**Report No: FIN-2025-47(E)** **10 June 2025**

# Island Aviation Services Limited

# Financial Year 2024

AUDITOR GENERAL'S OFFICE

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# AUDITOR GENERAL'S REPORT

## TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF ISLAND AVIATION SERVICES LIMITED

### Opinion

We have audited the financial statements of Island Aviation Services Limited (the "Company") which comprise the statement of financial position as of 31 December 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information set out in pages 6 – 48.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

### 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 36 in the financial statements, which indicates that the Company incurred a net loss of MVR 2,817,226/- during the year ended 31 December 2024 and, accumulated losses as at that date amounted to MVR 1,790,577,531/-. Further, as at 31 December 2024 the Company's current liabilities exceeded its current assets by MVR 1,665,474,520/-. 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 judgement, were of most significance in our audit of the financial statements of the current period. In addition to the matter described in the Material uncertainty related to going concern section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming the auditors' opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

| Key Audit Matters | How our Audit Addressed the key Audit Matter |
|---|---|
| **Carrying value of Property Plant and Equipment**<br>As of 31 December 2024, Company's property plant and equipment amounted to MVR 2,386 million and represents 65% of the Company's total assets and related depreciation charge for the year amounted to MVR 295 million.<br>This was a key audit matter due to:<br>• Capitalization of assets amounting to MVR 701 million to the relevant asset classes.<br>• Management's assessment of the eligibility and reasonableness of capitalization of expenditure incurred during the period.<br>• Management assessment of useful life of assets.<br>• Management's assessment of existence of impairment indicators.<br><br>Disclosures on property, plant and equipment are included in Notes 3.5 and 13 to the Company's financial statement. | **Our audit procedures included the following key procedures:**<br>• Evaluated the eligibility and reasonableness of expenditure capitalized.<br>• Assessed the estimated useful lives of property, plant and equipment with reference to the Company's experience of usage and future operating plans.<br>• Assessed whether management has identified possible indicators of impairment including evaluating the reasonableness of management judgements applied and assumptions used.<br>• Assessed the adequacy of related disclosures made in Notes 3.5 and 13 to the financial statements. |

| Key Audit Matters | How our Audit Addressed the key Audit Matter |
|---|---|
| **Revenue from Passenger Income – Regional and Domestic services**<br>As disclosed in note 7, the Company reported revenue from Passenger Income - regional and domestic services, for the year ended 31 December 2024 amounted to MVR. 1,639million. This represents approximately 75% of the Company's total revenue.<br>Revenue from Passenger Income - regional and domestic services was a key audit matter due to;<br>• Materiality of the amounts involved.<br>• High volume of transactions.<br>• Significantly reliant on multiple IT systems with automated processes and internal controls.<br>The accounting policies regarding revenue recognition and other disclosures are stated in the notes 3.16 and 7 in the financial statements. | **Our audit procedures included among others the following:**<br>• Obtained an understanding and tested key controls over revenue recognition in respect of initiation of transactions, the basis of calculation and the time of recognition<br>• Identified, evaluated, and tested the design and operating effectiveness of IT systems related internal controls, including those related to user access and change management,<br>• Performed inquiries of management and appropriate analytical procedures to understand and assess the reasonableness of the reported revenues.<br>Tested the appropriateness of revenue recognised by reviewing the relevant supporting documents. We also, assessed the adequacy of the disclosures made in Notes |

## Other Matter

The financial statements of Island Aviation Services Limited for the year ended 31 December 2023, were audited by another auditor who expressed an unmodified opinion on those statements on 26 May 2024.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, 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 auditor's 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.

10th June 2025

H. Niyazy

Hussain Niyazy
Auditor General

**ISLAND AVIATION SERVICES LIMITED**
**(INCORPORATE IN THE REPUBLIC OF MALDIVES)**
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31ST DECEMBER 2024**

| | Note | 2024 MVR | 2023 MVR |
|---|---|---|---|
| Revenue | **7** | 2,181,784,157 | 2,109,892,940 |
| Other income | **8** | 89,674,991 | 116,926,131 |
| **Total Operating Income** | | **2,271,459,148** | **2,226,819,071** |
| Aircraft fuel cost | | (478,548,614) | (495,638,000) |
| Employee cost | | (556,912,665) | (522,171,848) |
| Airport, enrout and passenger cost | | (272,928,650) | (261,497,209) |
| Rentals on lease aircraft | | (22,476,883) | (43,019,300) |
| Aircraft maintenance and overhaul cost | | (190,062,410) | (166,086,180) |
| Depreciation and amortizations | | (295,835,712) | (379,453,722) |
| Selling, marketing and advertisings expense | | (13,894,798) | (13,179,722) |
| Impairment loss on trade and other receivables | **17.4/ 17.5** | (18,434,013) | (81,556,695) |
| Crew expense | | (4,274,574) | (4,861,641) |
| Other operating expenses | | (246,824,954) | (249,581,829) |
| **Operating profit before impairment loss of property, plant and equipment** | | **171,265,875** | **9,772,925** |
| Impairment of property, plant and equipment | | (9,230,640) | (13,286,298) |
| **Results from operating activities** | | **162,035,235** | **(3,513,373)** |
| Finance Income | **9.1** | 234,726 | 6,882,730 |
| Finance cost | **9.2** | (171,353,952) | (120,469,623) |
| Net Finance Costs | **9** | (171,119,226) | (113,586,893) |
| **Loss before tax** | | **(9,083,991)** | **(117,100,266)** |
| Income tax credit | **11** | 6,266,765 | 45,672,653 |
| **Loss for the year** | | **(2,817,226)** | **(71,427,613)** |
| **Other comprehensive income** | | | |
| **Items that will not be subsequently reclassified to the profit or loss:** | | | |
| Remeasurement of defined benefit obligation | **23** | (1,090,756) | (5,064,394) |
| Related taxes | | 163,613 | 759,659 |
| **Other comprehensive income for the year net of tax** | | **(927,143)** | **(4,304,735)** |
| Total comprehensive income for the year | | **(3,744,369)** | **(75,732,348)** |
| **Loss per share** | **12** | **(0.49)** | **(41.73)** |

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 48.

**ISLAND AVIATION SERVICES LIMITED**
**(INCORPORATE IN THE REPUBLIC OF MALDIVES)**
**STATEMENT OF FINANCIAL POSITION**
**AS AT 31 December 2024**

| | Note | 31/12/2024<br>MVR | 31/12/2023<br>MVR |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | 2,386,622,215 | 2,075,260,321 |
| Intangible assets | 14 | 749,389 | 1,388,008 |
| Deferred tax assets | 11.5 | 261,514,756 | 255,084,378 |
| **Total non-current assets** | | 2,648,886,360 | 2,331,732,707 |
| **Current assets** | | | |
| Inventories | 16 | 142,055,430 | 111,887,340 |
| Trade and other receivables | 17 | 758,883,228 | 723,500,182 |
| Cash and bank balances | 18 | 109,600,275 | 59,332,341 |
| **Total current assets** | | 1,010,538,933 | 894,719,863 |
| **Total assets** | | 3,659,425,293 | 3,226,452,570 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 19.1 | 577,383,800 | 577,383,800 |
| Advance towards share capital | 19.3 | 87,700,563 | 84 |
| General reserve | 20 | 312,771,168 | 312,771,168 |
| Contributed capital | 19.3 | 421,549,706 | 24,609,101 |
| Accumulated losses | | (1,790,577,531) | (1,786,833,162) |
| **Total equity** | | (391,172,294) | (872,069,009) |
| **Non-current liabilities** | | | |
| Loan from shareholder | 21 | - | 137,585,737 |
| Loans and borrowings | 22.2 | 16,646,510 | 59,271,450 |
| Employee retirement benefits obligation | 23 | 7,293,686 | 7,030,570 |
| Lease liability | 25 | 1,309,343,391 | 1,077,491,118 |
| Other provisions | 26 | 41,300,547 | 27,209,324 |
| **Total non-current liabilities** | | 1,374,584,134 | 1,308,588,199 |
| **Current liabilities** | | | |
| Loan from shareholder | 21 | - | 248,796,419 |
| Loans and borrowings | 22.3 | 44,034,110 | 69,825,642 |
| Trade and other payables | 24 | 1,055,499,113 | 1,102,832,757 |
| Amount due to related parties | 33.4 | 1,370,151,450 | 1,212,631,818 |
| Lease liability | 25 | 128,801,438 | 80,060,219 |
| Income tax payable | | 2,080,557 | 2,080,557 |
| Bank overdraft | 27 | 75,446,785 | 73,705,968 |
| **Total current liabilities** | | 2,676,013,453 | 2,789,933,380 |
| **Total liabilities** | | 4,050,597,587 | 4,098,521,579 |
| **Total equity and liabilities** | | 3,659,425,293 | 3,226,452,570 |

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 48.

