



ANNUAL REPORT

2019



MTDC
MALDIVES TOURISM DEVELOPMENT CORPORATION LTD.

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Financial Highlights

Operations

	2016	2017	2018	2019
Income in USD	6,047,128	4,436,039	4,578,797	3,682,785
Operating Profit margin	64%	1%	39%	41%
Profit for the year in USD	4,521,588	(40,941)	1,537,905	1,238,925
Earnings per share	0.130	(0.001)	0.045	0.036
Dividend per share in MVR	-	-	-	-
Return on Equity	22.00%	-0.20%	7.04%	3.07%

Financial Position

	2016	2017	2018	2019
Cash & Bank balances in USD	2,551,668	2,162,189	2,357,661	370,461
Total Assets in USD	50,760,939	46,478,070	47,054,011	67,917,559
Total Net Asset per share in USD	1.50	1.40	1.38	1.99
Net Asset per share in USD	0.60	0.60	0.64	1.18

Market Performance

	2016	2017	2018	2019
Closing price in MVR	10	10	10	10
Year high in MVR	13	11	10	10
Year low in MVR	10	10	10	10
Market capitalisation in MVR	340873540	340873540	340873540	340873540

INFORMATION ABOUT THE COMPANY

COMPANY PROFILE

VISION

MTDC'S vision is to be the leading public corporation in the Maldives. Striving for excellence utilizing the expertise and financial capability of the company and to achieve better results than expected from the stakeholders and also gain macro and micro scale benefits from the tourism industry.

MISSION

MTDC's mission is to find different possible investment opportunities and use our assets to reap the best possible yield or profit hence boosting our shareholder's confidence and wealth. Today, MTDC is the only public corporation listed active in the Tourism Industry. Our target is to make the islands into eco-friendly resorts and give our guests a time of their lives that they will forever cherish. However in our business mission statement we do not identify ourselves as a company that will solely depend on one industry. On the contrary, we plan to diversify our investments. The reason for this is to give our shareholders the assurance that MTDC would always try and find different opportunities so as gain higher profits.

FINANCIAL GOALS

MTDC's goal is to find rewarding investment opportunities for every Maldivian citizen. With that mentality, every single employee of our organization comes to work every day. It is also with this mentality, different business transactions and negotiations are being held. And in order for this to happen, every obstacle and disagreements are handled with a smile, not to jeopardize the work we do.

DISCIPLINARY PRINCIPLES

In order to run the company the way we have, our directors and employees alike share a certain set of principles which we abide by.

1. Shareholder's rights are to be protected at all times.
2. Working with an open-mind.
3. Finding innovative methods to carry out the given task efficiently.
4. Respecting each other's differences.

5. Vouching for the truth and express opinion without any reluctance.

CORE PURPOSE

Maldives Tourism Development Corporation Plc (MTDC) is a Public Listed Company which was originally created by the government on 9th April 2006 to develop 15 islands, after which the general public would benefit from the profits made within the tourism industry

Registered Office

1st floor, G. Fathuruvehi

Buruzu Magu,

Male'

Republic of Maldives

Phone: +960 334 7766

Fax +960 334 7733

Email: info@mtdc.com.mv

Website: www.mtdc.com.mv

Registry number

C-280/2006

Legal Form

Public Limited Liability Company, Incorporated in Maldives at the Ministry of Economic Development under the company's Law no. 10/96.

Share Holding structure as at 31st December 2019

Shareholder group	Number of Shares	Rate per 10 MVR	%
Public	18,428,278	184,282,780	53
Government	15,659,076	156,590,760	47
Total	34,087,354	340,873,540	100
Authorized Share Capital	100,000,000	1,000,000,000	
Paid Up Capital	34,087,354	340,083,540	

Joint Venture of MTDC

Company Name	ENA Hotel Holding Company Pvt. Ltd.
Company Address	H. Aage, 2nd Floor, Boduthakurufaanu Magu, Male' City, Maldives
Type of Venture	Joint Venture
% of Shares owned by MTDC	20%

Listing

MTDC was listed in the Maldives Stock Exchange on 08th January 2007

Company Secretary

Ms. Mariyam Leena Ali

Auditors

KPMG,

Chartered Accountant,

2nd Floor, H.Mialani, Male', Maldives

Legal Advisors

Uz. Hussain Siraj
H. Merry Rose
Male'
Republic of Maldives

Uz. Ahmed Muizzu

Ma. Kaana
Male'
Republic of Maldives

Chairman's message



Dear Valued Shareholders,

On behalf of the Board of Directors of MTDC, I am pleased to present the Company's Annual report 2019.

A year ago, I announced that we will be focusing and working towards the company's progress, increased shareholder returns, and declaring dividends. We have planned and aligned our strategies and teams, towards delivering these goals and targets, to fulfill that promise.

Hence, the Financial Year 2019 gained better financial performance and improved ratios, though revenue and COGS has reduced in absolute figures due to implementation of IFRS 16 Lease. The Company has improved its Gross Profit margin from 58% to 66%. Net profit margin has reduced from 67% to 51%, due to increased administrative expenses, mostly due to increased activities to achieve our targets.

The coronavirus pandemic has clearly demonstrated the vulnerability of our globally interconnected economies. Although we are currently experiencing the painful consequences of containment and isolation measures, our outlook is positive, and I am happy to announce that we are working towards adding a new product to our portfolio of resorts this year.

While currently working towards extending the lease rights of our existing operational resorts, we are setting profitable goals for the years ahead, within the Real Estate Resorts segment. I believe these forward-looking and significant changes to the company's outlook and operations, will substantially increase shareholder value, in the near future.

On this positive note, and on behalf of the Board of Directors of MTDC, I would like to announce we are proposing to declare a dividend, for the financial year 2019.

Thank you.

A handwritten signature in blue ink, appearing to read 'Abdulla Faiz', with a long horizontal stroke extending to the right.

Abdulla Faiz

Chairman

Managing Director's message



Dear Shareholders,

It is with great pleasure that I consider 2019, as a successful year for the tourism industry of Maldives. This can be mainly attributed to the fact that, we recorded the highest number of in-bound tourist arrivals, as well as having opened additional resort establishments, which boosted the industry's activity levels and ultimately, strongly contributed to solid economic growth as well. I'm sure you are all well aware that the tourism industry is the most integral pillar of the Maldivian economy. As such, being stewards of planning and facilitating the sustainable development of this industry within this context, it is a great responsibility for us.

I am happy to note that in the relatively short time span I have been here thus far with the Maldives Tourism Development Corporation PLC., we have managed to achieve notable results and accomplishments that have helped to advance the Company. Looking back, we admittedly have had to face a lot of financial and other challenges in the past recent years. However, in 2019 the Company has made greater progress, having recorded a significantly more productive year, in more ways than one. Successful efforts on investing in human capital were made, including initiatives and training activities aimed at enhancing the competency levels of the Board of Directors, as well as enhancing the Company's general Management capabilities. The largest weightage of the Company's management efforts were directed towards the promotion and protection of its shareholders' rights and interests by implementing a culture of good corporate governance to run the Company. These contribute to my belief that 2019 was indeed a successful year for MTDC's operations in general.

Though absolute figures of 2019 have reduced compared to 2018, the profitability ratios of the year comparatively remain the same. The reduction is mainly due to income and expense recognition based on IFRS 16 Lease. Off balance sheet leased assets are being recorded in the Financial Statements resulting in significant changes to the company financial overview.

With reference to the operations on resorts development, our main efforts were placed on initiating the development of Naagoashi. We expect to begin the implementation steps of developing Hdh. Naagoashi as a

resort island within the calendar year of 2020. Progress on this project will directly benefit the H.Dh. region, it's communities, as well as the Company's shareholders and other stakeholders. Despite the financial challenges the Company faced during 2019, MTDC will conclude as a year that heralds more prosperous tidings and rejuvenation of solid hope for it's shareholders for a brighter future ahead with MTDC .

Our mission for the coming years involves structural transformations of the Company's operations, as well as redefining and refocusing our strategic objectives—all with the purpose of propelling the Company forward in ways second to none in Maldives. I understand that this is ambitious, and I am confident to note that there is and will be a focused directive to develop strategic initiatives and more viable business models for the purpose of achieving these transformations.

I would like to also note that the Government has provided a great deal of support in order to help the Company mitigate and overcome the challenges it faced in 2019. As such, on behalf of all the staff and the shareholders of the Company, I would like to give our most sincere thanks and gratitude to our beloved President of the Maldives Hon. Ibrahim Mohamed Solih, as well as all the other key Government institutions and personnel who have supported MTDC in moving forward.

A handwritten signature in blue ink, appearing to read 'Thazmeel Abdul Samad'.

Thazmeel Abdul Samad

Managing Director

Company Directors (From 1st January 2019- 31st December 2019)

Name	Position	Classification	Appointments and Resignations
Mr. Abdulla Faiz	Chairman	Independent/ Non-Executive	6 th February 2019- Current
Mr. Ali Nishan	Chairman	Independent/ Non-Executive	25 th August 2015- 6 th February 2019
Mr. Thazmeel Abdul Samad	Managing Director	Executive	24 th January 2019- Current
Mr. Ahmed Niyaz	Director	Executive	30 th June 2019-Current
Mr. Ibrahim Latheef	Director	Executive	30 th June 2019-Current
Mr. Arif Abdul Samad	Director	Independent/ Non-Executive	30 th June 2019-Current
Mr. Mohamed Janah	Director	Independent/ Non-Executive	6 th February 2019- Current
Mr. Mohamed Fathih	Director	Independent/ Non-Executive	6 th February 2019- Current
Ms. Asamy Rushdy	Director	Independent/ Non-Executive	30 th June 2019- Current
Mr. Abdulla Nisam	Director	Independent/ Non-Executive	30 th May 2018-30 th June 2019
Ms. Ameena Mohamed	Director	Independent/ Non-Executive	19 th December 2016-6 th February 2019
Ms. Fazly Abdul Wahaab	Director	Independent/ Non-Executive	25 th August 2015- 6 th February 2019

Ms. Aishath Fazeena	Director	Independent/ Non-Executive	30 th June 2019-Current
Mr. Abdulla Saeed	Director	Independent/ Non-Executive	30 th May 2018-30 th June 2019

Audit and Risk Management (From 1st January 2019- 31st December 2019)

Name	Position	Classification	Appointments and Resignations
Ms. Aishath Fazeena	Director	Independent/ Non-Executive	15 July 2019 – Current
Mr. Mohamed Fathih	Director	Independent/ Non-Executive	15 th July 2019 – Current
Mr. Abdulla Nisam	Director	Independent/ Non-Executive	11 th June 2018 – 30 th June 2019
Mr. Mohamed Janah	Director	Independent/ Non-Executive	15 th July 2019 – Current
Mr. Arif Abdul Samad	Director	Independent/ Non-Executive	11 June 2018 – 30 th June 2019
Ms. Asamy Rushdy	Director	Independent/ Non-Executive	15 th July 2019 – Current
Mr. Abdulla Saeed	Director	Independent/ Non-Executive	11 th June 2018 – 13 th February 2019

Nomination and remuneration committee (From 1st January 2019- 31st December 2019)

Name	Position	Classification	Appointments and Resignations
Mr. Arif Abdul Samad	Director	Independent/ Non-Executive	15 th July 2019 – Current
Ms. Aishath Fazeena	Director	Independent/ Non-Executive	15 th July 2019 – Current
Mr. Abdulla Nisaam	Director	Independent/ Non-Executive	11 th June 2018 – 30 th June 2019
Ms. Aameena Mohamed	Director	Independent/ Non-Executive	11 th June 2018 – 6 th February 2019
Mr. Mohamed Janah	Director	Independent/ Non-Executive	15 th July 2019 – Current
Ms. Fazly Abdul Wahaab	Director	Independent/ Non-Executive	11 th June 2018 – 6 th February 2019
Mr. Abdulla Saeed	Director	Independent/ Non-Executive	13 th February 2019 – 30 th June 2019

