,209,324	23,146,573
	27,209,324	226,721,086

Sensitivity analysis

An increase/decrease of +1% of the discount rate would have increased or (decreased) the profit or loss by following amount. This analysis assumes that the other variables remain constant

	2023		2022	
Effect of profit or loss:	-1% MVR	1% M VR	-1% MVR	1% M VR
Impact on finance cost	529,642	(514,752)	1,943,455	(1,891,259)
Impact on amortisation	(311,861)	303,443	(952,969)	939,779
Net impact	217,780	(211,309)	990,486	(951,480)

27 BANK OVERDRAFT

	31/12/2023 MVR	31/12/2022 MVR
Bank overdraft **(Note 27.1)**	**73,705,968**	**77,588,731**

27.1 Bank overdraft

The Company has renewed the bank overdraft limit with enhancement from the existing level of MVR. 46,260,000/- (US$: 3000,000/-) to MVR. 77,100,000/- (US$: 5000,000/-) for working capital purpose from State Bank of India - Male' Branch at an interest rate of above 6 month US$ SBAR, minimum of 8% per annum at monthly interests. The company has mortgage three aircrafts namely, MSN 542 Dash-8-200, MSN 491 Dash-8-300 and MSN 544 Dash-8-300 to obtain this facility.

28 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, and the company's management of capital. Further, quantitative disclosures are included throughout these company's financial statements.

KPMG ★ CHARTERED ACCOUNTANTS ★

28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(ii) Risk management framework

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework.

(iii) Credit Risk

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

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

	31/12/2023 MVR	31/12/2022 MVR
Trade receivables **(Note 17)**	692,696,463	658,305,747
Balances with banks **(Note 18)**	58,041,434	50,753,213
	750,737,897	709,058,960

(iv) Credit Loss

The Company applies the IFRS 9 simplified approach of measuring expected credit losses which uses a Lifetime Expected Credit Loss (ECL) Allowance.

Government & government entities

	31/12/2023			31/12/2022		
	Weighted Average Loss Rate %	Gross Carrying Amount MVR	Loss Allowance MVR	Weighted Average Loss Rate %	Gross Carrying Amount MVR	Loss Allowance MVR
1 - 30 days	6%	28,041,813	1,789,262	7%	22,641,891	1,552,499
31 - 60 days	9%	23,700,823	2,100,142	9%	8,952,888	841,436
61 - 90 days	15%	19,684,311	2,926,959	14%	6,333,788	877,374
> 90 days	47%	133,931,960	62,676,377	45%	83,724,889	37,400,114
Total		205,358,907	69,492,740		121,653,456	40,671,424

Maldives corporate and resort

	31/12/2023			31/12/2022		
	Weighted Average Loss Rate %	Gross Carrying Amount MVR	Loss Allowance MVR	Weighted Average Loss Rate %	Gross Carrying Amount MVR	Loss Allowance MVR
1 - 30 days	4%	68,063,919	2,632,263	3%	76,559,796	2,000,687
31 - 60 days	5%	46,928,548	2,529,002	4%	50,383,584	2,260,492
61 - 90 days	8%	24,774,266	1,887,418	8%	30,043,164	2,346,386
> 90 days	30%	249,475,819	74,121,936	29%	302,443,971	87,819,641
Total		389,242,551	81,170,619		459,430,514	94,427,206

28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iv) Credit Loss (Continued)

Foreign corporate

	31/12/2023			31/12/2022		
	Weighted Average Loss Rate	Gross Carrying Amount	Loss Allowance	Weighted Average Loss Rate	Gross Carrying Amount	Loss Allowance
	%	MVR	MVR	%	MVR	MVR
1 - 30 days	13%	6,063,727	783,945	11%	5,959,827	672,533
31 - 60 days	19%	4,042,857	753,288	17%	4,193,104	730,806
61 - 90 days	25%	3,852,211	966,518	25%	1,555,711	392,740
> 90 days	62%	84,136,210	52,362,790	57%	65,513,135	37,606,436
Total		98,095,005	54,866,541		77,221,777	39,402,516

Set out below are the changes to the ECL as at 31st December 2023 that would result from reasonably possible changes in the parameter from the actual assumption used in economic variable assumption.