**Name of the Directors** **Signature**

Ahmed Shafeeu - Chairman ..........................

Ibrahim Iyas - Managing Director ..........................

04th June 2025

Island Aviation Services Limited
Rep. of Maldives

AUDITOR GENERAL'S OFFICE

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

**FOR THE YEAR ENDED 31ST DECEMBER 2024**

| | Share capital MVR | Advance towards share capital MVR | General reserve MVR | Contributed capital MVR | Accumulated losses MVR | Total MVR |
|---|---|---|---|---|---|---|
| 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** | 100,000,000 | 477,383,884 | 312,771,168 | 24,609,101 | (1,786,833,162) | (872,069,009) |
| **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)** |
| Balance as at 1st January 2024 | 577,383,800 | 84 | 312,771,168 | 24,609,101 | (1,786,833,162) | (872,069,009) |
| ***Total comprehensive income for the year*** | | | | | | |
| Loss for the year | - | - | - | - | (2,817,226) | (2,817,226) |
| Other Comprehensive Income for the Year, Net of Tax | - | - | - | - | (927,143) | (927,143) |
| **Total comprehensive income for the year** | - | - | - | - | (3,744,369) | (3,744,369) |
| **Transactions with the owners of the Company** | | | | | | |
| Capital contribution received | - | 87,700,479 | - | - | - | 87,700,479 |
| Loans converted to equity (Note 19.3) | - | - | - | 396,940,605 | - | 396,940,605 |
| **Transactions with the owners of the Company** | - | 87,700,479 | - | 396,940,605 | - | 484,641,084 |
| **As at 31st December 2024** | 577,383,800 | 87,700,563 | 312,771,168 | 421,549,706 | (1,790,577,531) | (391,172,294) |

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 48.

**ISLAND AVIATION SERVICES LIMITED**
**(INCORPORATE IN THE REPUBLIC OF MALDIVES)**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31ST DECEMBER 2024**

| | Note | 2024 MVR | 2023 MVR |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before tax | | (9,083,991) | (117,100,266) |
| ***Adjustments for:*** | | | |
| Depreciation on property, plant and equipment | **13** | 295,147,131 | 378,343,507 |
| Amortization of intangible assets | **14** | 688,580 | 1,110,214 |
| Provision of impairment loss on trade receivables | **17.3** | 18,434,013 | 31,028,755 |
| Provision of Impairment loss on other receivables | **17.4** | - | 50,527,940 |
| Provision for employee retirement benefit | **23** | (827,640) | (36,845) |
| Provision for impairment on rotables | **13** | 9,230,640 | 13,286,298 |
| Loss on disposal / write off of PPE | **8** | 29,341,983 | (17,631,009) |
| (Inventory write-back) / write-off during the year | | (1,440,035) | (6,670,780) |
| Interest income | **9.1** | (234,726) | (904,079) |
| Interest expense | **9.2** | 171,353,952 | 120,469,623 |
| **Operating profit before working capital changes** | | 512,609,907 | 452,423,358 |
| **Working capital changes** | | | |
| Change in inventories | **16** | (28,728,055) | (4,452,177) |
| Change in trade and other receivables | **17** | (53,582,333) | (97,922,275) |
| Change in trade and other payables | **24** | (47,333,644) | (148,170,669) |
| Change in amount due to related parties | **33.4** | 157,519,632 | 237,339,725 |
| **Cash from operations** | | 540,485,507 | 439,217,962 |
| Interest paid | | (18,238,126) | (20,273,942) |
| Tax paid | | - | - |
| **Net cash from operating activities** | | 522,247,381 | 418,944,020 |
| **Cash flows from investing activities** | | | |
| Purchase and construction of property, plant and equipment | **13** | (335,421,750) | (170,496,654) |
| Acquisition of intangible asset | **14** | (49,961) | (1,021,575) |
| Proceeds on disposal of PPE | | 55,477,460 | 228,833 |
| **Net cash used in investing activities** | | (279,994,251) | (171,289,396) |
| **Cash flows from financing activities** | | | |
| Repayments of borrowings during the year | **22** | (68,416,472) | (62,716,993) |
| Capital contribution received | **19.3** | 87,700,479 | - |
| Repayment of leases | **25** | (213,010,020) | (181,785,875) |
| **Net cash from financing activities** | | (193,726,013) | (244,502,868) |
| **Net decrease in cash and cash equivalents** | | 48,527,117 | 3,151,756 |
| **Cash and cash equivalents at beginning of the year** | | (14,373,627) | (17,525,383) |
| **Cash and cash equivalents at end of the year** | **18** | 34,153,490 | (14,373,627) |

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 48.

## 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-AI-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 IFRS Accounting Standards.

### (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

The 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 IFRS Accounting Standards 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:

- Estimated useful life of property, plant and equipment- Note 3.5
- Loss Allowance for expected credit losses – Note 3.9
- Estimation of impairment of non financial assets – Note 3.9
- Provision for aircraft return conditions – Note 3.11
- Estimation of defined benefit plan/ retirement gratuity benefit – Note 3.12
- Estimation uncertainties and judgements made in relation to lease accounting – Note 3.14
- Recoverability of deferred tax assets – Note 3.23

## 2. BASIS OF PREPARATION (CONTINUED)

### (e) Going Concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and realization of assets and settlement of liabilities in the ordinary course of business. Please refer note 36 for details relating to management assessment of the going concern assessment.

### (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. Please refer note 31 of the financial statements for more information.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION

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.

### 3.1 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.

### 3.2 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/ non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting 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.

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.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Current versus non-current classification (Continued)

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

### 3.3 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**

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

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.

On initial recognition of and equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis.

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

**(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:

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Financial Instruments (Continued)

- 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

#### (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 FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| 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. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. |

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Financial Instruments (Continued)

#### (e) Subsequent Measurement and Gains and Losses (Continued)

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.

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.

#### (c) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.4 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.

### 3.5 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.

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.

Island Aviation Services Limited
Rep. of Maldives

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## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.5 Property, Plant and Equipment (Continued)

| | | | |
|---|---|---|---|
| - Aircraft | 14-25 Years | - Seaplane Infrastructure | 5-25 years |
| - Engines, Engine Overhauls, Propeller, APUs | Over Remaining Flying Hours (up to 12,000 hours) | - Plant and Equipment | 3-5 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”.

#### (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.

### 3.6 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.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.7 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 |

### 3.8 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.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.9 Impairment

#### 3.9.1 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;
- Debt investments measured at FVOCI; and
- 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;

- Debt securities that are determined to have low credit risk at the reporting date; and
- 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.

#### 3.9.2 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").

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.10 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.

### 3.11 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'.

### 3.12 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.

### 3.13 Defined contribution plan - pension contribution

The Company is liable to enroll 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.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.14 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.

#### 3.14.1 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.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.14 Leases (Continued)

#### 3.14.2 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.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.14 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.