Corporate governance and compliance committee - (From 1st January 2019- 31st December 2019)

Name	Position	Classification	Appointments and Resignations
Ms. Asamy Rushdy	Director	Independent/ Non-Executive	15 th July 2019 – Current
Ms. Aishath Fazeena	Director	Independent/ Non-Executive	11 th June 2018 – 30 th June 2019

Mr. Arif Abdul Samad	Director	Independent/ Non-Executive	15 th July 2019 – Current
Mr. Mohamed Fathih	Director	Independent/ Non-Executive	15 th July 2019 – Current
Mr. Mohamed Janah	Director	Independent/ Non-Executive	13 th February 2019 – 30 th June 2019
Ms. Fazly Abdul Wahaab	Director	Independent/ Non-Executive	11 th June 2018 – 6 th February 2019
Mr. Abdulla Saeed	Director	Independent/ Non-Executive	11 th June 2018 – 30 th June 2019

INTRODUCTION OF DIRECTORS

Directors' Profiles



Mr. Abdulla Faiz

(Chairman, Non-executive Director)

Mr. Abdulla Faiz was appointed as a director of the board of MTDC representing the government, on 6th February 2019. He went on to be appointed as Chairman of the board on 13th February 2019. Mr. Faiz completed his Master of Business Administration (MBA) from the Australian Institute of Business (Australia). He has also been a life member of the Chamber of Commerce and Industry of SAARC since 2001. Additionally, he is a founding member of the Maldives National Chamber of Commerce and Industry, Maldivian Traders Association, Maldives Association for Construction Industries as well as Restaurant Association of Maldives. He has also served in the position of Chairman of the Board of State Trading Organization (STO), Managing Director of ADK Shipping and Trading, Company Director to the Chairman of Villa Trading Company as well as Secretary General of the National Chamber of Commerce.



Mr. Ali Nishan

(Chairman, Non-executive Director)

Mr. Ali Nishan was a director of the board of MTDC representing the government from 25th August 2015 to 6th February 2019. He was appointed as Chairman of the board on 22nd November 2016. He holds a Diploma in Information Technology. Mr. Nishan served as the Manager and Company Secretary of Namira Engineering and Trading Pvt Ltd from 2003 to 2010. Additionally, he served as a Finance Executive to the Singapore Airlines' office in Maldives and Member of the Board of Directors of Fisheries Maldives Limited from 2012 to 2013.



Mr. Thazmeel Abdul Samad

(Managing Director/ Executive Director)

Mr Thazmeel Abdul Samad was appointed as one of the directors of the board by the government on 24th January 2019 and appointed as the managing director on 31st January 2019. Mr Thazmeel Abdul Samad completed his Master's in Business Administration (MBA) in Anglia Ruskin University, UK. He was the former media coordinator and spokesperson for the Ministry of Home Affairs during the period 2014-2018. Moreover, during the period 2014-2018 Mr Thazmeel Abdul Samad was a member of the SAARC Information Center's Governing Board stationed in Nepal. Furthermore, between the years 2006 and 2014 he was the Assistant manager of Haveeru Daily. Mr. Thazmeel Abdul Samad had done Executive Development Program from Singapore Management University.



Mr. Ahmed Niyaz

(Deputy Managing Director/ Executive Director)

Mr. Niyaz was elected as a Director of the board on 30th June 2019 representing the public. He served as the Chairman of the Board of Directors at Maldives Transport and Contracting Company Pvt Ltd, as well as Chairman of the Board of Directors of State Trading Organization (STO). He completed his Master of Business Administration from Cardiff Metropolitan University and a Diploma in Directorship from the Singapore Institute of Directors of Singapore Management University. Mr. Niyaz completed his first

degree in the field of Political Science and Sociology. He also completed a Diploma in School Management after which he served as headmaster to some schools within the atolls. In addition to having served to the educational field as a skilled academic, he also completed several short courses and workshops from Project Management, Leadership Training and Director Trainings.

Mr. Arif Abdul Samad

(Non-Executive Director)



Mr Arif was elected as a Director of the board representing the public on 30th June 2019. He is the holder of a Master of Arts. He completed his first degree from the University of South Pacific, majoring in Tourism Studies, History and Politics. Mr. Arif has served in the educational field as a valuable academic for a number of years as well as completing an Executive Certificate in Directorship from the Singapore Institute of Directors of Singapore Management University.

Mr. Ibrahim Latheef

(Chief Financial Officer/ Executive Director)



Mr. Ibrahim Latheef was elected as a Director of the Board representing the public on 30th June 2019. He is an Association Certified Chartered Accountant who joined the company in December 2011 as a Financial Analyst. Later he had served as a Manager Finance, Acting Chief Financial Officer and from May 2017 onwards he has been serving as the Chief Financial Officer of MTDC PLC.



Ms. Fazly Abdul Wahaab

(Non-Executive Director)

Ms. Fazly Abdul Wahaab was a Director of the Board representing the government from 25th August 2015 to 6th February 2019. She holds a Master of Business Administration from the Unity College International. Ms. Fazly has fulfilled several managerial level positions at Wings Service Pvt Ltd from years 2008 to 2010 and 2013 to 2014.



Mr. Abdulla Nisam

(Non-Executive Director)

Mr. Nisam was a Director of the Board representing the public from 29th May 2018 to 30th June 2019. He completed his first degree, majoring in Accounting and Finance and a Master of Science in Audit Management and Consultancy. Mr. Nisam has actively served within the field of accounting and auditing for a number of years and is also a lecturer at the Business School of Maldives National University.



Ms. Ameena Mohamed

(Non-Executive Director)

Ms. Ameena Mohamed was a member of the Board from 19th December 2016 to 6th February 2019, representing the government. She completed her first degree from Limkokwing University of Creative Technology (Malaysia), majoring in Mass Communication and Multimedia. Ms. Ameena has been the Managing Director of Island Communication and Entertainment Pvt Ltd since 2012. She has also fulfilled several positions at Medianet between 2002 and 2012.



Ms. Aishath Fazeena

(Non-Executive Director)

Ms Aishath Fazeena was first elected to the board in August 2017 and since then she has been a non-executive director representing public shareholders. She has also served as a member of the Board of Directors of State Trading Organisation Plc and Maldives Trading and Contracting Company. She is currently a lecturer at the Maldives

National University, Business School.

Ms Aishath Fazeena holds Master of Business Administration (MBA) from the University of West England, Bristol, Associates of Chartered Certified Accountants (ACCA), a Bachelor's Degree in Applied Accounting from Oxford Brooks University, UK, and an Executive Diploma in Directorship from Singapore Management University, Singapore.

She has also taken part in several workshops and seminars in the area of management and governance.



Mr. Abdulla Saeed

(Non-Executive Director)

Mr. Abdulla Saeed was a Director of the Board representing the public from 29th May 2018 to 30th June 2019. He completed his Master of Business Administration from the Open University of Malaysia after the completion of his first degree from Maldives College of Higher Education, majoring in Information Technology. Mr. Saeed currently serves as the Chief Customs Officer since he joined Maldives Customs Service, 14 years ago.



Mr. Mohamed Janah

(Non-Executive Director)

Mr. Mohamed Janah was appointed to the Board on 6th February 2019 to represent the government. He holds an A.A.T, as well a Diploma in Computer Studies from Sri Lanka. He also completed the Securities Dealers/Stock Brokers Certificate by Capital Market Development Authority. Mr. Janah has been fulfilling some notable positions of Villa Shipping and Trading since 1996 and is currently their Chief Funds Executive.



Mr. Mohamed Fathih

(Non-Executive Director)

Mr. Mohamed Fathih was appointed to the Board on 6th February 2019 to represent the government. He completed his Diploma in Business from HELP University (Malaysia) and Bachelor of Commerce from Griffith University in Australia. Mr. Fathih also holds an Advanced Diploma in Accounting awarded by the Association of Accounting Technicians (A.A.T) of Sri Lanka. He has fulfilled notable positions within State Electric Company Limited (STELCO) between 1994 and 2011. He currently serves as the Manager (Administration) at Allied

Insurance Company.

Ms. Asamy Rushdy

(Non-Executive Director)



Ms. Asamy Rushdy was appointed as a member of the board of Directors on 30th June 2019 representing the public shareholders. She has been fulfilling different positions in Bank of Maldives since 2004. As of currently she is the Procurement Manager, Procurement Department in Bank of Maldives. Ms. Asamy holds a Masters in Business Administration which she completed from Cyryx College and she has completed Managerial skills training program. Moreover, she is a visiting lecturer of Institute for Security and Law Enforcement Studies (ISLES) College.

Appointments and resignation of Directors during the year 2019

- | | |
|----------------------------|--|
| 1. Mr Abdulla Faiz | 6 th February 2019 – Current |
| 2. Mr Ali Nishan | 25 th August 2015 – 6 th February 2019 |
| 3. Mr Thazmeel Abdul Samad | 24 th January 2019 – Current |
| 4. Mr Ahmed Niyaz | 30 th June 2019 – Current |
| 5. Mr Arif Abdul Samad | 30 th June 2019 – Current |
| 6. Mr Ibrahim Latheef | 30 th June 2019 – Current |
| 7. Ms Fazly Abdul Wahaab | 25 th August 2015 – 6 th February 2019 |
| 8. Mr Abdulla Nisaam | 30 th May 2018 – 30 th June 2019 |
| 9. Ms Ameena Mohamed | 19 th December 2016 – 6 th February 2019 |
| 10. Ms Aishath Fazeena | 30 th June 2019 – Current |
| 11. Mr. Abdulla Saeed | 30 th May 2018 – 30 th June 2019 |
| 12. Mr Mohamed Fathih | 6 th February 2019 – Current |
| 13. Mr Mohamed Janah | 6 th February 2019 – Current |
| 14. Ms Asamy Rushdy | 30 th June 2019 – Current |

PROFILE OF THE SENIOR MANAGEMENT

Mr Thazmeel Abdul Samad

(Managing Director)

Mr Thazmeel Abdul Samad was appointed as the managing director on 31st January 2019. Mr Thazmeel Abdul Samad completed his Master's in Business Administration (MBA) in Anglia Ruskin University, UK. Mr. Thazmeel Abdul Samad has completed multiple short courses in Board Directors skill programmes. He was a member of the SAARC Information Center's Governing Board stationed in Nepal from 2014-2018.

Mr. Ahmed Niyaz

(Deputy Managing Director)

Mr Ahmed Niyaz joined MTDC on 5th November 2007. He attended Cardiff Metropolitan University where he completed his Masters of Business Administration. Moreover, he completed a diploma in Directorship from Singapore Management University's Institute of Directorship. Furthermore, he also has Bachelors in Economics, Political Science and Sociology. Mr Ahmed Niyaz also has a diploma in School management and had spent over 10 years in the education sector, where he was headmaster of multiple schools in the Atolls. Aside from the above mentioned educational qualifications Mr Niyaz has completed multiple short courses in both Maldives and abroad in areas such as project management, leadership training and director's training.

Mr Ibrahim Latheef

(Chief Financial Officer)

Mr Ibrahim Latheef who has completed his Association Certified Chartered Accountants (ACCA) joined MTDC during 22 December 2011 as a financial analyst. He was promoted to Finance Manager in the year 2014, April 20th. On April 24th 2016 Mr Latheef was made the acting chief financial officer. And on 21st May 2017, Mr Latheef was appointed as the chief financial officer of MTDC.

Mr Islah Shareef

(Senior Manager, Corporate Affairs)

Mr Islah Shareef joined MTDC on 16th May 2006. He holds both a diploma and degree in Business Administration and has been working in the general administrations department for the past 14 years. Ever since joining MTDC as an administrator Mr. Islah Shareef has played an active part in ensuring the success of the both the first resort project and setup of MTDC's main office, giving all the administrative assistance needed. Moreover, when MTDC first sold its shares to the public Mr. Islah Shareef played a vital role in ensuring the process ran as smooth as possible, giving support from the administrative side.