	2023		2022	
	-1% MVR	1% M VR	-1% MVR	1% M VR
Increase / (decrease) in expected credit loss allowance for trade receivable, other receivable and amounts due from related	2,231,304	(2,975,072)	987,887	(1,490,790)

(v) Liquidity Risk

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

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

31st December 2023	Carrying amount MVR	Contractual cash flows MVR	0-12 Months MVR	1-2 Years MVR	2-5 Years MVR	Over 5 Years MVR
Financial liabilities (non-derivative)						
Loans and borrowings	129,097,092	221,413,195	79,098,822	79,098,822	48,218,582	14,996,970
Shareholder loan	386,382,156	258,743,665	20,363,096	207,713,183	-	-
Lease liability	1,143,682,981	2,045,873,878	154,239,024	148,520,083	344,156,502	1,398,958,268
Other provision	27,209,324	30,629,462	27,209,324	30,629,462	-	-
Trade and other payables	455,159,640	455,159,640	455,159,640	-	-	-
Related party payables	1,226,500,174	1,226,500,174	1,226,500,174	-	-	-
Bank overdraft	73,705,968	73,705,968	73,705,968	-	-	-
Total	3,441,737,335	4,312,025,982	2,036,276,048	465,961,550	392,375,084	1,413,955,238

Interest accrued based on the interest rates stated in the agreements.

31st December 2022	Carrying amount MVR	Contractual cash flows MVR	0-12 Months MVR	1-2 Years MVR	2-5 Years MVR	Over 5 Years MVR
Financial liabilities (non-derivative)						
Loans and borrowings	191,814,085	213,104,138	80,961,600	75,576,413	56,566,125	-
Shareholder loan	371,302,516	425,319,175	197,939,790	20,746,164	206,633,220	-
Lease liability	1,019,892,890	2,002,924,051	136,117,838	128,544,117	302,106,921	1,436,155,175
Other provision	226,721,086	234,203,975	203,574,513	-	30,629,462	-
Trade and other payables	441,209,985	441,209,985	441,209,985	-	-	-
Related party payables	968,888,248	968,888,248	968,888,248	-	-	-
Bank overdraft	77,588,731	77,588,731	77,588,731	-	-	-
Total	3,297,417,541	4,363,238,303	2,106,280,705	224,866,695	595,935,729	1,436,155,175

Interest accrued based on the interest rates stated in the agreements.

KPMG CHARTERED ACCOUNTANTS

FOR THE YEAR ENDED 31ST DECEMBER 2023

28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(vi) Market risk

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

(a) Interest rate risk

Profile

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

	Carrying amount	
	2023	2022
	MVR	MVR
Variable rate instruments		
Financial liabilities	129,097,092	178,951,148
Bank overdraft	73,705,968	77,588,731
	202,803,060	**256,539,879**

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) the loss of the company by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

	2023	2022
	MVR	MVR
100 Basis points increase in interest rate	**2,028,031**	**2,565,399**
100 Basis points decrease in interest rate	**(2,028,031)**	**(2,565,399)**

(b) Currency risk

Exposure to currency risk

The company's exposure to foreign currency risk in equivalent to Maldivian Rufiyaa is as follows:

	2023		
	USD	LKR	INR
Cash and bank balances	21,070,134	294,934	239,545
Trade and other receivables	375,937,993	357,485	30,588,856
Bank overdraft	(73,705,968)	-	-
Loans and borrowings	(129,097,092)	-	-
Trade and other payables	(995,986,216)	(48,233)	(12,631,871)
Net statement of financial position exposure	(801,781,149)	604,186	18,196,530

	2022		
	USD	LKR	INR
Cash and bank balances	14,129,012	204,618	1,166,892
Trade and other receivables	378,182,520	223,379	25,683,726
Bank overdraft	(68,364,745)	-	-
Loans and borrowings	(191,814,085)	-	-
Trade and other payables	(781,372,810)	(78,664)	(31,764,917)
Net statement of financial position exposure	(649,240,108)	349,333	(4,914,300)

KPMG CHARTERED ACCOUNTANTS

28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(vi) Market risk (Continued)

(b) Currency risk (Continued)

The following significant exchange rate applied during the year:

	Average rate		Reporting date spot rate	
	2023 MVR	2022 MVR	31/12/2023 MVR	31/12/2022 MVR
1 USD: MVR.	15.42	15.42	15.42	15.42
1 LKR: MVR.	0.05	0.04	0.05	0.08
1 INR: MVR.	0.19	0.19	0.19	0.20

(vii) Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is reasonable approximation of fair value.