### 3.15 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.

### 3.16 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.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.17 Revenue Recognition

#### (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.

### 3.18 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.

### 3.19 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).

### 3.20 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.

### 3.21 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.

### 3.22 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.

## 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 3.23 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.

### 3.24 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.

### 3.25 Recognition of Deferred Contingent Consideration

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

### 3.26 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.

## 4. 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.

## 5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

**Lack of exchangeability – Amendments to IAS 21**

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

## 5. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

### Lack of exchangeability – Amendments to IAS 21 (CONTINUED)

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Company's financial statements.

### IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Company is currently working to identify all impacts the amendments will have on the primary financial statements and notes to

The amendments are not expected to have a material impact on the Company's financial statements.

### IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

• A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date

• Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed

•Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments

• The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

## 5. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Entities can early adopt the amendments that relate to the classification of financial assets plus the related disclosures and apply the other amendments later.

The amendments are not expected to have a material impact on the Company's financial statements.

**IFRS 19 Subsidiaries without Public Accountability: Disclosures**

In December 2024, IASB issued amendments to IFRS 9 and IFRS 7, contracts referencing nature-dependent Electricity, which clarify the application of ‘own-use’ requirements, permitting these contracts to be used as a hedge instruments and adding new disclosure requirements.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Entities can early adoption is permitted and must be disclosed

The amendments are not expected to have a material impact on the Company's financial statements.

**Annual improvements to IFRS Accounting Standards**

Volume II: Annual improvements in the form of clarifications, update to language and/ or cross references have been made to the following IFRS Accounting Standards. These improvements are effective for annual reporting periods beginning on or after beginning on or after 1 January 2026. Earlier application is permitted.
•IFRS 1 First-time Adoption of International Financial Reporting Standards
•IFRS 9 Financial Instruments
•IFRS 7 Financial Instruments:  Disclosures
•IFRS 10 Consolidated Financial Instruments
•IAS 7 Statement of Cashflows

## 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;

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Passenger income - domestic services | 1,322,194,619 | 1,326,803,944 |
| Passenger income - regional services | 316,874,715 | 319,627,953 |
| Commercially important passengers revenue | 62,110,022 | 59,583,518 |
| Ground handling revenue | 151,151,350 | 122,921,938 |
| Cargo handling income | 31,053,575 | 29,985,043 |
| Seaplane operation revenue | 298,399,876 | 250,970,544 |
| | 2,181,784,157 | 2,109,892,940 |

## 8 OTHER INCOME

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Rental income | 2,024,136 | 2,150,451 |
| Management fee | 6,871,222 | 5,751,311 |
| Other operating income | 80,779,633 | 91,393,361 |
| Gain on disposal of property, plant and equipment | - | 17,631,008 |
| | 89,674,991 | 116,926,131 |

## 9 NET FINANCE COSTS

### 9.1 Finance Income

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Unwinding interest income from security deposits | 234,726 | 904,079 |
| Foreign currency exchange gain /(loss) | - | 5,978,651 |
| | 234,726 | 6,882,730 |

### 9.2 Finance costs

| | 2024 | 2023 |
|---|---|---|
| Interest on loans and borrowings | (9,841,278) | (12,802,691) |
| Interest on loan from shareholder | (10,558,449) | (15,079,641) |
| Interest on bank overdraft | (7,654,938) | (7,471,250) |
| Interest on retun condition | (1,904,653) | (4,062,751) |
| Interest on lease liabilities | (140,652,724) | (81,053,290) |
| Foreign currency exchange gain /(loss) | (741,910) | - |
| | (171,353,952) | (120,469,623) |
| **Net Finance Costs** | (171,119,226) | (113,586,893) |

## 10 LOSS BEFORE TAX

| | 2024 MVR | 2023 MVR |
|---|---|---|
| *is stated after charging all the expenses including the following;* | | |
| Short term lease rentals on aircraft | 22,476,883 | 43,019,300 |
| Depreciation on property, plant and equipment and Right of use assets (including depreciation on rotables) **(Note 13)** | 295,147,131 | 378,343,507 |
| Amortization of intangible assets **(Note 14)** | 688,580 | 1,110,214 |
| Auditors Remuneration - Audit Services | 315,000 | 252,256 |
| Auditors Remuneration - Non Audit Services | - | 195,834 |
| Directors' remuneration **(Note 32.6)** | 2,807,795 | 2,380,556 |
| Personnel Costs **(Note 10.1)** | 556,905,565 | 522,169,448 |

### 10.1 Personnel costs

| | 2024 | 2023 |
|---|---|---|
| Staff salaries and allowances | 498,816,656 | 477,638,195 |
| Uniform, tailoring and laundry costs | 3,013,662 | 3,175,381 |
| Training costs | 25,383,110 | 19,991,736 |
| Traveling expenses | 10,932,660 | 7,090,288 |
| Pension fund | 9,199,132 | 8,290,380 |
| Staff recreation expenses | 904,286 | 838,904 |
| Staff medical expenses | 466,711 | 364,133 |
| Staff insurance | 6,616,945 | 3,473,076 |
| Provision for retirement benefit obligations | 1,572,403 | 1,307,355 |
| | 556,905,565 | 522,169,448 |

## 11 TAX EXPENSE

| | 2024 MVR | 2023 MVR |
|---|---|---|
| **A Amount recognized in Profit or Loss** | | |
| Current tax expense **(Note 11.1)** | - | - |
| Deferred tax asset (recognized)/ reversed **(Note 11.3)** | (6,266,765) | (45,672,653) |
| | (6,266,765) | (45,672,653) |
| **B Amount recognized in Other Comprehensive Income** | | |
| Differed Tax Asset (Recognized)/ Reversed | (163,613) | (759,659) |

### 11.1 Reconciliation between Accounting Loss and Taxable Loss;

| | 2024 | 2023 |
|---|---|---|
| Loss before tax | (9,083,991) | (117,100,266) |
| Aggregate disallowable items | 488,760,359 | 484,487,738 |
| Aggregate allowable items | (470,026,815) | (607,041,784) |
| Tax loss brought forward | (9,649,553) | - |
| Total tax loss | - | (239,654,312) |
| **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

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | % | MVR | % | MVR |
| Loss before tax | | (9,083,991) | | (117,100,266) |
| Income tax for the year | 0% | - | 0% | - |
| Impact from reconciliation of accounting loss to taxable loss | 0% | - | 0% | - |
| Deferred taxation | 69% | (6,266,765) | 39% | (45,672,653) |
| **Total income tax expenses** | **69%** | **(6,266,765)** | **39%** | **(45,672,653)** |

## 11 TAX EXPENSE (CONTINUED)

### 11.3 Accumulated Tax Loss

| | 31/12/2024<br>MVR | 31/12/2023<br>MVR |
|---|---|---|
| Opening Balance | 1,504,985,785 | 1,265,331,473 |
| Tax Loss for the Year **(Note 11.1)** | - | 239,654,312 |
| Prior year adjustments | (36,385,566) | - |
| Tax Loss Claimed | (9,649,553) | - |
| Closing Balance | 1,458,950,666 | 1,504,985,785 |

### 11.4 Tax Losses are set to Expires as Follows

| | | Expires in | | | |
|---|---|---|---|---|---|
| | **Amount**<br>**MVR** | **2026**<br>**MVR** | **2027**<br>**MVR** | **2028**<br>**MVR** | **2029**<br>**MVR** |
| Tax Loss for Y/A 2020 | 602,110,846 | 602,110,846 | - | - | - |
| Tax Loss for Y/A 2021 | 415,862,142 | - | 415,862,142 | - | - |
| Tax Loss for Y/A 2022 | 246,244,802 | - | - | 246,244,802 | - |
| Tax Loss for Y/A 2023 | 194,732,876 | - | - | - | 194,732,876 |
| | 1,458,950,666 | 602,110,846 | 415,862,142 | 246,244,802 | 194,732,876 |