*Mr. Ibrahim Latheef
Chief Financial Officer*

*Mr. Islah Shareef
Senior Manager, Corporate Affairs*

*Mr. Ahmed Niyaz
Deputy Managing Director*

*Mr. Thazmeel Abdul Samad
Managing Director*

Ms. Fathimath Thahany Shihab

(Senior Manager, Business Development)

Ms Thahany Shihab, who holds a Bachelor’s Degree in Manager Business, International Business and Marketing, joined MTDC on 1st April 2007. Since then, for the past 13 years she has been contributing and serving the company.

Mr. Fizan Abdulla

(Manager, Finance)

Mr. Fizan Abdulla has been with MTDC since November 21, 2006. He brings with him more than 15 years of experience in the field of Finance and Accounting. Prior to joining MTDC, Mr. Fizan worked in Maldives Airports Company Limited (MACL). He possesses a Bachelor’s Degree in Accounting and Finance from Maldives National University, and a Master of Science in Accounting and Financial Management from the University of West England.

Ms. Mariyam Leena Ali

(Company Secretary)

Ms. Mariyam Leena Ali has been with MTDC since April 1, 2013. She brings with her more than 16 years of experience in the field of Media. Prior to joining the team of MTDC, she worked with the team of Television Maldives (TVM) . Ms. Leena completed her Bachelor of Arts as well as Post Graduate Diploma in Business Administration from the University of Mysore.



*Ms. Mariyam Leena Ali
Company Secretary)*

*Mr. Fizan Abdulla
Manager, Finance*

*Ms. Fathimath Thahany Shihab
Senior Manager, Business Development*

2019 YEAR IN REVIEW

DIRECTORS' REPORT/COMPANY PERFORMANCE

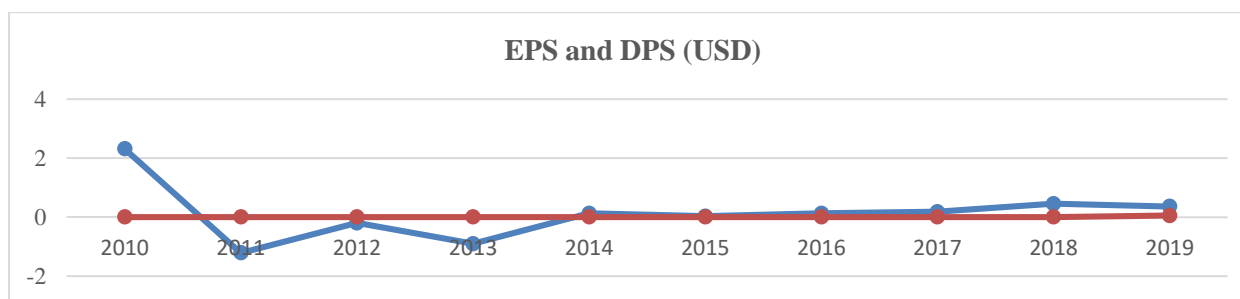
Financial Review 2019

Financial performance of the company improved remarkably in 2019, turning the accumulated loss of (USD 4.94 m until the end of 2018) to accumulated profit of USD 13.53 million by the end of the year. Significant portion (USD 17.23 m) of this resulted from application of IFRS¹ 16 – Leases, which became effective on 1 January 2019 while the balance resulted from the total comprehensive income (USD 1.24 m) earned during the year. Had the new standard not be applied the results would remain almost the same.

The company also achieved operational efficiency during 2019 by reducing operational costs by 3% (2018: USD 0.90 m vs 2019: 0.87m) and implementing a more prudent financial management resulting creating a fixed deposit of USD 4 m, which would be available for future expansion.

The board of directors decided to declare a dividend for the first time in 11 years as the business outlook is good and confident that the company can maintain a pay-out in the future. A dividend of MVR 0.50 per share is proposed by the board of directors despite the reduction in earnings per share from 4.5 cents (in 2018) to 3.6 cents in 2019.

Following chart shows the earnings per share and dividend per share during the past 10 years.



Profitability

The results of the company remained almost the same during the reporting year (compare to that of 2018) except for the effects on applying IFRS 16.

Following are major income measures during the 2 years and the reasons for the changes.

Item	2018	2019	change	Remarks
Revenue	4.58	3.68	-20%	
Gross profit	2.68	2.42	-10%	

Gross profit margin %	59%	66%	7%	Actual fund flow during the 2 years remained the same but the application of new IFRS resulted in changes to the figures presented.
Profit before tax	1.80	1.54	-14%	
Net profit	1.54	1.24	-19%	
Net Profit Margin %	34%	34%	-	

Figures are in USD million unless otherwise stated.

As stated before, had the new standard not be applied the results would remain almost the same.

Liquidity

Liquidity position of the company improved exceptionally during 2019 and the company closed the year with a sound liquid position of current ratio (and quick cash ratio) of 2.2:1. The company also placed USD 4 million on a fixed deposit investment.

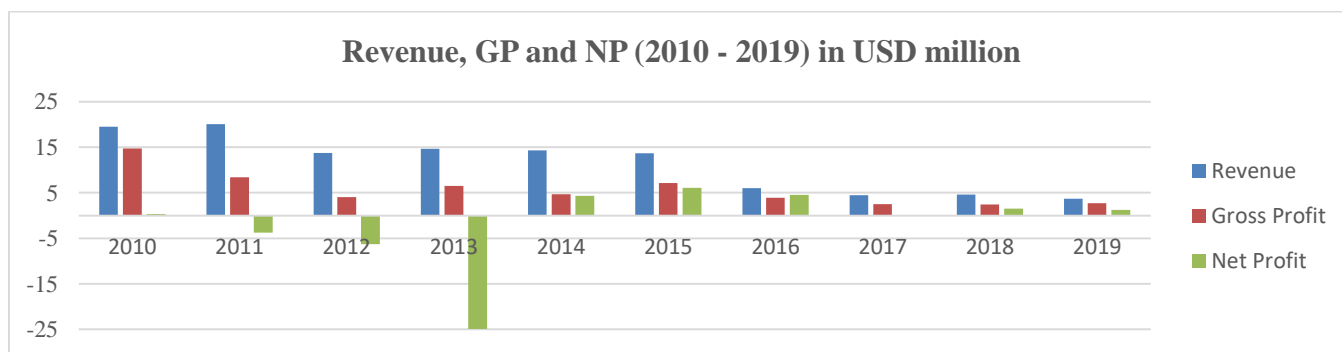
Financial Position

Apart from the healthy liquidity position, total assets of the company almost doubled during the year (2019: USD 69.87m vs 2018: USD 47.05m), while total liabilities increased only by only 17% ((2019: USD 29.55m vs 2018: USD 25.20). Net worth of the company increased by 84% as a result of application of the new accounting standard coupled with the increase in total comprehensive income.

Earnings per share and dividend per share

With the completion of a remarkable financial year(2019) and the positive business outlook, the management decided to declare a dividend of MVR 0.50 per share for the year, despite reporting a slightly lower earnings per share (2019: 3.6 cents vs 2018: 4.5 cents), which only resulted in the application of the new standard. The management is confident they can continue divined pay-out in future.

Following chart shows financial performance of the company for the past 10 years.



The sharp reduction in revenue since 2016 was as a result of sale of head lease rights of Emboodhoo Olhuveli..

¹ IFRS stands for International Financial Reporting Standards

Environment Protection

MTDC believes that the vulnerable environment of the Maldives and the tourism industry are interlinked. Hence, MTDC places high importance in taking the required precautionary measures when dealing with the projects to ensure the environment is not affected negatively in any way possible. Before any project is conducted in the subleased islands we send in a group of experts who collect data and analyze the potential threats it could cause to the environment and the construction is conceptualized based on their advice.

Company's Social Responsibility (CSR)

At MTDC we believe that upholding our responsibility to the community should always be prioritized. We aim to build a system through which the benefits and the profits are shared amongst the shareholders and to make it easily accessible for the general public to purchase the shares. Rather than focusing on something temporary and trivial, we aspire to build something that would be of a continuous benefit to the community. The reason MTDC was created was so that the public can get the benefits of the tourism industry.

Development of Resorts

While the tourism industry has benefited the majority of the population in more ways than one, MTDC is the first public corporation that strives to make the public more active in this industry and to open opportunities to make their engagement easier. The company came into existence on April 9th 2006 with the initiative of the government to ensure that opportunities are made easily accessible for the public to engage in the events of the tourism industry and for the benefits and profits to be shared by the public. It is with this idea in mind the corporation was created and is currently the only public limited company that is active inside the tourism industry to ensure that these needs are met.



1. Kihavah Huravalhi

Kihavah Huravalhi is an island where a 5 star resort is currently operating under sublease contract from MTDC. The project was carried out after subleasing the island, contract being made with an International company from Thailand called Minor International Labuan Ltd. The sublease contract was signed on 23rd October 2007. The project was finished on 2010 and a 5 star resort under the name Anantara Kihavah was opened.



2. Gdh. Magudhuva

Gdh. Magudhuva in Huvadhu Atoll is an island subleased and built as a 5star resort destination for tourists. It was subleased to a Turkish company named Ahmet Aydenes on 24th October 2007. With the contract finished and the project completed on 2011, a 5 star resort named Ayada Maldives was opened.



3. Hdh. Naagoshi

Naagoashi is an island being developed in the Eastern Thiladhunmathi (Haa Alif Atoll) region of Maldives. Approximately 37% of the work on the island has been completed, with the capacity of a 600 bed resort at 5 star standard. A sub-lease agreement was signed with 3K International Private Limited on 5th December 2007 for the development works. The agreement was terminated on the grounds of the incomplete renovations and failure to pay the agreed rental amount to MTDC. Due to the failure to complete the project, the head lease for Naagoashi was terminated in November 2016. Naagoashi was once again handed over to MTDC for 50 years under a settlement agreement signed with the government on 13th July 2017. Until 2018, the company was trying to sell the property and with the new management from 2019 onwards the Company has been negotiating the terms with the government, and concurrently the company is trying to find a suitable party to develop Naagoashi in collaboration with MTDC.

Corporate Governance

MTDC is continuously trying to implement the principles of corporate governance into the work environment to ensure that the work is done diligently in a responsible and a transparent way.

Ensuring that work is done according to the company's law, Corporate Governance Code, Listing Rules, CDOI regulations in a fair way ensuring the rights of all our stakeholders are protected which is always a priority of the board of Directors.

The duty of the shareholders of MTDC is to elect the board of Directors and Auditors and to ensure their actions and decisions are in accordance to the company's laws and principles, respecting the right of the stakeholders and shareholders alike.

The company's board of directors are selected according to the company's operational law which states that the board of directors will consist of 9 directors of which government will appoint 4 directors and the shareholders will choose 5. This means that the company does not have the full power to elect an additional executive member to the board not including the Managing Director.

Moreover, the process to appointing a Managing Director and a Chairman is that amongst the 4 directors appointed by the government. Names of the nominations for the post of Managing Director and Chairman will be handed over to the company's Nomination and Remuneration committee to analyze and research their qualifications and whether the 2 members recommended by the government are fit to be Managing Director and Chairman. And taking their analysis into consideration the members will only be appointed if the board of directors sees them as fit for the position.

MTDC is proud of the fact that we have abided by all the rules and regulations of the corporate governance code during the year 2019. In order to achieve this milestone MTDC had set an internal control system. Moreover in order to appoint external auditors and internal auditors the full support of the Audit Committee was given to the board.

The reason that Nomination and Remuneration acts as a single committee is because the responsibilities of both committees are similar. Non-Executive Directors are briefed about the ideologies and vision of the main shareholders during the first day of being appointed. Currently no ED serves as a NED in any Company.