	Note	31/12/2023		
		Financial assets at amortized cost	Carrying amount financial liabilities at	Total
		MVR	MVR	MVR
Financial assets not measured at fair value				
Trade and other receivables	17	487,166,563	-	487,166,563
Related party receivables	17.3	205,157,608	-	205,157,608
Cash and cash equivalents	18	59,332,341	-	59,332,341
		751,656,512	-	751,656,512
Financial liabilities not measured at fair value				
Loans and borrowings	22	-	129,097,092	129,097,092
Shareholder loan	21	-	386,382,156	386,382,156
Trade and other payables	24	-	441,209,985	441,209,985
Related party payable	32.4	-	1,226,500,174	1,226,500,174
Provision for return condition	26	-	27,209,324	27,209,324
Bank overdraft	27	-	73,705,968	73,705,968
		-	**2,284,104,699**	**2,284,104,699**

	Note	31/12/2023		
		Financial assets at amortized cost	Carrying amount financial liabilities at	Total
		MVR	MVR	MVR
Financial assets not measured at fair value				
Trade and other receivables	17	483,804,602	-	483,804,602
Related party receivables	17.2	121,653,456		
Cash and cash equivalents	18	60,063,348	-	60,063,348
		665,521,406	-	**543,867,950**
Financial liabilities not measured at fair value				
Loans and borrowings	22	-	191,814,085	191,814,085
Shareholder loan	21	-	371,302,516	371,302,516
Trade and other payables	24	-	345,100,641	345,100,641
Related party payable	32.4	-	968,888,248	968,888,248
Provision for return condition	26	-	226,721,086	226,721,086
Bank overdraft	27	-	77,588,731	77,588,731
		-	2,181,415,307	2,181,415,307

KPMG ★ CHARTERED ACCOUNTANTS ★

FOR THE YEAR ENDED 31ST DECEMBER 2023

29 CAPITAL MANAGEMENT

The company's objectives when managing capital are to safeguard the ability to continue as a going concern, so it can continue to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends payable to shareholders, issue new shares or sell assets to reduce debt.

The company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and bank overdraft, 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.

	31/12/2023 MVR	31/12/2022 MVR
Net debt	605,515,631	640,705,332
Less: Cash and cash equivalents	(59,332,341)	(60,063,348)
Net debt	546,183,290	580,641,984
Total equity	(892,453,235)	(796,336,661)
Total capital	(346,269,945)	(215,694,677)

29.1 Loan covenants

Under the terms of the major borrowing facilities, the company is required to comply with the following covenants
- No new major CAPEX to be incurred or no dividend to be declared without prior permission from the Bank.
- Obtaining bank's consent before extending any loans to related parties/ directors.

30 COMMITMENTS

	31/12/2023 MVR	31/12/2022 MVR
Capital expenditure contracted as of the reporting date but not yet incurred	48,567,286	67,781,185
	48,567,286	67,781,185

There were no other material capital commitments outstanding at the reporting date which require disclosure in the financial statements.

31 RECLASSIFICATION OF COMPARATIVE INFORMATION

Income statement reclassification

Financial year ended 31 December 2022	Previous presentation MVR	Reclassification MVR	Current presentation MVR
Other Payable	522,536,806	(32,492,445)	490,044,361
Forward revenue	75,430,179	32,492,445	107,922,624
	597,966,985	-	597,966,985

32 EVENTS SUBSEQUENT TO THE REPORTING DATE

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

KPMG CHARTERED ACCOUNTANTS

32 RELATED PARTY TRANSACTIONS

The Company is controlled by the Government of Maldives which owns 100% of the Company's shares.

The following transactions were carried out with the Government and its related entities. The transactions below were made in the ordinary course of business on substantially the same terms, including, aero and non aero transactions as for comparable transactions with unrelated counterparties.