### 11.5 Deferred Tax Asset

| | 31/12/2024<br>MVR | 31/12/2023<br>MVR |
|---|---|---|
| Opening Balance | 255,084,378 | 208,652,066 |
| Recognized / (Reversed) during the year | 6,266,765 | 45,672,653 |
| Recognized / (Reversed) through Other Comprehensive Income | 163,613 | 759,659 |
| Closing Balance | 261,514,756 | 255,084,378 |

**Deferred tax asset is attributable to the followings;**

| | 31/12/2024 | | 31/12/2023 | |
|---|---|---|---|---|
| | **Temporary difference**<br>**MVR** | **Tax effect**<br>**MVR** | **Temporary difference**<br>**MVR** | **Tax effect**<br>**MVR** |
| Property, plant and equipment | 581,308,239 | 87,196,236 | 598,272,736 | 89,740,910 |
| Intangible assets | (37,282) | (5,592) | 401,351 | 60,203 |
| Trade receivables impairment | 232,542,551 | 34,881,383 | 267,059,835 | 40,058,975 |
| Employee retirement benefits obligation-P&L | 3,802,887 | 570,433 | 1,966,176 | 294,926 |
| Employee retirement benefits obligation-OCI | 1,090,756 | 163,613 | 5,064,394 | 759,659 |
| Aircraft return condition provision | 41,300,547 | 6,195,082 | 27,209,324 | 4,081,399 |
| Loan Interest on Qualifying Asset | (269,850) | (40,478) | - | - |
| Accumulated Tax Losses | 883,693,863 | 132,554,079 | 800,588,706 | 120,088,306 |
| | 1,743,431,711 | 261,514,756 | 1,700,562,522 | 255,084,378 |

Deferred tax asset had not been recognized in respect of accumulated tax losses amounting to MVR 575,256,803/- (2023: MVR 704,397,079/-) 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.

| | 2024 | 2023 |
|---|---|---|
| Loss for the year **(MVR)** | (2,817,226) | (71,427,613) |
| Weighted average number of ordinary shares **(Nos.)** | 5,773,838 | 1,588,555 |
| Loss per share **(MVR)** | (0.49) | (44.96) |

## 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 31/12/2024 | Total 31/12/2023 |
|---|---|---|---|---|---|---|---|---|---|
| | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR |
| **Cost/ Revalued** | | | | | | | | | |
| Opening 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 |
| Additions during the year | 595,194,059 | 64,272,480 | 3,835,075 | 5,456,057 | 6,486,918 | 1,159,189 | 24,155,330 | 700,559,108 | 502,900,225 |
| Disposals during the year | (211,253,972) | (145,681) | (1,938,511) | (908,940) | (1,662,579) | (2,594,596) | - | (218,504,279) | (564,620,485) |
| Provision for impairment | - | - | - | - | - | - | (9,230,640) | (9,230,640) | (13,286,298) |
| Closing Balance | 3,216,470,818 | 318,604,405 | 27,439,814 | 13,238,693 | 30,960,827 | 33,184,408 | 496,411,040 | 4,136,310,005 | 3,663,485,816 |
| **Accumulated depreciation** | | | | | | | | | |
| Opening 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 |
| Charge for the year | 260,556,161 | 7,418,696 | 3,906,352 | 986,342 | 4,280,412 | 5,080,404 | 12,918,764 | 295,147,131 | 378,343,507 |
| Disposals during the year | (128,815,838) | (27,679) | (1,338,812) | (325,434) | (911,460) | (2,265,613) | - | (133,684,836) | (465,592,651) |
| Closing Balance | 1,261,705,121 | 44,669,964 | 13,106,238 | 3,725,065 | 19,155,434 | 17,953,166 | 389,372,802 | 1,749,687,790 | 1,588,225,495 |
| **Net carrying amount** | | | | | | | | | |
| As at 31st December 2024 | 1,954,765,697 | 273,934,441 | 14,333,576 | 9,513,628 | 11,805,393 | 15,231,242 | 107,038,238 | 2,386,622,215 | |
| 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 |
| **Analysis as at 31st December 2024** | | | | | | | | | |
| Free hold | 1,701,910,295 | 76,506,285 | 14,333,576 | 9,513,628 | 11,805,393 | 15,231,242 | 107,038,238 | 1,936,338,657 | 1,630,980,156 |
| Capital work-in-progress **(Note 13.4)** | 145,035,257 | 95,211,549 | - | - | - | - | - | 240,246,806 | 91,186,680 |
| Right of use assets **(Note 13.6)** | 107,820,145 | 102,216,607 | - | - | - | - | - | 210,036,752 | 338,872,253 |
| As at 31st December 2024 | 1,954,765,697 | 273,934,441 | 14,333,576 | 9,513,628 | 11,805,393 | 15,231,242 | 107,038,238 | 2,386,622,215 | 2,075,260,321 |

**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 2024, 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 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### 13.2 Fleet and engines - Fleet held

| | Airframe | Engines | Landing Gears | Floats | Propellers | Auxiliary Power Unit (APU) | Total 31/12/2024 | Total 31/12/2023 |
|---|---|---|---|---|---|---|---|---|
| | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR |
| **Cost** | | | | | | | | |
| Opening 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 |
| Reclassification during the year | 301,527,414 | - | - | - | (301,527,414) | - | - | - |
| Additions during the year | 203,760,304 | 146,743,759 | 13,842,225 | - | 84,837,138 | 4,296,783 | 453,480,209 | 417,085,703 |
| Disposals / write off during the year | (103,164,100) | (80,196,019) | (14,214,156) | - | (1,563,864) | (7,847,317) | (206,985,456) | (55,806,056) |
| Closing balance | 1,623,410,068 | 865,597,368 | 93,263,085 | 124,984,545 | 51,732,806 | 31,286,047 | 2,790,273,919 | 2,543,779,166 |
| **Accumulated depreciation** | | | | | | | | |
| Opening 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 |
| Reclassification during the year | 45,548,731 | - | - | - | (45,548,731) | - | - | - |
| Charge for the year | 86,631,919 | 136,190,790 | 13,853,080 | 13,740,047 | 9,834,508 | 1,426,592 | 261,676,936 | 282,771,630 |
| Disposals / write off during the year | (63,897,418) | (48,981,056) | (6,517,548) | - | (899,620) | (4,251,680) | (124,547,322) | (49,791,138) |
| Closing balance | 445,562,540 | 487,692,597 | 40,002,745 | 74,810,585 | 24,684,486 | 15,610,671 | 1,088,363,624 | 951,234,010 |
| **Net carrying amount** | | | | | | | | |
| As at 31st December 2024 | 1,177,847,528 | 377,904,771 | 53,260,340 | 50,173,960 | 27,048,320 | 15,675,376 | 1,701,910,295 | |
| 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 |

ROU Aircrafts as per **Note 13.6** with a carrying amount of MVR 107,983,837/- (2022: MVR 75,268,306/-) is included within the Fleet and Engines **(Note 13)** carrying amount.