Conflict of Interest

In accordance to the conflict of interest policy, if any immediate family member of the Director holds a share in any other company this information must be shared within the company. It is the duty of the Company Secretary to ensure this information is noted and made aware of.

Responsibilities of the Board

According to the Company's law, Corporate Governance, Listing Rules, CDOI regulations and the Maldives Financial Security law, it is the responsibility of the board to do what is necessary, above and beyond the set regular meetings to attain the objectives of the company. Moreover to ensure the rights of the shareholders are protected, to set a business plan and financial plan for the company, finding the investors to achieve the basic fundamental needs of the company, searching ways to increase the annual dividend of the shareholders and to find solutions for potential problems and threats for the company by creating an internal control system are some of the highlighted responsibilities of the board. The decisions made by the board are used to make the decisions affecting the company, and it is these decisions that the senior management will bring a practical implementation to.

Appointing MTDC's board of directors

According to the company's operational law the board of directors include a total of 9 directors of which 4 are appointed by the government and the remaining 5 are appointed through a vote during the Annual General Meeting (AGM) by the shareholders. The directors appointed by the government are selected by the Privatization and Corporation Board. Currently, MTDC employs 4 directors appointed by the government and 5 elected by the shareholders. We would also like to highlight that 2 amongst the 9 directors are female. During early 2019 there were 2 female directors appointed by the government, however currently the 2 female directors were both elected by the shareholders. There is no specific policy created about gender diversification amongst the directors of the Corporation. However we do follow the gender diversity in the corporate governance code established. And there has been no service contract created with any directors of the Company.

Responsibility of the Chairman

The Chairman's responsibility is following the company's laws, in accordance with the laws set to complete his term as the highest authority of the company and the board of directors and fulfill his duties.

Responsibility of the Managing Director

Run the daily operations of the company according to the decisions made by the board of directors and take responsibility to ensure the tasks assigned are completed.

Business negotiations held between a majority share-holder

While the government of the Maldives is the main share-holder of MTDC, there have been no business negotiations and transactions held between companies the government has 100% shares in and majority shares in.

There is no debt security for the company's directors. And during this year no interest capitalization. Furthermore there has not been any compensation payable contract made between any directors and the company. And no investments have been made that would personally benefit any directors. Moreover it is important to highlight that as of today, there has not been any contract of any sorts made between any shareholders.

There have not been any borrowings, or any capitalized interests in the past year. And no director and Chief Executive have been given the opportunity to receive any securities from any company of their subsidiaries.

Salaries and Allowances of Directors and Senior-management

The wages and salaries of the Directors and the Senior-management consists of both basic salary and a fixed allowance. The salaries are set considering the allowances given to the employees of the industry in accordance with the advice from the Nomination and Remuneration committee. During the year 2019, the total expenditure for salaries and allowances for the board of directors was MVR 1,258,194. The allowances are set such that, the directors get a director's fee worth MVR 9,300 and sitting allowance of MVR 500. This allowance should not exceed MVR 1,500 per month. The person appointed as the Chairman of the board will get a total allowance of MVR 15,800. The members of the sub-committees (Audit and Risk Management committee, Nomination and Remuneration committee and Corporate

Governance and Compliance committee) will get a sitting allowance of MVR 500 for each sitting not exceeding MVR 1500 per month.

Before 15th July 2019, each Director was given an allowance of MVR 10000 and MVR 1000 per sitting of the Board and the committees.

Employees of the company are paid in basic salary and an allowance, considering the job market and the standard rules set when paying their employees. Considering that framework, any external allowances such as bonuses and giving the company shares to their employees as remuneration has not been approved. There has been a separate agreement created with the employees and MTDC regarding being made redundant and the notice applicable, the remuneration in such a case the employee is being let go in accordance with the rules and set guidelines of the employment laws.

Total Salary of Directors for the year 2019

Name	Position	Classification	1 st January 2019 – 31 st December 2019 Total Salary (MVR)
Mr. Abdullah Faiz	Chairman	Independent/ Non-Executive	176665.05
Mr. Ali Nishan	Chairman	Independent/ Non-Executive	20214.38
Mr. Thazmeel Abdul Samad	Managing Director	Executive	119719.34
Mr. Ahmed Niyaz	Director	Executive	128138.70
Mr. Ibrahim Latheef	Director	Executive	60638.70
Mr. Arif Abdul Samad	Director	Independent/ Non-Executive	137638.70
Mr. Mohamed Janah	Director	Independent/ Non-Executive	120853.15
Mr. Mohamed Fathih	Director	Independent/ Non-Executive	119853.15

Ms. Asamy Rushdy	Director	Independent/ Non-Executive	63638.70
Mr. Abdulla Nisam	Director	Independent/ Non-Executive	75000
Ms. Ameena Mohamed	Director	Independent/ Non-Executive	15142.90
Ms. Fazly Abdul Wahaab	Director	Independent/ Non-Executive	15142.90
Ms. Aishath Fazeena	Director	Independent/ Non-Executive	133638.70
Mr. Abdulla Saeed	Director	Independent/ Non-Executive	72000

Directors are given the basic salary and if they attend the board meeting a MVR 500 allowance and if they attend a committee meeting a MVR 500 allowance. Both the allowances are capped at 1500 MVR regardless of the number of board meetings and cabinet meetings the director attends. There is no policy to give any directors neither a performance incentive nor a severance fee. And there is no service contract made.

Total Remuneration given to members of the senior management for the year 2019

Members of the senior management are given a basic salary, phone allowance and a fixed allowance. During the year 2019, the total expenditure spent as salaries and allowances for senior management employees totaled to MVR 2775887.68

Shares owned by Members of the board of directors as of 2019.

Name	Position	Classification	Director's Share
Mr. Abdulla Faiz	Chairman	Independent/ Non-Executive	Nil
Mr. Ali Nishan	Chairman	Independent/ Non-Executive	Nil
Mr. Thazmeel Abdul Samad	Managing Director	Executive	Nil
Mr. Ahmed Niyaz	Director	Executive	550
Mr. Ibrahim Latheef	Director	Executive	1100
Mr. Arif Abdul Samad	Director	Independent/ Non-Executive	1650
Mr. Mohamed Janah	Director	Independent/ Non-Executive	28600
Mr. Mohamed Fathih	Director	Independent/ Non-Executive	1100
Ms. Asamy Rushdy	Director	Independent/ Non-Executive	308
Mr. Abdulla Nisam	Director	Independent/ Non-Executive	550
Ms. Ameena Mohamed	Director	Independent/ Non-Executive	2200
Ms. Fazly Abdul Wahaab	Director	Independent/ Non-Executive	Nil
Ms. Aishath Fazeena	Director	Independent/ Non-Executive	50

Mr. Abdulla Saeed	Director	Independent/ Non-Executive	788
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Director's Attendance

There were 15 Board meetings during 2019. And 2 Non executive Directors meetings were held in which all the NED's attended the two meetings.

Name	Position	Classification	1 st January 2019 – 31 st December 2019's Attendance
Mr. Abdullah Faiz	Chairman	Independent/ Non-Executive	13/13
Mr. Ali Nishan	Chairman	Independent/ Non-Executive	2/2
Mr. Thazmeel Abdul Samad	Managing Director	Executive	14/14
Mr. Ahmed Niyaz	Director	Executive	15/15
Mr. Ibrahim Latheef	Director	Executive	6/8
Mr. Arif Abdul Samad	Director	Independent/Non-Executive	15/15
Mr. Mohamed Janah	Director	Independent/ Non-Executive	13/13
Mr. Mohamed Fathih	Director	Independent/ Non-Executive	13/13
Ms. Asaamy Rushdy	Director	Independent/ Non-Executive	8/8

Mr. Abdulla Nisam	Director	Independent/ Non-Executive	7/7
Ms. Ameena Mohamed	Director	Independent/ Non-Executive	2/2
Ms. Fazly Abdul Wahaab	Director	Independent/ Non-Executive	2/2
Ms. Aishath Fazeena	Director	Independent/ Non-Executive	14/15
Mr. Abdulla Saeed	Director	Independent/ Non-Executive	7/7

No Service contracts with a director proposed for election at next AGM were made in the year 2019. No such contract of significance subsisting during or at the end of the accounting period in which a director of the issuer or of any subsidiary was materially interested, either directly or indirectly. Also, no contract of significance between the issuer or any of its subsidiaries & a substantial shareholder or any subsidiaries were made. And no contract of significance for the provision of services to issuer & its subsidiaries by a substantial shareholder or any subsidiaries were made.

There were no major operations or subsidiaries during the financial year and there were no State subsidiary. Also there was no State Company's borrowing, no state interest capitalized by the issuer and its subsidiaries during the year.

There is no direct & indirect interests of each director and chief executive of the issuer in the equity or debt securities of the issuer or any subsidiary.

System to deal with complaints

The employees at MTDC have the option of sending anonymous letters to the board meetings in regards to an issue or complaint.

External Auditors

During the year 2019 the entire external auditing of MTDC was conducted by KPMG. They have not been affiliated with MTDC in any other projects and have not worked for any other cause besides external auditing.

Policy of Internal Control

The policy of Internal Control in MTDC has been created in such a way that would reduce the risk of creating new policies and achieving them. The aim of creating an internal control system is so that we would be able to identify potential threats and risk continuously and being able to tackling it beforehand. Company's internal audit function is outsourced and conducted annually due to less operations. However for the year 2019, it was unable to complete internal audit due to the Covid-19 pandemic lockdown.

Interaction between the Company and its shareholders

The company believes it is of utmost importance that there is a healthy interactive exchange of information between the company and its shareholders. So in order to be transparent and to provide the information about the company to its shareholders the information is published in the Gazette and in the company's website and announced via the media. And also in accordance to the laws of Capital Market Development Authority's security being released, MTDC announces its quarterly reports every year and also gives the shareholders the full right to question the current board of directors and senior management during the Annual General Meeting (AGM).

Sub-committees of the board of directors

In accordance to the corporate governance code, MTDC's board of directors are divided into the following sub-committees.

1. Nomination and Remuneration Committee
2. Audit and Risk management Committee
3. Corporate governance and Compliance Committee

According to the corporate governance code, taking into consideration the number of directors on the board, the Nomination and Remuneration has been decided to be made a single committee. There have been individual charters created for the committees, all given a name respective of their committee, (Nomination and Remuneration charter, Audit committee charter and Corporate Governance and Compliance charter) and are uploaded to the website so the shareholders are able to see it.

Looking into the details of the job description of the directors and what they do in the meetings conducted amongst them, they identify the current situation of the company as well as the financial status and look and discuss ways to improve the current condition and come about a decision on how the company will progress forward. And the decisions made are made to benefit the company and its shareholders alike.

In the meeting they discuss about the problems faced and how we can tackle them, employing people in order to run the business more efficiently and also give advice and discuss ways we can build and improve the islands leased out by the government. The decisions the board members come to are often always overlooked by the sub-committees and their advice are taken into consideration. The same way advice from lawyers and professionals on the matter are taken into consideration whenever coming into a decision or conclusion.

Some of the decisions they make include, regarding the budget, regarding the assets of the company and the introduction of a senior post needed for the company. The decisions made by the board are discussed with the senior management, the people who later on implement them into the work force.

During 2019, the performance of the members of the board of directors were evaluated, such being the Chairman, Directors, committees and the Company Secretary.

Statement by the Nomination and Remuneration committee

Main tasks and responsibilities of the Nomination and Remuneration committee:

This committee was created to assist the board of directors in completing their duties and responsibilities.

The main responsibilities of the committee include:

- Assist in the recruitment of new directors and check the competing applicants have the necessary skills, experience or academic qualification to be eligible for the post.
- Check whether the board has been appointed according to the Company's Articles and continuously checks the work progress of the directors.
- Help establish the process through which Executive posts are to be hired and the standard needed to be filled by someone who is going to be appointed to such a role.
- Advice on the salary and allowances of Directors, Chief Officers and other senior management positions.

The nomination and remuneration's charter will be available to download in the company's website.