32.1 Sales of goods and services

Name of the related party	2023 MVR	2022 MVR
Aasandha	153,837,677	97,388,979
Government Ministries	38,923,904	35,101,721
Maldives Police Services	28,369,337	21,159,356
President's Office	17,519,974	17,275,142
Maldives National Defense Force	14,507,114	10,039,814
Maldives Airports Company Limited	157,323	435,475
State Trading Organisation	2,475,959	3,000,158
Fenaka Corporation Limited	7,025,914	6,638,759
Maldives Marketing & PR Cooperation	211,231	1,033,013
Ministry of Finance and Treasury	3,185,496	4,441,710
Other Government Institutions	46,841,060	40,885,933
	313,054,989	237,400,060

32.2 Purchases of goods and services

Name of the related party	2023 MVR	2022 MVR
Maldives Airports Company Limited	680,751,397	687,292,944
Addu International Airport Private Limited	36,365,835	61,623,028
State Trading Organisation	52,744,139	35,456,161
Regional Airports	23,093,026	23,497,737
Kadhdhoo Airport Office	8,968,317	12,821,962
Allied Insurance Comp Of The Maldives Pvt Ltd	218,579	4,786,319
Dhivehi Raajjeyge Gulhun PLC	3,144,178	3,268,318
Maldives Customs Services	8,212,778	10,163,808
Maldives Civil Aviation Authority	845,850	870,179
State Electric Co. Limited	974,914	777,407
Other Government Institutions	73,294,702	50,791,459
	888,613,715	891,349,322

32.3 Receivable from related parties:

	31/12/2023 MVR	31/12/2022 MVR
Aasandha	107,035,611	55,656,792
Regional Airports	14,705,768	14,701,566
Ministry of Finance	506,119	507,192
Maldives Airports Company Limited	4,741,563	4,584,240
Public Service Media	3,550,296	3,550,296
Ministry of Education	1,225,730	633,292
State Trading Organisation	5,376,321	4,194,609
Ministry of Youth, Sports and Empowerment	544,195	113,712
Fenaka Corporation Limited	11,322,868	5,275,662
Other Government Institutions	56,149,137	32,436,095
	205,157,608	121,653,456

KPMG ★ CHARTERED ACCOUNTANTS ★

32 RELATED PARTY TRANSACTIONS (CONTINUED)

32.4 Payable related parties:

	31/12/2023 MVR	31/12/2022 MVR
Maldives Airports Company Limited	1,015,841,181	769,955,066
Regional Airports	115,770,578	116,551,571
Kadhdhoo Airport Office	18,726,738	28,358,252
Addu International Airport Private Limited	2,998,399	4,630,097
State Trading Organisation	17,812,936	4,087,019
Fenaka Corporation Limited	764,464	1,741,972
Dhivehi Raajjeyge Gulhun PLC	1,576,288	1,236,173
Maldives Transport & Contracting PLC	264,922	260,954
Other Government Institutions	52,744,668	42,067,144
	1,226,500,174	**968,888,248**

32.5 Terms and conditions

All transactions are made on normal commercial terms and conditions and at market rates.

32.6 Transactions with Key Management Personnel

The Board of Directors of the company are the members of the key management personnel. The Company has paid MVR 2,249,926/- as fees to the directors during the year ended 31st December 2023 (2022: MVR 2,380,556/-).

33 CONTINGENT LIABILITIES

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

34 DIRECTOR'S RESPONSIBILITY

The board of directors of the company is responsible for the preparation and presentation of these financial

35 CORRECTION OF PRIOR PERIOD ERRORS AND OMMISSION

a. ***Impact from subsequent reversal of over provisions made on accrued expenses for prior periods.***

The Company has discovered that accrued expenses erroneously had been recorded in its financial statements since 2021. As a result operating expenses and other provisions have been overstated by MVR 31,453,318/-.

b. ***Incorrect accounting application of IFRS 9 over recognition of fair value reserve on loans from shareholder***

The Company has discovered that fair value on shareholder loans had been erroneously calculated in its financial statement since 2017, as a results the following financial statement captions have been incorrectly presented in the financial statements.

- Contributed capital is overstated by MVR 12,430,462/-
- Loan from shareholder is overstated by MVR 16,782,617/-
- Retained earning is understated by MVR 29,213,079/-

c. ***Non recognition of long term aircraft lease security deposits initially on fair value***

Fair value adjustment as required by IFRS 09 had been omitted in its financial statements since 2018. As a result security deposit amount has been overstated by MVR 11,638,763/-.

The above errors and omissions have been corrected by restating each of the affected financial statement line items for following years. The following tables summarize the impact on the Company's financial statements.