### 13.3 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 2024 | Additions during the year | Transferred to PPE | Transferred to Expense | Balance as at 31st December 2024 |
|---|---|---|---|---|---|
| | MVR | MVR | MVR | MVR | MVR |
| Buildings | 33,121,451 | 71,635,005 | (9,608,643) | 63,736 | 95,211,549 |
| Aircrafts under modification | 45,173,197 | 180,978,347 | (81,116,287) | - | 145,035,257 |
| | **78,294,648** | **252,613,352** | **(90,724,930)** | **63,736** | **240,246,806** |

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

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### 13.5 RIGHT-TO-USE ASSETS

| | Leased Airports MVR | Leasehold Lands MVR | Leased Aircrafts MVR | Total 31/12/2024 MVR | Total 31/12/2023 MVR |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Opening balance | 106,945,353 | 4,398,533 | 243,578,368 | 354,922,253 | 858,934,152 |
| Adjustments | - | - | 11,676,277 | 11,676,277 | - |
| Modification | - | - | 30,175,513 | 30,175,513 | - |
| Derecognition during the year | - | - | (4,268,516) | (4,268,516) | (98,672,837) |
| Disposals | - | - | - | - | (405,339,062) |
| Closing balance | 106,945,353 | 4,398,533 | 281,161,642 | 392,505,527 | 354,922,253 |
| **Accumulated Depreciation** | | | | | |
| Opening balance | 6,416,721 | 476,375 | 178,730,788 | 185,623,884 | 520,061,899 |
| Charge for the year | 2,138,907 | 95,276 | 38,458,829 | 40,693,012 | 76,829,067 |
| Modification | - | - | (39,579,604) | (39,579,604) | - |
| Derecognition during the year | - | - | (4,268,516) | (4,268,516) | (5,928,020) |
| Disposals | - | - | | - | (405,339,062) |
| Closing balance | 8,555,628 | 571,651 | 173,341,497 | 182,468,776 | 185,623,884 |
| **Net carrying amount** | | | | | |
| As at 31st December 2024 | 98,389,725 | 3,826,882 | 107,820,145 | 210,036,751 | |
| As at 31st December 2023 | 100,528,632 | 3,922,158 | 64,847,580 | | 169,298,369 |

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

**13.7** 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 22,476,883/- (2023: MVR 43,019,300/-).

## 14 INTANGIBLE ASSETS

| | 31/12/2024 MVR | 31/12/2023 MVR |
|---|---|---|
| **Cost** | | |
| Opening balance | 17,662,909 | 16,641,334 |
| Additions during the year | 49,961 | 1,021,575 |
| Transfers during the year | - | - |
| Closing balance | 17,712,870 | 17,662,909 |
| **Accumulated amortization** | | |
| Opening balance | 16,274,901 | 15,164,687 |
| Charge for the year | 688,580 | 1,110,214 |
| Closing balance | 16,963,481 | 16,274,901 |
| **Net carrying amount** | 749,389 | 1,388,008 |

**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, 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.

## 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 yet.

## 16 INVENTORIES

| | 31/12/2024 MVR | 31/12/2023 MVR |
|---|---|---|
| Consumables and expendables | 115,472,073 | 97,982,879 |
| Tools and equipment | 11,257,255 | 5,186,263 |
| Other inventories | 15,326,102 | 8,718,198 |
| | 142,055,430 | 111,887,340 |

## 17 TRADE AND OTHER RECEIVABLES

| | 31/12/2024 MVR | 31/12/2023 MVR |
|---|---|---|
| Trade receivables from other customers | 441,820,098 | 487,538,855 |
| Trade receivables from related companies **(Note 17.2)** | 229,405,831 | 205,157,608 |
| | 671,225,929 | 692,696,463 |
| Less: Provision for impairment loss on trade receivables **(Note 17.3)** | (223,963,913) | (205,529,900) |
| | 447,262,016 | 487,166,563 |
| Pre-payments | 22,349,935 | 24,526,242 |
| Advance payments | 60,607,631 | 88,709,739 |
| Security deposits | 61,615,661 | 93,886,885 |
| Other receivables | 175,626,623 | 90,740,688 |
| | 320,199,850 | 297,863,554 |
| Less: Provision for impairment loss **(Note 17.4)** | (8,578,638) | (61,529,935) |
| | 758,883,228 | 723,500,182 |

**17.1** Other receivables include K3 input tax receivable of MVR 25,427,311/- (2023: MVR 18,071,512)

### 17.2 Trade receivables from related companies

| | 31/12/2024 MVR | 31/12/2023 MVR |
|---|---|---|
| Aasandha | 99,262,914 | 107,035,611 |
| Regional Airports | 14,701,566 | 14,705,768 |
| Ministry of Finance | 1,049,008 | 506,119 |
| Maldives Airports Company Limited | 5,387,436 | 4,741,563 |
| Public Service Media | 3,550,296 | 3,550,296 |
| Ministry of Education | - | 1,225,730 |
| State Trading Organisation PLC | 2,472,881 | 5,376,321 |
| Ministry of Youth, Sports and Empowerment | 204,730 | 544,195 |
| Fenaka Corporation Limited | 11,391,261 | 11,322,868 |
| Other Government Institutions | 91,385,739 | 56,149,137 |
| | 229,405,831 | 205,157,608 |

## 17 TRADE AND OTHER RECEIVABLES (CONTINUED)

### 17.3 Provision for impairment loss on trade receivables

| | 31/12/2024 MVR | 31/12/2023 MVR |
|---|---|---|
| Opening balance | 205,529,900 | 174,501,145 |
| Provision during the year | 18,434,013 | 31,028,755 |
| Closing balance | 223,963,913 | 205,529,900 |

### 17.4 Provision for impairment loss on other receivables

| | 31/12/2024 MVR | 31/12/2023 MVR |
|---|---|---|
| Opening balance | 61,529,935 | 31,424,206 |
| Provision during the year | - | 50,527,940 |
| Write off during the year | (52,951,297) | (20,422,211) |
| Closing balance | 8,578,638 | 61,529,935 |

## 18 CASH AND BANK BALANCES

| | 31/12/2024 MVR | 31/12/2023 MVR |
|---|---|---|
| Cash in hand | 3,055,746 | 1,290,907 |
| Balances with banks | 106,544,529 | 58,041,434 |
| Cash and bank balances | 109,600,275 | 59,332,341 |
| Bank overdraft **(Note 27)** | (75,446,785) | (73,705,968) |
| Cash and cash equivalents for the purpose of cash flows | 34,153,490 | (14,373,627) |

## 19 SHARE CAPITAL

### 19.1 Authorized share capital

The authorized share capital comprises of 6,000,000 (2023: 6,000,000) 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 (2023: 5,773,838) ordinary shares of MVR. 100/- each.

### 19.3 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.

The Government of Maldives converted the outstanding loan balances, including the related capitalized interest. Accordingly, the Company derecognized the total outstanding loan balance of MVR396,940,605 as of 06 June 2024. This amount has been recognized directly in equity under Contributed Capital.

### 19.4 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 2024 (2023 : MVR Nil).

## 20 GENERAL RESERVE

No transfer was made during the year as the Company made losses during the year ended 31st December 2024.

## 21 LOAN FROM SHAREHOLDER

| **Gross Loan** | **31/12/2024 MVR** | **31/12/2023 MVR** |
|---|---|---|
| | | - |
| Opening balance | 386,382,156 | 371,302,516 |
| Interest charge for the year | 10,558,449 | 15,079,640 |
| Converted to equity (Note 19.3) | (396,940,605) | - |
| Closing balance | - | 386,382,156 |

**21.1** The Company entered into a loan agreement with the Ministry of Finance and Treasury on 22 July 2015 for a facility amounting to MVR 130,684,500 at an interest rate of 3%. The purpose of the loan was to finance the acquisition of a DHC-8-300 Q Series MSN 591 / DHC-8-314 aircraft. 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.

As both loans were received from the Government of Maldives (shareholder) at concessional interest rates, the impact of fair valuation at initial recognition was recorded as contributed capital in equity. The corresponding finance cost arising from the fair valuation was recognized in the Statement of Profit or Loss over the term of the loan.