Formation of the committee

The committee is made up of 3 non-executive members. The members are given a sitting allowance of MVR500 per session/meeting. Other senior members of the management are welcome to join the session/meeting if they want to input any valuable information or advice.

Nomination and Remuneration Committee

Name	Position	Classification	Appointments and Resignations
Mr. Arif Abdul Samad	Director	Independent/ Non-Executive	15 th July 2019 – Current

Ms. Aishath Fazeena	Director	Independent/ Non-Executive	15 th July 2019 – Current
Mr. Abdulla Nisaam	Director	Independent/ Non-Executive	11 th June 2018 – 30 th June 2019
Ms. Ameena Mohamed	Director	Independent/ Non-Executive	11 th June 2018 – 6 th February 2019
Mr. Mohamed Janah	Director	Independent/ Non-Executive	15 th July 2019 – Current
Ms. Fazly Abdul Wahaab	Director	Independent/ Non-Executive	11 th June 2018 – 6 th February 2019
Mr. Abdulla Saeed	Director	Independent/ Non-Executive	13 th February 2019 – 30 th June 2019

During the year 2019 there has been a total of 7 meetings held for the Nomination and Remuneration committee

Name	Position	Classification	Attendance between 1 st January 2019 – 31 st December 2019
Mr. Arif Abdul Samad	Director	Independent/ Non-Executive	7/7
Ms. Aishath Fazeena	Director	Independent/ Non-Executive	2/2
Mr. Abdulla Nisam	Director	Independent/ Non-Executive	5/5
Ms. Ameena Mohamed	Director	Independent/ Non-Executive	1/1
Mr. Mohamed Janah	Director	Independent/ Non-Executive	5/5

Ms. Fazly Abdul Wahaab	Director	Independent/ Non-Executive	1/1
Mr. Abdulla Saeed	Director	Independent/ Non-Executive	3/3

The company's Chairman is selected amongst the 4 directors appointed by the government. That is why this position is not available for the public to apply for.

Currently all the employees at MTDC are permanent staffs. However the foreign employees work under a contract. The allowance of giving the shares of the company to its employees or it being available for purchase for them is not currently available.

In the case of both a staff leaving the company or being let go, there should be at least 2 months prior notice given.

All personnel selected as a member of the senior management will be interviewed by the Nomination and Remuneration committee as a part of hiring them. The board, directors and committee will assess the interview based on the criteria given by the management. For people applying to the board of directors, it is checked whether they are fit and capable for the role since 2015.

Committee's Actions

Actions taken by the committee during 2019

- Establish the mainframe for salaries and allowances for employees and give advice regarding it.
- Check the eligibility and application of candidates who applied for the position of directors amongst the general shareholders.

The remuneration package of the employees consists of salary and allowances which were made referring to the laws and how the people in the industry and such are paid. A special bonus or share of the company is not given as a part of the remuneration package. These are made taking into consideration about the employment laws in Maldives. Each individual employee and MTDC will have a separate employment contract highlighting the procedures that will be carried out in the case the employee are being made redundant, the notice period, any forms of compensation etc.

Likewise, there is no performance linked incentive or severance fee that is paid to the directors. Moreover there is no service contract made.

The remuneration package in detail inclusive of all allowances of executive directors are not public, this is because of the heavy competition in the market and the possibility of a competitor offering better deals and taking them is present. However the salary of the executive directors will be mentioned.



Arif Abdul Samad

Chairman

Nomination and Remuneration Committee

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Statement by Audit and Risk Committee

Main duties and responsibilities of the Audit and Risk Committee

This committee was created to help the board of directors achieve their goals and targets. The main responsibilities of the committee include:

- Maintain company's financial records, internal control, and protecting the rights of the shareholders.
- Ensuring a healthy communication amongst the senior management, Board of directors, Internal and External Auditors.
- Check the integrity and transparency of the work done by the internal and external auditors.
- Check whether the company is abiding the law and be on the lookout for potential losses and being vary and advising the board on how to overcome them.

The charter of audit and risk committee will be available in the website.

Formation of the Audit and Risk Committee

The committee consists of 4 non-executive directors. The members are given a sitting allowance of MVR 500 per meeting/session. Other members of the senior management and board are welcome to join the sessions/meetings to input their knowledge and expertise.

Members of the Audit and Risk Committee

Name	Position	Classification	Appointments and Resignations
Ms. Aishath Fazeena	Director	Independent/ Non-Executive	15 July 2019 – Current

Mr. Mohamed Fathih	Director	Independent/ Non-Executive	15 th July 2019 – Current
Mr. Abdulla Nisam	Director	Independent/ Non-Executive	11 th June 2018 – 30 th June 2019
Mr. Mohamed Janah	Director	Independent/ Non-Executive	15 th July 2019 – Current
Mr. Arif Abdul Samad	Director	Independent/ Non-Executive	11 June 2018 – 30 th June 2019
Ms. Asamy Rushdy	Director	Independent/ Non-Executive	15 th July 2019 – Current
Mr. Abdulla Saeed	Director	Independent/ Non-Executive	11 th June 2018 – 13 th February 2019

In the year 2019, there was a total of 6 meetings held. And every discussion made in the committee was brought upon the attention of the Board of Directors. To ensure the shareholders know about the work done, the audit report was made public last year.

Attendance of the Audit and Risk Committee

Name	Position	Classification	Attendance between 1 st January 2019 – 31 st December 2019
Ms. Aishath Fazeena	Director	Independent/ Non-Executive	6/6
Mr. Mohamed Fathih	Director	Independent/ Non-Executive	5/5
Mr. Abdulla Nisam	Director	Independent/ Non-Executive	3/3
Mr. Mohamed Janah	Director	Independent/ Non-Executive	3/3

Mr. Arif Abdul Samad	Director	Independent/ Non-Executive	3/3
Ms. Asamy Rushdy	Director	Independent/ Non-Executive	3/3
Mr. Abdulla Saeed	Director	Independent/ Non-Executive	1/1

Main activities of the Audit Committee

Highlights of 2019

- Check and revise the financial reports and statements of 2019.
- Hire an internal auditor and make the necessary arrangements to pay them.
- Recommend an external auditor to the Board of Directors.
- Check and revise the quarterly financial records and year end statements.
- Revise the company’s overall risk management and advice the board about the necessary amendments needed
- Reviewing the budget

Aishath Fazeena

Chairperson

Audit and Risk Management Committee

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Statement by the Corporate Governance and Compliance Committee

Main rules and responsibilities of the committee:

This committee was created to help the board of directors achieve their goals and vision within the company. The main responsibilities include:

- Ensuring the company is following the corporate governance code
- Advise the committees and the board about the best practices of corporate governance
- Ensuring the board and other committees check the charters annually and upgrade and make relevant changes
- Maintain the dividend sharing policy of the company
- Make sure the assessment and evaluation of the board is being carried out accordingly
- Check whether the newly appointed board members are given the orientation and the necessary trainings conducted by the N.R committee.
- Assure the information about the company is being given to the newly appointed members of the board

The full Charter of Corporate Governance and compliance committee will be available on MTDC's website.

Formation of the Corporate Governance and Compliance committee

The committee consists of 3 non-executive directors. The members are given a sitting allowance of MVR500 per meeting/session. Other members of the senior management and board are welcome to join the sessions/meetings to input their knowledge and expertise.

Members of the Corporate Governance and Compliance Committee

Name	Position	Classification	Appointments and Resignations
Ms. Asamy Rushdy	Director	Independent/ Non-Executive	15 th July 2019 – Current

Ms. Aishath Fazeena	Director	Independent/ Non-Executive	11 th June 2018 – 30 th June 2019
Mr. Arif Abdul Samad	Director	Independent/ Non-Executive	15 th July 2019 – Current
Mr. Mohamed Fathih	Director	Independent/ Non-Executive	15 th July 2019 – Current
Mr. Mohamed Janah	Director	Independent/ Non-Executive	13 th February 2019 – 30 th June 2019
Ms. Fazly Abdul Wahaab	Director	Independent/ Non-Executive	11 th June 2018 – 6 th February 2019
Mr. Abdulla Saeed	Director	Independent/ Non-Executive	11 th June 2018 – 30 th June 2019

During the year 2019 there was a total of 2 meetings held by this committee

Attendance of the Corporate Governance and Compliance Committee

Name	Position	Classification	Attendance between 1 st January 2019 – 31 st December 2019
Ms. Asamy Rushdy	Director	Independent/ Non-Executive	1/1
Ms. Aishath Fazeena	Director	Independent/ Non-Executive	1/1
Mr. Arif Abdul Samad	Director	Independent/ Non-Executive	2/2
Mr. Mohamed Fathih	Director	Independent/ Non-Executive	2/2

Mr. Mohamed Janah	Director	Independent/ Non-Executive	No meetings during his term
Ms. Fazly Abdul Wahaab	Director	Independent/ Non-Executive	No meetings during her term
Ms. Ameena Mohamed	Director	Independent/ Non-Executive	No meetings during her term
Mr. Abdulla Saeed	Director	Independent/ Non-Executive	1/1

Main activities of Corporate Governance Compliance Committee

Highlights of 2019

- Checking whether the newly appointed board members have received their orientation
- Checking whether the trainings set by N.R Committee have given to the directors
- Ensuring whether the company is complying with the necessary laws and regulations (Corporate governance code, Listing rules, CDOI Regulations)
- Checking whether the other committees are complying and following their charters
- Making sure the company is following the principles of corporate governance
- Revising the 2019 Yearly report to ensure it meets the required guidelines of corporate governance.

Ms. Asamy Rushdy

Chairperson

Corporate Governance and Compliance Committee

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Future plans and goals of MTDC

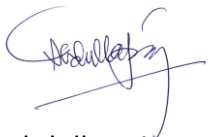
Resolving the internal conflicts has resulted in a great decrease in expenditure for the company. And we, inclusive of all board members and employees want to ensure all shareholders that we are striving to be a profitable company, one which our shareholders would have complete faith in and is more successful in the long run. Moreover we ensure that we will be working with all relevant parties to overcome the barriers of trade affecting our business both directly and indirectly. And if we are able to overcome these barriers we are certain that working under the business plan established we will certainly turn out to be a profitable and rewarding company.

In order to achieve the goals mentioned above we are working relentlessly. And starting from next year, implementing a new business model to ensuring that we become a financially recognized company is the target. And that is the assurance we want to give our fellow shareholders.

Director's Oath

We want to ensure the work we have done during the year 2019, is in accordance to the corporate governance rules, listing rules, security act and within the company's rules and regulations. And after revising the financial reports and statements, all relevant information has been made available to the shareholders.

Company's revenue statement, balance sheet, shareholders dividend, the changes made to how the dividend is paid, the company's expenditure all are made according to the International financing reporting standard. And in making the yearly report if there is any relevant or important information it will be explained in the report. And after the date of balance sheet being made, there has not happened anything through which a change had to be made to the numbers.



Abdulla Faiz

Chairman



Thazmeel Abdul Samad

Managing Director

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2019**

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31ST DECEMBER 2019

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Independent Auditor's Report To the Shareholders of Maldives Tourism Development Corporation PLC

Qualified Opinion

We have audited the accompanying financial statements of Maldives Tourism Development Corporation PLC ("the Company"), which comprise the statement of financial position as at 31st December 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information set out in pages 9 to 38.

In our opinion, except the possible effects of the matters described in the *Basis of Qualified Opinion* paragraph, the financial statements give a true and fair view of the financial position of the Company as at 31st December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Qualified Opinion

As disclosed in Note 14 to the Financial Statements, the Company has recognized USD 20,000,000/- as investment property in relating to the lease hold improvements of Hdh.Naagoashi island as at 31st December 2019. However, an impairment assessment as required by IAS 36 was not performed as at 31st December 2019. In addition to that, the existing lease arrangement with respect to Hdh.Naagoashi was not considered when adopting the IFRS 16 due to ongoing discussion with the Government of Maldives. As a result, we were unable to determine whether any adjustments might be required to these financial statements for the year ended 31st December 2019.