KPMG ★ CHARTERED ACCOUNTANTS ★

FOR THE YEAR ENDED 31ST DECEMBER 2023

35 CORRECTION OF PRIOR PERIOD ERRORS (CONTINUED)

35.1 Impact to the balances reported in the statement of financial position

	Impact of prior period errors / ommision correction		
As at 1st January 2022	As previously reported MVR	Adjustments MVR	As restated MVR
ASSETS			
Non-current assets			
Property, plant and equipment	1,330,267,627	3,137,304	1,333,404,931
Intangible assets	296,501		296,501
Deferred tax assets	211,057,509		211,057,509
Total non-current assets	1,541,621,637	3,137,304	1,544,758,941
Current assets			
Inventories	83,581,824		83,581,824
Trade and other receivables	605,260,223	(4,003,461)	601,256,762
Cash and bank balances	69,388,478		69,388,478
Total current assets	758,230,525	(4,003,461)	754,227,064
Total assets	2,299,852,162	(866,157)	2,298,986,005
EQUITY AND LIABILITIES			
Equity			
Share capital	100,000,000		100,000,000
Advance towards share capital	477,383,884		477,383,884
General reserve	312,771,168		312,771,168
Contributed capital	37,039,563	(12,430,462)	24,609,101
Accumulated losses	(1,277,946,126)	59,800,240	(1,218,145,886)
Total equity	(350,751,511)	47,369,778	(303,381,733)
Non-current liabilities			
Loan from shareholder	221,108,343	(7,554,105)	213,554,238
Loans and borrowings	149,461,477		149,461,477
Employee retirement benefits obligation	1,997,155		1,997,155
Lease liability	332,184,307		332,184,307
Other provision	87,435,812		87,435,812
Total non-current liabilities	792,187,094	(7,554,105)	784,632,989
Current liabilities			
Loan from shareholder	151,345,935	(9,228,512)	142,117,423
Loans and borrowings	85,081,261		85,081,261
Trade and other payables	919,579,557	(31,453,318)	888,126,239
Amount due to related parties	541,182,550		541,182,550
Lease liability	81,544,087		81,544,087
Income tax payable	2,080,557		2,080,557
Bank overdraft	77,602,632		77,602,632
Total current liabilities	1,858,416,579	(40,681,830)	1,817,734,749
Total liabilities	2,650,603,673	(48,235,935)	2,602,367,738
Total equity and liabilities	2,299,852,162	(866,157)	2,298,986,005

KPMG ★ CHARTERED ACCOUNTANTS ★

35 CORRECTION OF PRIOR PERIOD ERRORS (CONTINUED)

35.2 Impact to the balances reported in the statement of financial position

	Impact of prior period errors / ommission correction		
As at 31st December 2022	**As previously reported MVR**	**Adjustments MVR**	**As restated MVR**
ASSETS			
Non-current assets			
Property, plant and equipment	2,061,039,089	1,978,646	2,063,017,735
Intangible assets	1,476,647	-	1,476,647
Deferred tax assets	208,652,066	-	208,652,066
Total non-current assets	2,271,167,802	1,978,646	2,273,146,448
Current assets			
Inventories	100,764,383	-	100,764,383
Trade and other receivables	680,016,632	(2,607,425)	677,409,207
Cash and bank balances	60,063,348	-	60,063,348
Total current assets	840,844,363	(2,607,425)	838,236,938
Total assets	3,112,012,165	(628,779)	3,111,383,386
EQUITY AND LIABILITIES			
Equity			
Share capital	100,000,000	-	100,000,000
Advance towards share capital	477,383,884	-	477,383,884
General reserve	312,771,168	-	312,771,168
Contributed capital	45,739,334	(21,130,233)	24,609,101
Accumulated losses	(1,779,436,924)	68,336,110	(1,711,100,814)
Total equity	(843,542,538)	47,205,877	(796,336,661)
Non-current liabilities			
Loan from shareholder	204,772,781	(5,756,914)	199,015,867
Loans and borrowings	122,660,229	-	122,660,229
Employee retirement benefits obligation	2,003,021	-	2,003,021
Lease liability	950,335,916	-	950,335,916
Other provision	23,146,573	-	23,146,573
Total non-current liabilities	1,302,918,520	(5,756,914)	1,297,161,606
Current liabilities			
Loan from shareholder	182,911,073	(10,624,424)	172,286,649
Loans and borrowings	69,153,856	-	69,153,856
Trade and other payables	1,078,882,231	(31,453,318)	1,047,428,913
Amount due to related parties	968,888,248	-	968,888,248
Lease liability	69,556,974	-	69,556,974
Income tax payable	2,080,557	-	2,080,557
Bank overdraft	77,588,731	-	77,588,731
	203,574,513	-	203,574,513
Total current liabilities	2,652,636,183	(42,077,742)	2,610,558,441
Total liabilities	3,955,554,703	(47,834,656)	3,907,720,047
Total equity and liabilities	3,112,012,165	(628,779)	3,111,383,386