### 21.2 Maturity Analysis

| | **31/12/2024 MVR** | **31/12/2023 MVR** |
|---|---|---|
| Non- current liabilities | - | 137,585,737 |
| Current liabilities | - | 248,796,419 |
| | - | 386,382,156 |

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

| | **Carrying Amount** | | **Undiscounted cash flows** | |
|---|---|---|---|---|
| | **31/12/2024 MVR** | **31/12/2023 MVR** | **31/12/2024 MVR** | **31/12/2023 MVR** |
| Within 12 months | - | 248,796,419 | - | 203,816,144 |
| More than 1 year but less than 2 years | - | 137,585,737 | - | 207,713,183 |
| More than 2 years but less than 3 years | - | - | - | - |
| | - | 386,382,156 | - | 411,529,327 |

## 22 LOANS AND BORROWINGS

| | **31/12/2024 MVR** | **31/12/2023 MVR** |
|---|---|---|
| Opening balance | 129,097,092 | 191,814,085 |
| Interest charge for the year | 10,111,128 | 5,352,464 |
| Less: Loan repayments during the year | (78,527,600) | (68,069,457) |
| Closing balance | 60,680,620 | 129,097,092 |

## 22 LOANS AND BORROWINGS (CONTINUED)

### 22.1 Sources of finance

| | 31/12/2024 MVR | 31/12/2023 MVR |
|---|---|---|
| State Bank of India- Male' Branch - term loan I **(Note 22.5)** | 30,971,983 | 49,470,873 |
| State Bank of India- Male' Branch - term loan II **(Note 22.6)** | 6,322,200 | 24,826,047 |
| State bank of India - Male' branch - term loan III **(Note 22.7)** | - | 11,256,520 |
| State bank of India - Male' Branch - term loan IV **(Note 22.8)** | 6,412,720 | 13,331,023 |
| Maldives Islamic Bank- Male' Branch - term loan V **(Note 22.9)** | 16,973,717 | 30,212,629 |
| | 60,680,620 | 129,097,092 |

### 22.2 Non-Current :

| | 31/12/2024 MVR | 31/12/2023 MVR |
|---|---|---|
| State Bank of India- Male' Branch - term loan I | 12,467,983 | 30,966,873 |
| State Bank of India- Male' Branch - term loan II | - | 6,322,047 |
| State bank of India - Male' Branch - term loan IV | 2,422,576 | 5,821,399 |
| Maldives Islamic Bank- Male' Branch - term loan V | 1,755,951 | 16,161,131 |
| | 16,646,510 | 59,271,450 |

**Repayments of non current debts are scheduled as follows;**

| | | |
|---|---|---|
| More than one year but less than two years | 16,646,510 | 44,694,997 |
| More than two years but less than three years | - | 14,576,373 |
| | 16,646,510 | 59,271,370 |

### 22.3 Current:

| | | |
|---|---|---|
| State Bank of India- Male' Branch - term loan I | 18,504,000 | 18,504,000 |
| State Bank of India- Male' Branch - term loan II | 6,322,200 | 18,504,000 |
| State Bank of India - Male' Branch - term loan III | - | 11,256,520 |
| State bank of India - Male' Branch - term loan IV | 3,990,144 | 7,509,624 |
| Maldives Islamic Bank- Male' Branch - term loan V | 15,217,766 | 14,051,498 |
| | 44,034,110 | 69,825,642 |

### 22.4 Contractual maturities of Undiscounted Cash flows of loans and borrowings

| | 31/12/2024 MVR | 31/12/2023 MVR |
|---|---|---|
| Within 12 Months | 47,947,702 | 79,098,822 |
| More than 1 year but less than 2 years | 17,590,412 | 48,218,582 |
| More than 2 years but less than 5 years | - | 14,996,970 |
| More than 5 years | - | 14,996,970 |
| | 65,538,114 | 157,311,344 |

### 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). The loan was restructured after the COVID-19 and a new repayment schedule was agreed with the bank.

## 22 LOANS AND BORROWINGS (CONTINUED)

### 22.6 State Bank of India - Male' Branch - term loan II

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). The loan was restructured after the COVID-19 and a new repayment schedule was agreed with the bank.

### 22.7 State bank of India - Male' Branch - term loan III

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 was restructured after the COVID-19 and a new repayment schedule was agreed with the bank. The loan has fully settled during the year 2024.

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

### 22.9 Maldives Islamic Bank- Male' Branch - term loan V (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.

### 22.10 Maldives Islamic Bank- Male' Branch - term loan VII (maafaru apron expansion project loan)

The Company obtained a Diminishing Mushrakah loan facility of MVR 41,139,395.18/- (US$ 2,667,924.46/-) from Maldives Islamic Bank at an interest rate of 10.5% per annum for the purpose of apron extension of 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$ 30,000/- security deposit. The loan shall be paid by 60 months.

## 23 RETIREMENT BENEFITS OBLIGATIONS

| | 31/12/2024<br>MVR | 31/12/2023<br>MVR |
|---|---|---|
| Opening Balance | 7,030,570 | 2,003,021 |
| Interest charge for the year | 323,406 | 93,150 |
| Current service cost | 1,248,997 | 1,214,205 |
| Actuarial loss/ (gain) on obligation | 1,090,756 | 5,064,394 |
| | 9,693,729 | 8,374,770 |
| Less: payments during the year | (2,400,043) | (1,344,200) |
| Closing balance | 7,293,686 | 7,030,570 |

## 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*** | **2024 MVR** | **2023 MVR** |
|---|---|---|
| Total service cost | 1,248,997 | 1,214,205 |
| Net interest cost | 323,406 | 93,150 |
| Expense recognised in the income statement | 1,572,403 | 1,307,355 |
| ***Amount recognized in other comprehensive income*** | | |
| Actuarial loss/ (gain) on obligation | 1,090,756 | 5,064,394 |

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*** | **31/12/2024** | **31/12/2023** |
|---|---|---|
| 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 (%)** | **2024 MVR** | **2023 MVR** |
| **Impact of the change in discount rate** | | | |
| Impact due to increase | 0.50% | (231,626) | (62,056) |
| Impact due to decrease | 0.50% | 239,012 | 148,747 |
| **Impact of the change in salary increase** | | | |
| Impact due to increase | 0.50% | 228,055 | 108,406 |
| Impact due to decrease | 0.50% | (240,859) | (102,815) |

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

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.

## 24 TRADE AND OTHER PAYABLES

| | 31/12/2024 MVR | 31/12/2023 MVR |
|---|---|---|
| Trade payables | 179,216,897 | 301,272,739 |
| Accrued expenses | 13,160,955 | 25,759,418 |
| Dividend payable | 94,442,299 | 94,442,299 |
| Security deposits received | - | 6,310,052 |
| Advance received from customers | 3,827,838 | 30,341,945 |
| Forward revenue **(Note 24.1)** | 112,594,014 | 141,694,746 |
| Other payables **(Note 24.2)** | 652,257,110 | 503,011,558 |
| | 1,055,499,113 | 1,102,832,757 |

## 24.1 Forward revenue

| | 31/12/2024 MVR | 31/12/2023 MVR |
|---|---|---|
| Opening Balance | 120,035,665 | 107,922,624 |
| Tickets issued during the year | 1,961,081,134 | 1,939,500,525 |
| Transferred to revenue during this year | (1,968,522,785) | (1,927,387,484) |
| Closing balance | 112,594,014 | 120,035,665 |

**24.2** Other payables of the Company include Maldives Inland Revenue dues MVR 549,528,133/- (2023: MVR 433,177,654/-), payable to staff MVR 2,372,640/- (2023: MVR 1,787,408/).