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

Emphasis of Matters

(I) Contingent Liabilities

We draw attention to Note 30.2 to the financial statements, which describes the possible effects of Government fines on some of the head lease payments. Our opinion is not modified in respect of this matter.

(II) Impact of Covid 19

We draw attention to Note 31 of the financial statements, which describes that the sublessees have temporarily suspended their operations with effect from 1st April 2020. As the outbreak is ongoing, the potential impact of COVID 19 is subject to significant levels of uncertainties which are often outside of the Company's control with the full range of possible effects are unknown. However, our opinion is not modified in respect of this matter.

Key Audit Matters

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

IFRS 16 – Leases (Transition adjustment)

(Refer to the significant accounting policies in Note 3 and Note 4.11 to the financial statements).

Risk Description	Our Response
<p>IFRS 16 – Leases' became effective for annual reporting beginning on or after 1st January 2019 which introduced a single, on-balance sheet accounting model for lessees.</p> <p>The initial application of IFRS 16 gave rise to a net investment in sub lease of USD 44,913,009/, retained earnings of USD 17,227,738/-, lease liability of USD 15,059,899/- and Deferred tax assets of USD 2,193,382/- as at 1st January 2019.</p> <p>The Company applied the modified retrospective approach for the transition accounting.</p> <p>Impact assessment of IFRS 16 is significant to our audit, as the balances recognized in the financial statements are material, policy selection required for the new accounting policy, the implementation process to identify and process all relevant data associated with the leases is complex and the measurement of net investment in sub lease and lease liability is based on assumptions such as discount rates (incremental borrowing rate) and the lease terms, including termination and renewal options.</p> <p>The adjustments arising from applying IFRS 16 are material to the Company's financial statements and related disclosure of impact is a key focus area in our current year audit.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> - Reviewing the contracts to assess whether all the leases have been appropriately identified as per the IFRS 16 requirements and considered the appropriateness of the transition approach and practical expedients applied. - Evaluating the appropriateness of selection of accounting policies based on the requirements of IFRS 16, our business understanding and industry practice. - Assessing whether transition gave rise to any indicators of management bias by evaluating the reasonableness of management's key judgements and estimates made in preparing the transition adjustments. - Evaluating the completeness, accuracy and relevance of data used in preparing the transition adjustments as at 1st January 2019. - Engaging internal experts to assess the reasonableness of the assumptions used by the management. - Checking the mathematical accuracy of the transition adjustments. - Assessing the adequacy of the key disclosures in the financial statements.

Other Matter

The financial statements of the Company for the year ended 31st December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 27th April 2019.

Other Information

The Board of Directors (the "Board") is responsible for the other information. The other information comprises the information included in the annual report, but does not include financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board.

Responsibilities of the Board of Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of these 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.



Independent Auditor's Report

To the Shareholders of Maldives Tourism Development Corporation PLC (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is R.W.M.O.W. Duminda B. Rathnadiwakara.

Chartered Accountants

29th June 2020

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**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31ST DECEMBER		2019	2018
	Note	US\$	US\$
Revenue	6	3,682,785	4,578,797
Cost of Operations	7	(1,266,772)	(1,902,717)
Gross Profit		<u>2,416,013</u>	<u>2,676,080</u>
Other Income	8	403,995	-
Administrative Expenses		(857,377)	(872,584)
Provision for Impairment on Lease Rental Receivables	15.1	(445,318)	-
Results from Operations		<u>1,517,313</u>	<u>1,803,496</u>
Finance Income	9	19,058	-
Profit Before Tax	10	<u>1,536,371</u>	<u>1,803,496</u>
Tax Expense	11	(297,446)	(265,591)
Profit for the Year		<u>1,238,925</u>	<u>1,537,905</u>
Other Comprehensive income for the Year		-	-
Total Comprehensive Income for the Year		<u><u>1,238,925</u></u>	<u><u>1,537,905</u></u>
Basic Earnings Per Share	12	0.036	0.045

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 9 to 38. The Report of the Independent Auditor is given on pages 1 to 4.

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF FINANCIAL POSITION**

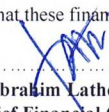
AS AT 31ST DECEMBER

	Note	2019 US\$	2018 US\$
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	13	39,379	41,599
Investment Property	14	20,000,000	20,000,000
Net Investment in Sub lease	15	41,634,172	-
Lease Rent Equalization - Sub lease	16	-	24,472,078
Deferred Tax Assets	11.2	2,096,306	-
Total Non-Current Assets		<u>63,769,857</u>	<u>44,513,677</u>
Current Assets			
Net Investment in Sub lease	15	1,708,807	-
Other Receivables	17	6,061	42,835
Investment in Fixed Deposit	18	4,019,058	-
Tax Receivables	19	-	139,838
Cash and Cash Equivalents	20	370,461	2,357,661
Total Current Assets		<u>6,104,387</u>	<u>2,540,334</u>
Total Assets		<u>69,874,244</u>	<u>47,054,011</u>
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	21	26,183,719	26,183,719
Share Premium	21	607,415	607,415
Retained Earnings/ (Accumulated losses)		13,530,698	(4,935,965)
Total Equity		<u>40,321,832</u>	<u>21,855,169</u>
LIABILITIES			
Non-Current Liabilities			
Lease Liability	22	13,575,913	-
Lease Rent Equalization - Head Lease	23	-	1,151,766
Sub Lease Advances	24	-	10,311,565
Payables to Government of Maldives	25	13,205,605	-
Deferred Tax Liability	11.2	-	1,513
Total Non-Current Liabilities		<u>26,781,518</u>	<u>11,464,844</u>
Current Liabilities			
Payables to Government of Maldives	25	-	11,395,598
Trade and Other Payables	26	1,935,451	2,338,400
Lease Liability	22	773,398	-
Tax Payable	19	62,045	-
Total Current Liabilities		<u>2,770,894</u>	<u>13,733,998</u>
Total Liabilities		<u>29,552,412</u>	<u>25,198,842</u>
Total Equity and Liabilities		<u>69,874,244</u>	<u>47,054,011</u>

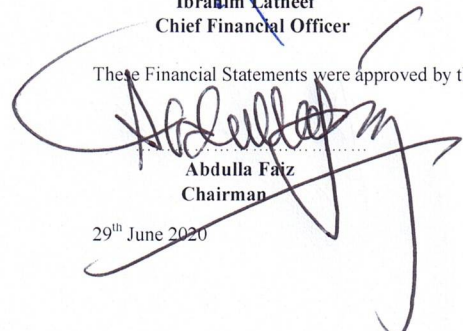
Figures in brackets indicate deductions.

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 9 to 38. The Report of the Independent Auditor is given on pages 1 to 4.

I certified that these financial statements are in compliance with the requirements of the Companies Act No : 19/96


Ibrahim Latheef
Chief Financial Officer

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


Abdulla Faiz
Chairman


Thazmeel Abdul Samad
Managing Director

29th June 2020

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 31ST DECEMBER

	Share Capital	Share Premium	(Accumulated losses) Retained Earning	Total
	US\$	US\$	US\$	US\$
As at 1 st January 2018	26,183,719	607,415	(6,473,870)	20,317,264
Total Comprehensive Income for the Year	-	-	1,537,905	1,537,905
As at 31 st December 2018	<u>26,183,719</u>	<u>607,415</u>	<u>(4,935,965)</u>	<u>21,855,169</u>
Adjustment on Initial Application of IFRS 16, net off taxes (Note 3 (c))	-	-	17,227,738	17,227,738
Adjusted Balance as at 1 st January 2019	<u>26,183,719</u>	<u>607,415</u>	<u>12,291,773</u>	<u>39,082,907</u>
Total Comprehensive Income for the Year	-	-	1,238,925	1,238,925
As at 31 st December 2019	<u><u>26,183,719</u></u>	<u><u>607,415</u></u>	<u><u>13,530,698</u></u>	<u><u>40,321,832</u></u>

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 9 to 38. The Report of the Independent Auditor is given on pages 1 to 4.

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2019 US\$	2018 US\$
Cash Flows from Operating Activities			
Profit Before Tax		1,536,371	1,803,496
<i>Adjustments for:</i>			
Depreciation	13	6,962	7,903
Interest Income on Net Investment in Sub lease	6	(3,682,785)	-
Written Back of Payables	8	396,807	-
Provision for Impairment of Lease Rental Receivables	15	445,318	-
Interest Income on Fixed Deposit	9	(19,058)	-
Interest Expense on Lease Liabilities	22	1,266,772	-
Other Receivables Written off	10	36,774	-
Operating (Loss) / Profit Before Working Capital Changes		<u>(12,839)</u>	<u>1,811,399</u>
<i>Changes in :</i>			
Other Receivables	17	-	(398,813)
Trade and Other Payables	26	(799,756)	(961,786)
Cash Generated From (Used In) / From Operating Activities		<u>(812,595)</u>	<u>450,800</u>
Sub Lease Rent Received	15	4,807,497	-
Head Lease Rent Paid	22	(1,977,360)	-
Tax paid	19	-	(240,611)
Net Cash from Operating Activities		<u>2,017,542</u>	<u>210,189</u>
Cash Flows From Investing Activities			
Acquisition of Property, Plant and Equipment	13	(4,742)	(14,717)
Investment in Fixed Deposit	18	(4,000,000)	-
Net Cash used in Investing Activities		<u>(4,004,742)</u>	<u>(14,717)</u>
Net (decrease)/ increased in Cash and Cash Equivalents		(1,987,200)	195,472
Cash and Cash Equivalents at the Beginning of the Year		2,357,661	2,162,189
Cash and Cash Equivalents at the End of the Year	20	<u>370,461</u>	<u>2,357,661</u>

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 9 to 38. The Report of the Independent Auditor is given on pages 1 to 4.

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS**

1. REPORTING ENTITY

Maldives Tourism Development Corporation PLC (the “Company”) is a Company incorporated and domiciled in the Republic of Maldives as a public limited liability Company. The Company is listed on the stock exchange of Maldives and governed under the Companies’ Act No. 10 of 1996 of the Republic of Maldives with its registered office at 1st floor, G. Fathruvehi, Buruzu Magu, Male, Maldives.

Principal activities and nature of operation

The Company is primarily involved in subleasing the islands allotted to the Company by the Government of the Maldives.

Number of employees

The number of employees at the end of the reporting period was 13.

Authorization for issue

The financial statements of the Company for the year ended 31 December 2019 were authorized for issue on 29th June 2020.

2. BASIS OF PREPARATION

(a) Statement of Compliance

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

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

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

These financial statements are presented in United States Dollars, which is the Company’s functional currency. All financial information presented in United States Dollars has been rounded to the nearest Dollar.

The decision has been taken by management of the Company to maintain the reporting currency as United States Dollars in the financial statements since most of the business transactions are dealt in United States Dollars.

(d) Going concern

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

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

2. BASIS OF PREPARATION (CONTINUED)

(e) Use of Estimates and Judgements

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's 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 estimates are recognised prospectively.

a. Judgements

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

b. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties as at 31st December 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the respective notes.

i. Measurement of fair values

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

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(a) As a lessee

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

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

(i) Leases classified as operating leases under IAS 17

Previously, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company incremental borrowing rate as at 1st January 2019 (see Note 3(c)).

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- Did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application.
- Did not recognize right-of-use assets and liabilities for leases of low value assets.
- Excluded initial direct costs from measurement of the right-of-use asset at the date of initial application;

(b) As a lessor

The company sub leases right-of-use assets which are acquired under head lease arrangement. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the Company recognized the net investment in sublease from sub-leases and measured at amortized cost.

(c) Impact on transition

On transition to IFRS 16, the Company recognized additional net investment in sub-lease from subleasing the right of use assets under head lease arrangement and additional lease liabilities on head lease arrangement. The impact of transition is summarized below.