KPMG ★ CHARTERED ACCOUNTANTS ★

35 CORRECTION OF PRIOR PERIOD ERRORS (CONTINUED)

35.3 Impact to the balances reported in the statement of profit or loss and other comprehensive Income

As at 31st December 2022	Impact of prior period errors / ommission correction		
	As previously reported MVR	Adjustments MVR	As restated MVR
Revenue	1,826,025,974	-	1,826,025,974
Other income	45,132,994	-	45,132,994
Total Operating Income	1,871,158,968		1,871,158,968
Operating loss before impairment loss of property, plant and equipment	(378,601,536)	(1,158,658)	(379,760,194)
Impairment of property, plant and equipment	(39,078,602)	-	(39,078,602)
Operating loss	(417,680,138)	(1,158,658)	(418,838,796)
Finance Income	6,140,335	1,396,036	7,536,371
Finance cost	(87,686,310)	8,298,492	(79,387,818)
Net Finance Costs	(81,545,975)	9,694,528	(71,851,447)
Loss before taxation	(499,226,113)	8,535,870	(490,690,243)
Income tax expense	(2,384,329)	-	(2,384,329)
Loss for the year	(501,610,442)	8,535,870	(493,074,572)

35.4 Impact to the balances reported in the statement of cash flows

As at 31st December 2022	Impact of prior period errors / ommission correction		
	As previously reported MVR	Adjustments MVR	As restated MVR
Cash flows from operating activities			
Loss before tax	(499,226,113)	8,535,870	(490,690,243)
Adjustments for:			
Interest income	-	(1,396,036)	(1,396,036)
Interest expense	87,686,310	(8,298,492)	79,387,818
Depreciation of property, plant and equipment	406,383,109	1,158,658	407,541,767
Other adjustments	141,371,941	-	141,371,941
Operating profit before working capital changes	136,215,247	(8,535,870)	136,215,247
Working capital changes	539,825,274	-	539,825,274
Cash from operations	676,040,521	(8,535,870)	676,040,521
Interest paid	(23,470,820)		(23,470,820)
Net cash from operating activities	652,569,701	(8,535,870)	652,569,701
Net cash from investing activities	(452,177,316)	-	(452,177,316)
Net cash from financing activities	(209,703,614)	-	(209,703,614)
Net decrease in cash and cash equivalents	(9,311,229)	(8,535,870)	(9,311,229)
Cash and cash equivalents at beginning of the year	(8,214,154)	-	(8,214,154)
Cash and cash equivalents at end of the year	(17,525,383)	(8,535,870)	(17,525,383)

KPMG ★ CHARTERED ACCOUNTANTS ★

36 DIRECTOR'S ASSESSMENT ON GOING CONCERN

The Company has reported loss of MVR 71,427,613/- (2022: 493,074,572/-)accumulated losses of MVR 1,786,833,162/- (2022: MVR 1,711,100,814/-) as at 31st December 2023. Further, the Company's current liabilities exceeded the current assets by MVR 1,909,081,873/- (2022: MVR 1,772,321,503/-) and total liabilities exceeded the total assets by MVR 872,069,009/- (2022: 796,336,661/-) as at 31st December 2023. These events or conditions indicate that a material uncertainty exist that may cast significant doubt on the Company's ability to continue as a going concern.

Notwithstanding this, the financial statements have been prepared on a going concern basis due to reliance on a letter of support, dated 25th May 2024, provided by the Ministry of Finance of Maldives on behalf of the Government of Maldives who is the ultimate parent of the Company. Through this letter of support the representatives of Ministry of Finance on behalf of Government of Maldives undertake to provide financial assistance to the Company to ensure that it can pay its debts as and when they fall due and payable. This undertaking is provided for a minimum of 12 months from the date of signing the financial statements for the year ended 31st December 2023.

Based on the above, the management is of the view that there is not significant doubt about the ability of the Company to function as a going concern, and accordingly, the financial statement have been prepared on the basis of the Company being a going concern.

In addition, the Board of Directors of the Company confirms that do not have any intention to liquidate the Company or cease the operations at least 12 months from the date of signing these financial statements.

KPMG CHARTERED ACCOUNTANTS