## 25 LEASE LIABILITY

| | 31/12/2024 MVR | 31/12/2023 MVR |
|---|---|---|
| Opening balance | 1,157,551,337 | 1,027,751,934 |
| Recognitions during the year | 337,447,202 | 332,403,571 |
| Modification during the year | 64,040,243 | (101,871,583) |
| Interest charge during the year **(Note 25.2)** | 92,116,067 | 81,053,290 |
| Payments made during the year | (213,010,020) | (181,785,875) |
| Closing balance | 1,438,144,829 | 1,157,551,337 |
| **Maturity analysis** | | |
| Current | 128,801,438 | 80,060,219 |
| Non-current | 1,309,343,391 | 1,077,491,118 |
| | 1,438,144,829 | 1,157,551,337 |

**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 31/12/2024 MVR | Total 31/12/2023 MVR |
|---|---|---|---|---|---|
| Interest expense | 7,309,392 | 317,542 | 84,489,134 | 92,116,068 | 81,053,290 |
| Depreciation expense | 2,138,907 | 95,276 | 38,458,829 | 40,693,012 | 76,829,067 |
| **Total** | 9,448,299 | 412,818 | 122,947,963 | 132,809,080 | 157,882,357 |

**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 2024 | 193,460,008 | 178,441,420 | 487,998,579 | 1,529,231,616 |
| 31st December 2023 | 148,115,268 | 142,255,668 | 217,773,576 | 1,111,321,148 |

## 26 OTHER PROVISION

| | 31/12/2024 MVR | 31/12/2023 MVR |
|---|---|---|
| Opening balance | 27,209,324 | 226,721,086 |
| Unwinding of discounts | 1,904,653 | 4,062,751 |
| Utilized on return of aircrafts | - | (203,574,513) |
| Remeasurements | 12,186,570 | - |
| Closing balance | 41,300,547 | 27,209,324 |

The Company leases aircraft, including an Airbus A320 that was originally scheduled for return in October 2025. During the reporting period, the Company entered into a lease extension agreement with the lessor, revising the lease term to September 2028 and renegotiating the associated return conditions. As a result, the re-delivery cost provisions have been re-measured to reflect the updated return obligations. These include estimated costs for airframe inspections, engine overhauls, and spare part replacements, in accordance with the revised terms of the lease.

**Maturity analysis**

| | | |
|---|---|---|
| Current | - | - |
| Non-current | 41,300,547 | 27,209,324 |
| | 41,300,547 | 27,209,324 |

**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

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | -1% | 1% | -1% | 1% |
| **Effect of profit or loss:** | MVR | M VR | MVR | M VR |
| Impact on finance cost | (245,045) | 236,944 | 529,642 | (514,752) |
| Impact on amortisation | 183,640 | (176,176) | (311,861) | 303,443 |
| Net impact | (61,405) | 60,769 | 217,781 | (211,309) |

## 27 BANK OVERDRAFT

| | 31/12/2024 MVR | 31/12/2023 MVR |
|---|---|---|
| Bank overdraft **(Note 27.1)** | **75,446,785** | **73,705,968** |

### 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 10.50% 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 RISK MANAGEMENT OBJECTIVES AND POLICIES

**(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.

## 28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (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:

| | 31/12/2024 MVR | 31/12/2023 MVR |
|---|---|---|
| Trade receivables **(Note 17)** | 671,225,929 | 692,696,463 |
| Balances with banks **(Note 18)** | 106,544,529 | 58,041,434 |
| | 777,770,458 | 750,737,897 |

### (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**

| | 31/12/2024 | | | 31/12/2023 | | |
|---|---|---|---|---|---|---|
| | 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 | 9% | 18,558,944 | 1,588,597 | 6% | 28,041,813 | 1,789,262 |
| 31 - 60 days | 11% | 17,409,298 | 1,874,240 | 9% | 23,700,823 | 2,100,142 |
| 61 - 90 days | 16% | 17,259,711 | 2,705,447 | 15% | 19,684,311 | 2,926,959 |
| > 90 days | 48% | 177,056,147 | 84,514,293 | 47% | 133,931,960 | 62,676,377 |
| Total | | 230,284,100 | 90,682,577 | | 205,358,907 | 69,492,740 |

**Maldives corporate and resort**

| | 31/12/2024 | | | 31/12/2023 | | |
|---|---|---|---|---|---|---|
| | 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% | 99,739,439 | 4,220,118 | 4% | 68,063,919 | 2,632,263 |
| 31 - 60 days | 6% | 53,170,211 | 3,113,432 | 5% | 46,928,548 | 2,529,002 |
| 61 - 90 days | 8% | 16,375,771 | 1,336,966 | 8% | 24,774,266 | 1,887,418 |
| > 90 days | 34% | 171,457,179 | 58,872,319 | 30% | 249,475,819 | 74,121,936 |
| Total | | 340,742,600 | 67,542,835 | | 389,242,552 | 81,170,619 |

## 28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

**(iv) Credit Loss (Continued)**

**Foreign corporate**

| | 31/12/2024 | | | 31/12/2023 | | |
|---|---|---|---|---|---|---|
| | **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 | 98% | 1,212,774 | 1,187,868 | 13% | 6,063,727 | 783,945 |
| 31 - 60 days | 98% | 1,556,770 | 1,524,799 | 19% | 4,042,857 | 753,288 |
| 61 - 90 days | 98% | 5,726,045 | 5,608,450 | 25% | 3,852,211 | 966,518 |
| > 90 days | 98% | 47,543,613 | 46,567,222 | 62% | 84,136,210 | 52,362,790 |
| Total | | 56,039,202 | 54,888,339 | | 98,095,005 | 54,866,541 |

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.

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | **-1%** | **1%** | **-1%** | **1%** |
| | **MVR** | **M VR** | **MVR** | **M VR** |
| Increase / (decrease) in expected credit loss allowance for trade receivable, other receivable and amounts due from related parties | 2,990,068 | (2,749,844) | 2,231,304 | (2,975,072) |

**(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 2024** | **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 | 60,680,620 | 64,985,104 | 47,924,267 | 17,060,837 | - | - |
| Lease liability | 1,438,144,829 | 2,389,131,623 | 226,662,120 | 178,441,420 | 487,998,579 | 1,529,231,616 |
| Other provision | 41,300,547 | 61,124,519 | - | - | 61,124,519 | - |
| Trade and other payables | 349,391,301 | 349,391,301 | 349,391,301 | - | - | - |
| Related party payables | 1,370,151,450 | 1,370,151,450 | 1,370,151,450 | - | - | - |
| Bank overdraft | 75,446,785 | 75,446,785 | 75,446,785 | - | - | - |
| **Total** | 3,335,115,532 | 4,310,230,783 | 2,069,575,923 | 195,502,257 | 549,123,098 | 1,529,231,616 |

Interest accrued based on the interest rates stated in the 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 | 238,380,569 | - | - |
| 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 | - | 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.

## 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 | |
|---|---|---|
| | **2024** | **2023** |
| | **MVR** | **MVR** |
| **Variable rate instruments** | | |
| Financial liabilities | 60,680,620 | 129,097,092 |
| Bank overdraft | 75,446,785 | 73,705,968 |
| | **136,127,405** | **202,803,060** |

**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.

| | **2024** | **2023** |
|---|---|---|
| | **MVR** | **MVR** |
| 100 Basis points increase in interest rate | **1,361,274** | **2,028,031** |
| 100 Basis points decrease in interest rate | **(1,361,274)** | **(2,028,031)** |

### (b) Currency risk

**Exposure to currency risk**

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

| | | 2024 | |
|---|---|---|---|
| | **USD** | **LKR** | **INR** |
| Cash and bank balances | 20,447,122 | 294,463 | 2,380,039 |
| Trade and other receivables | 314,438,665 | 1,168,113 | 24,031,420 |
| Bank overdraft | (75,446,785) | - | - |
| Loans and borrowings | (60,680,620) | - | - |
| Trade and other payables | (1,016,448,067) | (53,996) | (21,877,059) |
| **Net statement of financial position exposure** | (817,689,685) | 1,408,580 | 4,534,400 |

| | | 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** |

## 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 | |
|---|---|---|---|---|
| | **2024 MVR** | **2023 MVR** | **31/12/2024 MVR** | **31/12/2023 MVR** |
| 1 USD: MVR. | 15.42 | 15.42 | 15.42 | 15.42 |
| 1 LKR: MVR. | 0.05 | 0.05 | 0.05 | 0.05 |
| 1 INR: MVR. | 0.18 | 0.19 | 0.18 | 0.19 |