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Impact on transition (Continued)

Description	Impact as at 1st January 2019 US\$
Net investment in sub-leases – Dr	44,913,009
Lease equalization of head lease – Dr	1,151,766
Sub - lease advance received – Dr	10,311,565
Deferred tax assets - Dr	2,193,382
Lease liabilities – Cr	15,059,899
Sub - lease equalization – Cr	24,472,078
Payables to government of Maldives– Cr	1,810,007
Retained earnings – Cr	17,227,738

When measuring net investment in sub-lease for sub-leases and lease liabilities for the head-leases that were classified as operating leases, the Company discounted the lease payments using its incremental borrowing rate at 1st January 2019. The weighted average discount rate is 8.5%. A lease balance amounting to USD 1,810,007 payable to the Government of Maldives was erroneously omitted in prior period financial statements. Since there is no impact on prior or current year profit or loss, the correction was made through retained earnings as at 1st January 2019.

For net investment in sub-leases for sub-lease arrangement

Description	1st January 2019 US\$
Sub-lease rentals receivables as at 31 st December 2018	73,470,455
Discounted using the incremental borrowing rate at 1 st January 2019	44,913,009
Net investment in sub-leases recognized at 1 st January 2019	44,913,009

For lease liability in head-leases for head-lease arrangement

Description	1st January 2019 US\$
Operating lease commitments at 31 st December 2018 as disclosed under IAS 17 in the Company's financial statements *	31,063,513
Lease rent payable as at 1 st January 2019 based on the agreements *	24,640,948
Discounted using the incremental borrowing rate at 1 st January 2019	15,059,899
Lease liabilities recognized at 1 st January 2019	15,059,899

The Company has erroneously disclosed the operating lease commitments as at 31st December 2018. However, the management has reviewed the contracts and identified the correct lease rentals payables as at 1st January 2019 for the purpose of IFRS 16 adjustment.

Amounts recognised in profit or loss in relating to leases under IFRS 16 (in 2019) and under IAS 17 (in 2018) are given in the following table.

Description	2019 US\$	2018 US\$
Sub lease rentals - Income	-	4,578,797
Head lease rentals - Expense	-	1,902,717
Interest income on net investment in sub lease	3,682,785	-
Interest expense on lease liabilities	1,266,772	-

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Impact on transition (Continued)

Amounts recognised in statement of cash flows are given in the following table.

Description	2019 US\$
Cash flows from operating activities	
Sub lease rent received	4,807,497
Head lease rent paid	1,977,360

The accounting policies set out below except as disclosed in the Note 3 have been applied in these financial statements, consistently by the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currencies of companies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss and presented within finance costs.

4.2 Revenue – Interest income on net investment in sub-lease

The company generates revenue primarily from the subleasing the right of use assets acquired under head-lease arrangement. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and revenue can be reliably measured.

The company recognize a financial asset called “net investment in sub-lease” under IFRS 16 by discounting future rentals receivables from the sub-lessee at the initial recognition date. Investment in sub-lease is measured at amortized cost and interest income on investment in sub-lease is recognized in profit or loss as revenue using effective interest method. Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

4.3 Cost of operations – Interest expense on lease liability

The company incurs cost of operations primarily for the right-of-use assets acquired under head-lease arrangement. The company recognises financial liability called “lease liability” under IFRS 16 by discounting future lease rental payments at the initial recognition date. Lease liability is recognized at amortized cost and interest expense on lease liability is recognized in profit or loss as cost of operations using effective interest rate method.

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Expenditure recognition

Expenses are recognised in the statement of comprehensive income on the basis of direct association between the cost incurred and the earning of specific items of income. All expenditures 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 permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

4.5 Income Tax

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

(i) Current Tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

(ii) 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 not recognized for Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognized for unused tax losses. Unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used.

Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Income Tax (Continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Company has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

4.6 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 Costs

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

(iii) Depreciation

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

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Property, Plant and Equipment (Continued)

(iii) Depreciation (Continued)

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

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

Plant & Machinery	Over 10 Years
Marine Vessels	Over 10 Years
Motor Vehicles	Over 10 Years
Office Equipment	Over 05 Years
Other Equipment	Over 05 Years
Furniture, Fittings and Equipment	Over 05 Years
Computer Equipment	Over 03 Years
Communication Equipment	Over 05 Years
Machineries	Over 10 Years

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

A full month's depreciation is provided in the month of ready to use while, no depreciation is provided in the month of disposal.

4.7 Investment Property

Investment property is properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and impairment losses.

On the disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is recognized in profit and loss.

4.8 Financial Instruments

(i) Recognition and Initial Measurement

Trade receivables and debt securities are initially recognized when they are originated. All other financial assets 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) is initially measured at fair value plus, for an item not at Fair Value through Profit or loss ("FVTPL"), 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.

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial Instruments (Continued)

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, Fair Value through Other Comprehensive Income (“FVOCI”) – Debt investment, FVOCI – equity investment or FVTPL.

Financial assets are not classified subsequent to their initial recognition unless the Company changes its business model for managing financial assets. In which case all affected financial assets are classified on the first day of the first 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.

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 the management.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Company’s continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment Whether the Cash Flows are Solely Payment of Principal and Interest

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 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.

(iii) Financial assets - Subsequent Measurement and gains and losses

Financial Assets at Amortized Cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest Income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.
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**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial Instruments (Continued)

(iv) Financial liabilities – classification, subsequent measurement and gains and losses

Financial Liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial Liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de-recognition is also recognized in profit or loss.

The Company's non-derivative financial liabilities consist of amount due to related parties, loans and borrowings and trade and other payables. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(v) De-recognition

Financial assets

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

Financial Liabilities

The Company de-recognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. 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.

(vi) 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.

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Impairment

(i) Non-derivative financial assets

Financial instruments

The Company recognizes loss allowances for ECLs on financial assets measured at amortized cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for the 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, which are measured at 12 month ECLs.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment that includes forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). 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).

(i) Non –derivative financial assets (Continued)

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit -impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- it is probable that the debtor will enter bankruptcy or other financial reorganization;

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Impairment (Continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

(i) Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets 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 CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.10 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.

Share Premium

Share premium represents the premium realised by issue of shares at a price above the par value.

4.11 Leases

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

Policy applicable from 1st January 2019

i. As a lessee

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

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Leases (Continued)

i. As a lessee (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the 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.

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

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

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the 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. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of net investment in sublease or retained earnings.

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

- (a) increasing the carrying amount to reflect interest on the lease liability;
- (b) reducing the carrying amount to reflect the lease payments made; and
- (c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

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

After the commencement date, a lessee shall recognize interest cost in profit or loss, unless the costs are included in the carrying amount of another asset applying other applicable Standards, both:

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

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Leases (Continued)

ii. As a lessor

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

For subleases that were classified as operating leases applying IAS 17 but finance leases applying this Standard, account for the sublease as a new finance lease entered into at the date of initial application

Net investment in sub lease shall be measured by discounting total rentals to be received over future lease period as the net investment, using the discount rate applied for head lease. Net investment in sub lease is subsequently recognized at amortized cost using the effective interest rate method.

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

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

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

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

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

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Leases (Continued)

ii. As a lessor (Continued)

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

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

Policy applicable before 1st January 2019

For contracts entered into before 1st January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

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

i. As a lessee

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

Assets held under other leases were classified as operating leases and were not recognized in the Company's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

ii. As a lessor

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

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Leases (Continued)

ii. As a lessor (Continued)

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

4.12 Events Occurring After the Reporting Date

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

4.13 Fair Value Measurement

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

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

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

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received.

If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.15 Defined contribution plan

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

4.16 Other Liabilities and Provision

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

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

Provisions are recognized when the company has a present obligation (legal or Constructive) as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the company expects some or all of a provision to be reimbursed, for example, under an insurance contracts, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income of any reimbursement.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2019

6 REVENUE	2019	2018
	US\$	US\$
Interest Income on Net Investment in Sub Lease (Note 15)	3,682,785	-
Sub Lease Rentals	-	4,578,797
	<u>3,682,785</u>	<u>4,578,797</u>
7 COST OF OPERATIONS	2019	2018
	US\$	US\$
Interest Expense on Lease Liabilities (Note 22)	1,266,772	-
Head Lease Rentals	-	1,902,717
	<u>1,266,772</u>	<u>1,902,717</u>
8 OTHER INCOME	2019	2018
	US\$	US\$
Long Outstanding Payables Written Back (Note 8.1)	396,807	-
Insurance Refund	7,188	-
	<u>403,995</u>	<u>-</u>
8.1	The Board of Directors has decided to written back the long outstanding payable balance of USD 396,807/- during the year ended 31 st December 2019 since there is no legal and contractual obligation to repay these balances.	
9 FINANCE INCOME	2019	2018
	US\$	US\$
Interest Income on Fixed Deposit	19,058	-
	<u>19,058</u>	<u>-</u>
10 PROFIT BEFORE TAX	2019	2018
<i>Profit before tax is stated after charging all the expenses including the following;</i>	US\$	US\$
Personnel Costs (Note 10.1)	259,234	242,047
Depreciation	6,962	7,903
Operating Lease Rentals	-	1,902,717
Directors Remuneration and Other Allowances	78,813	81,877
Professional Fees	29,662	26,619
Provision for Impairment of Lease Rental Receivables	445,318	-
Written off of Other Receivable	36,774	-
	<u>259,234</u>	<u>242,047</u>
10.1 Personnel Costs		
Employee Salary and Benefits	256,464	239,277
Staff Food and Accommodation Expenses	2,770	2,770
	<u>259,234</u>	<u>242,047</u>

**MALDIVES TOURISM DEVELOPMENT CORPORATION PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2019

11 TAX EXPENSE	2019	2018
	US\$	US\$
Current Tax Expense (Note 11.1)	201,883	265,769
Deferred Tax Charge / (reversal) for the Year (Note 11.2)	95,563	(178)
	<u>297,446</u>	<u>265,591</u>

11.1 Reconciliation Between Accounting Profit and Tax Loss:

Accounting Profit Before Tax	1,536,371	1,803,496
Aggregate Disallowable Expenses	1,858,932	181,752
Aggregate Allowable Expenses	(2,016,992)	(181,028)
Tax-free threshold	(32,425)	(32,425)
Taxable Loss for the Year	<u>1,345,886</u>	<u>1,771,796</u>
Income Tax @ 15%	<u>201,883</u>	<u>265,769</u>

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

11.2 DEFERRED TAX (ASSETS) / LIABILITIES

The provision for deferred tax is attributable to the following and the Deferred Tax is recognized at the rate of 15% .