**(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.

| | | 31/12/2024 | | |
|---|---|---|---|---|
| | **Note** | **Financial assets at amortized cost** | **Carrying amount financial liabilities at amortized cost** | **Total** |
| | | **MVR** | **MVR** | **MVR** |
| **Financial assets not measured at fair value** | | | | |
| Trade and other receivables | **17** | 447,262,016 | - | 447,262,016 |
| Related party receivables | **17.2** | 229,405,831 | - | 229,405,831 |
| Cash and cash equivalents | **18** | 109,600,275 | - | 109,600,275 |
| | | 786,268,122 | - | 786,268,122 |
| **Financial liabilities not measured at fair value** | | | | |
| Loans and borrowings | **22** | - | 60,680,620 | 60,680,620 |
| Trade and other payables | **24** | - | 349,391,301 | 349,391,301 |
| Related party payable | **33.4** | - | 1,370,151,450 | 1,370,151,450 |
| Provision for return condition | **26** | - | 41,300,547 | 41,300,547 |
| Bank overdraft | **27** | - | 75,446,785 | 75,446,785 |
| | | **-** | **1,896,970,703** | **1,896,970,703** |

| | | 31/12/2023 | | |
|---|---|---|---|---|
| | **Note** | **Financial assets at amortized cost** | **Carrying amount financial liabilities at amortized cost** | **Total** |
| **Financial assets not measured at fair value** | | **MVR** | **MVR** | **MVR** |
| Trade and other receivables | **17** | 487,166,563 | - | 487,166,563 |
| Related party receivables | **17.2** | 205,157,608 | | |
| Cash and cash equivalents | **18** | 59,332,341 | - | 59,332,341 |
| | | **751,656,512** | **-** | **546,498,904** |
| **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 | **33.4** | - | 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** |

## 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.

| | 31/12/2024<br>MVR | 31/12/2023<br>MVR |
|---|---|---|
| Net debt | 136,127,405 | 605,515,631 |
| Less: Cash and cash equivalents | (34,153,490) | (59,332,341) |
| Net debt | 101,973,915 | 546,183,290 |
| Total equity | (391,172,294) | (892,453,235) |
| **Total capital** | (289,198,379) | (346,269,945) |

### 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

| | 31/12/2024<br>MVR | 31/12/2023<br>MVR |
|---|---|---|
| Capital expenditure contracted as of the reporting date but not yet incurred. | 229,695,209 | 48,567,286 |
| | 229,695,209 | 48,567,286 |

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

## 31 RECLASSIFICATION OF COMPARATIVE INFORMATION

**Statement of finacial position  reclassification**

| | Previous presentation<br>MVR | Reclassification<br>MVR | Current presentation<br>MVR |
|---|---|---|---|
| Lease liability (note 25) | 1,143,682,981 | 13,868,356 | 1,157,551,337 |
| Amount due to related parties (Note 32) | 1,226,500,174 | (13,868,356) | 1,212,631,818 |
| | 2,370,183,155 | - | 2,370,183,155 |

## 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.

## 33 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.

### 33.1 Sales of goods and services

| Name of the related party | 2024 MVR | 2023 MVR |
|---|---|---|
| Aasandha | 149,144,322 | 153,837,677 |
| Government Ministries | 22,681,343 | 38,923,904 |
| Maldives Police Services | 20,100,520 | 28,369,337 |
| President's Office | 12,240,670 | 17,519,974 |
| Maldives National Defense Force | 9,763,459 | 14,507,114 |
| Maldives Airports Company Limited | 645,872 | 157,323 |
| State Trading Organisation | 2,751,204 | 2,475,959 |
| Fenaka Corporation Limited | 1,222,175 | 7,025,914 |
| Maldives Marketing & PR Cooperation | 63,176 | 211,231 |
| Ministry of Finance and Treasury | 1,813,323 | 3,185,496 |
| Other Government Institutions | 115,099,543 | 46,841,060 |
| | 335,525,607 | 313,054,989 |

### 33.2 Purchases of goods and services

| Name of the related party | 2024 MVR | 2023 MVR |
|---|---|---|
| Maldives Airports Company Limited | 654,237,639 | 680,751,397 |
| Addu International Airport Private Limited | 23,206,500 | 36,365,835 |
| State Trading Organisation | 46,790,425 | 52,744,139 |
| Regional Airports | 26,428,704 | 23,093,026 |
| Kadhdhoo Airport Office | 6,741,534 | 8,968,317 |
| Allied Insurance Comp Of The Maldives Pvt Ltd | 52,883,951 | 218,579 |
| Dhivehi Raajjeyge Gulhun PLC | 3,637,226 | 3,144,178 |
| Maldives Customs Services | 13,758,563 | 8,212,778 |
| Maldives Civil Aviation Authority | 1,254,236 | 845,850 |
| State Electric Co. Limited | 1,290,388 | 974,914 |
| Other Government Institutions | 78,296,878 | 73,294,702 |
| | 908,526,044 | 888,613,715 |

### 33.3 Receivable from related parties:

| | 31/12/2024 MVR | 31/12/2023 MVR |
|---|---|---|
| Aasandha | 99,262,914 | 107,035,611 |
| Regional Airports | 14,701,566 | 14,705,768 |
| Ministry of Finance | 1,049,008 | 506,119 |
| Maldives Airports Company Limited | 5,387,436 | 4,741,563 |
| Public Service Media | 3,550,296 | 3,550,296 |
| Ministry of Education | - | 1,225,730 |
| State Trading Organisation | 2,472,881 | 5,376,321 |
| Ministry of Youth, Sports and Empowerment | 204,730 | 544,195 |
| Fenaka Corporation Limited | 11,391,261 | 11,322,868 |
| Other Government Institutions | 91,385,739 | 56,149,137 |
| | 229,405,831 | 205,157,608 |

## 33 RELATED PARTY TRANSACTIONS (CONTINUED)

### 33.4 Payable related parties:

| | 31/12/2024 | 31/12/2023 MVR |
|---|---:|---:|
| Maldives Airports Company Limited | 1,144,595,202 | 1,015,841,181 |
| Regional Airports | 115,961,404 | 115,770,578 |
| Kadhdhoo Airport Office | 15,458,323 | 18,726,738 |
| Addu International Airport Private Limited | 9,957,244 | 2,998,399 |
| State Trading Organisation | 16,238,125 | 17,812,936 |
| Fenaka Corporation Limited | 1,420,245 | 764,464 |
| Dhivehi Raajjeyge Gulhun PLC | 1,953,374 | 1,576,288 |
| Maldives Transport & Contracting PLC | 43,070 | 264,922 |
| Other Government Institutions | 64,524,463 | 38,876,312 |
| | **1,370,151,450** | **1,212,631,818** |

### 33.5 Terms and conditions

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

### 33.6 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 2,807,795/- as fees to the directors during the year ended 31st December 2024 (2023: MVR 2,347,392/-). In addition, the non cash benefits given to Key management personnel during the year amounted to MVR 175,955/- (2023: MVR 33,164/-)

## 34 CONTINGENT LIABILITIES

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

## 35 DIRECTOR'S RESPONSIBILITY

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

## 36 DIRECTOR'S ASSESSMENT ON GOING CONCERN

The Company has reported a loss of MVR 2,817,226/- for the year ended 31 December 2024 (2023: MVR 71,427,613) with accumulated losses of MVR 1,790,577,531/- as at 31 December 2024 (2023: MVR 1,786, 833,162) . Further, as of the reporting date, the Company's current liabilities exceeded the current assets by MVR 1,665,474,520/- (2023: MVR 1,895,213,517) and total liabilities exceeded the total assets by MVR 391,172,294/- (2023: MVR 872,069,009). 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 the strength of the mitigating strategies and actions taken by management that include expected efficiency on fleet renewal, conversion of outstanding balance of shareholder loans amounting to MVR 409,024,158/- to equity and letter of support, dated 25 May 2025, 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 31a December 2024.

In addition, the Board of Directors of the Company confirms that do not have any intention to liquidate the Company or cease the operations

Based on the above, the management prepared and presented the financial statements for the current year based on the going concern basis.

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