	2019	2018
	US\$	US\$
As at 1 st January	1,513	1,691
Adjustment due to Initial Application of IFRS 16 (Note 3(c))	(2,193,382)	-
Charge/ (reversal) during the year	95,563	(178)
As at 31 st December	<u>(2,096,306)</u>	<u>1,513</u>

	2019		2018	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	US\$	US\$	US\$	US\$
On Property, Plant and Equipment	(11,232)	(1,685)	(11,220)	(1,683)
Lease Liability	13,986,605	2,097,991	-	-
Voluntary Retirement provision	-	-	1,133	170
	<u>13,975,373</u>	<u>2,096,306</u>	<u>(10,087)</u>	<u>(1,513)</u>

12 BASIC AND DILUTED EARNINGS PER SHARE

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

	2019	2018
Profit for the year - USD	1,238,925	1,537,905
Weighted Average Number of Ordinary Shares	34,087,354	34,087,354
Basic Earnings Per Share - USD	<u>0.036</u>	<u>0.045</u>

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13 PROPERTY, PLANT AND EQUIPMENT

	Marine Vessels US\$	Motor Vehicle US\$	Office Equipments US\$	Other Equipments US\$	Furniture & Fittings US\$	Computer Equipment US\$	Communication Equipment US\$	Machineries US\$	Total 2019 US\$	Total 2018 US\$
Cost										
As at 1 st January	50,426	10,282	16,616	4,516	31,462	54,709	7,317	14,475	189,803	175,086
Additions During the Year	-	-	4,357	-	-	385	-	-	4,742	14,717
Adjustments made during the Year (Note 13.1)	-	-	-	-	4,899	9,189	741	-	14,829	-
As at 31 st December	50,426	10,282	20,973	4,516	36,361	64,283	8,058	14,475	209,374	189,803
Accumulated Depreciation										
As at 1 st January	30,709	10,282	15,203	4,303	30,277	49,332	7,317	781	148,204	140,301
Charge for the Year	-	-	1,121	116	639	3,640	-	1,446	6,962	7,903
Adjustments made during the Year (Note 13.1)	-	-	-	-	4,899	9,189	741	-	14,829	-
As at 31 st December	30,709	10,282	16,324	4,419	35,815	62,161	8,058	2,227	169,995	148,204
Net Carrying Value										
As at 31 st December 2019	19,717	-	4,649	97	546	2,122	-	12,248	39,379	
As at 31 st December 2018	19,717	-	1,413	213	1,185	5,377	-	13,694		41,599

13.1 The Company has recognized the fully depreciated assets which was not previously included under the property plant and equipment

14 INVESTMENT PROPERTY

	2019 US\$	2018 US\$
Lease Hold Improvements on Hdh. Naagoashi Island	20,000,000	20,000,000
	<u>20,000,000</u>	<u>20,000,000</u>

Hdh. Naagoashi Island head lease right which was previously classified as a non-current asset held for sale ceased from its classification to investment property since the occurrence of agreed sale transaction is unlikely. Accordingly lease right recognition as held for sale no longer exists. Investment property is recognized in the books at carrying value of held for sale assets which is the lower of carrying value or its recoverable value.

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15 NET INVESTMENT IN SUB LEASE	31/12/2019	31/12/2018
	US\$	US\$
As at 1 st January	-	-
Adjustment due to Initial Application of IFRS 16 (Note 3(c))	44,913,009	-
Interest Income for the Year	3,682,785	-
Receipt during the Year	(4,807,497)	-
	<u>43,788,297</u>	<u>-</u>
Provision for Impairment of Lease Rental Receivables (Note 15.1)	(445,318)	-
As at 31 st December	<u><u>43,342,979</u></u>	<u><u>-</u></u>
15.1 Provision for impairment of lease rental receivables		
As at 1 st January	-	-
Provision made during the Year	445,318	-
As at 31 st December	<u><u>445,318</u></u>	<u><u>-</u></u>
<p>The Company has recognised the net investment in sub lease in relation to head lease right of Maghuduwa and Kihavah Huruvahli.</p>		
15.2 Maturity Analysis of Net investment in sub lease		
Non - Current Asset	41,634,172	-
Current Asset	1,708,807	-
	<u><u>43,342,979</u></u>	<u><u>-</u></u>
15.3 Reconciliation between undiscounted lease rentals and net investment in sub lease		
Undiscounted Lease Rentals (Note 15.4)	68,217,640	-
Unearned Interest Income	(24,874,661)	-
	<u><u>43,342,979</u></u>	<u><u>-</u></u>
15.4 Maturity Analysis of undiscounted lease rentals receipts are as follows;		
Less than one Year	5,252,816	-
Between one and two Years	5,252,816	-
Between two and three Years	5,386,316	-
Between three and four Years	5,786,816	-
Between four and five Years	5,786,816	-
More than five Years	40,752,060	-
	<u><u>68,217,640</u></u>	<u><u>-</u></u>

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16	LEASE RENT EQUALISATION - SUB LEASE	31/12/2019	31/12/2018
		US\$	US\$
	As at 1 st January	24,472,078	24,073,265
	Change During the Year	-	398,813
	Adjustment Due to Initial Application of IFRS 16 (Note 3(c))	(24,472,078)	-
	As at 31 st December	<u>-</u>	<u>24,472,078</u>
17	OTHER RECEIVABLES	31/12/2019	31/12/2018
		US\$	US\$
	Deposits and prepayments	-	26,398
	Receivables for share capital	5,445	5,445
	Other receivables	616	10,992
		<u>6,061</u>	<u>42,835</u>
18	INVESTMENT IN FIXED DEPOSITS	31/12/2019	31/12/2018
		US\$	US\$
	As at 1 st January	-	-
	Investment made during the Year	4,000,000	-
	Accrued Interest for the Year	19,058	-
	As at 31 st December	<u>4,019,058</u>	<u>-</u>
18.1	The Company has invested USD 4,000,000 in fixed deposit in Habib Bank Limited during the year at the rate of 4.7% per annum and which will be matured on 19 th november 2020.		
19	TAX RECEIVABLES / (PAYABLE)	31/12/2019	31/12/2018
		US\$	US\$
	At the Beginning of the Year	139,838	164,996
	Income Tax Charge for the Year	(201,883)	(265,769)
	Payments made during the Year	-	240,611
	At the End of the Year	<u>(62,045)</u>	<u>139,838</u>
20	CASH AND CASH EQUIVALENTS	31/12/2019	31/12/2018
		US\$	US\$
	Cash in Hand	195	194
	Balances with Banks	370,266	2,357,467
		<u>370,461</u>	<u>2,357,661</u>
21	SHARE CAPITAL		
	Authorized Share Capital		
	The authorized share capital comprises 34,087,354 Ordinary shares of MVR 10 each.		
		31/12/2019	31/12/2018
		US\$	US\$
	Issued and Fully Paid	26,183,719	26,183,719
	Share Premium	607,415	607,415
		<u>26,791,134</u>	<u>26,791,134</u>

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21 SHARE CAPITAL (CONTINUED)

The total authorised number of ordinary shares is 100,000,000 with a par value of MVR. 10 per share. The issued share capital comprises USD 34,087,354/- (31,439,710 ordinary shares and 2,647,644 ordinary shares of MVR 10 each translated to US Dollars at MVR 12.85 and 15.42 each respectively).

22 LEASE LIABILITY	31/12/2019	31/12/2018
	US\$	US\$
As at 1 st January	-	-
Adjustment due to Initial Application of IFRS 16 (Note 3(c))	15,059,899	-
Interest Expense for the Year	1,266,772	-
Repayment During the Year	(1,977,360)	-
As at 31 st December	<u>14,349,311</u>	<u>-</u>

The lease liability is recognised on Kihavah and Magudhuwa island which has an unexpired lease period of 13 years as at 1st January 2019. Previously, this lease was classified as operating lease under IAS 17 and lease expense (rentals) amounted to US\$ 1,977,360/- recognised in the profit or loss for the year ended 31st December 2018.

22.1 Maturity Analysis	2019	2018
	US\$	US\$
Non - Current Liabilities	13,575,913	-
Current Liabilities	773,398	-
	<u>14,349,311</u>	<u>-</u>

22.2 Maturity analysis of undiscounted future lease payments are as follows;

Less than one Year	1,977,360	-
Between one and five Years	9,886,800	-
More than five Years	11,293,768	-
	<u>23,157,928</u>	<u>-</u>

23 LEASE RENT EQUALISATION - HEAD LEASE	31/12/2019	31/12/2018
	US\$	US\$
As at 1 st January	1,151,766	1,226,409
Change During the Year	-	(74,643)
Adjustment due to Initial Application of IFRS 16 (Note 3(c))	(1,151,766)	-
As at 31 st December	<u>-</u>	<u>1,151,766</u>

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24 SUB LEASE ADVANCES	31/12/2019	31/12/2018
	US\$	US\$
As at 1 st January	10,311,565	11,185,980
Change During the Year	-	(874,415)
Adjustment due to Initial Application of IFRS 16 (Note 3(c))	<u>(10,311,565)</u>	<u>-</u>
As at 31 st December	<u><u>-</u></u>	<u><u>10,311,565</u></u>
25 PAYABLES TO GOVERNMENT OF MALDIVES	31/12/2019	31/12/2018
	US\$	US\$
Payables to Government of Maldives	<u>13,205,605</u>	<u>11,395,598</u>
	<u><u>13,205,605</u></u>	<u><u>11,395,598</u></u>

As per the settlement agreement signed with the Government of the Maldives, the Company is liable to pay USD 2,335,709/- in connection with "Uligamu Lease agreement" and USD 10,869,896/- in connection with "Ekulhivaru Lease agreement". Further, based on the discussion and communication had with the Government of Maldives, this amount is not payable within one year. Accordingly the liability has been classified as non current liability as at 31st December 2019.

26 TRADE AND OTHER PAYABLES	31/12/2019	31/12/2018
	US\$	US\$
Other Trade Payables	27,193	95,905
Sublease Advance	-	297,702
Dividend Payable	1,891,107	1,918,630
Other Payables	<u>17,151</u>	<u>26,163</u>
	<u><u>1,935,451</u></u>	<u><u>2,338,400</u></u>

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Risk Management

(i) Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

(ii) Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the risk management committee, which is responsible for developing and monitoring the company's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Company's audit committee oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management frameworks in relation to the risks faced by the company. The company audit committee is assisted in its oversight role in internal audit. Internal Audit undertaken both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

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27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial Risk Management (Continued)

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instruments fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, investment in debt securities and deposits with banks.

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

	Gross Carrying Amount	
	31/12/2019	31/12/2018
	US\$	US\$
Net investment in sub lease (gross)	43,788,297	-
Other Receivables	6,061	42,835
Investment in Fixed Deposit	4,019,058	-
Balances with Banks	370,266	2,357,467
	<u>48,183,682</u>	<u>2,400,302</u>

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

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

Cash & Cash Equivalents

The Company held cash and cash equivalents of USD 370,461/- as at 31st December 2019 (as at 31st December 2018 : USD 2,357,661/-). The Company limits its exposure to credit risk by maintaining its cash balances in selected banks.

The Company has not recognised any allowance for impairment for the bank balance based on the materiality ground.

(iv) Liquidity Risk

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

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

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27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial Risk Management (Continued)

(iv) Liquidity Risk (Continued)

Financial Liabilities (Non-Derivative)	Carrying Amount US\$	Contractual Cash flow US\$	Within 1 Year US\$	0-5 Years US\$	After 5 Year US\$
31st December 2019					
Lease Liability	14,349,311	23,157,928	1,977,360	9,886,800	11,293,768
Payables to Government of Maldives	13,205,605	13,205,605	13,205,605	-	-
Trade and Other Payables	1,935,451	1,935,451	1,935,451	-	-
	<u>29,490,367</u>	<u>38,298,984</u>	<u>17,118,416</u>	<u>-</u>	<u>-</u>

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

Financial Liabilities (Non-Derivative)	Carrying Amount US\$	Contractual cash flow US\$	Within 1 Year US\$	0-5 Years US\$	After 5 Year US\$
31st December 2018					
Payables to Government of Maldives	11,395,598	11,395,598	11,395,598	-	-
Trade and Other Payables	2,338,400	2,338,400	2,338,400	-	-
	<u>13,733,998</u>	<u>13,733,998</u>	<u>13,733,998</u>	<u>-</u>	<u>-</u>

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

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. 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

The Company was not exposed to interest rate risk since the Company did not possess any liabilities or assets negotiated at variable interest rates.

(b) Currency Risk

Exposure to currency risk

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

	31/12/2019 MVR	31/12/2018 MVR
Cash and Cash Equivalents	2,418,026	1,771,002
Net Statement of financial position exposure	<u>2,418,026</u>	<u>1,771,002</u>

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27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(v) Market risk (Continued)

(b) Currency Risk (Continued)

The following significant exchange rates applied during the year:

	<u>Average Rate</u>		<u>Reporting Date Spot Rate</u>	
	<u>2019</u>	<u>2018</u>	<u>31/12/2019</u>	<u>31/12/2018</u>
			<u>US\$</u>	<u>US\$</u>
Maldivian Rufiyaa (MVR)	<u>15.42</u>	<u>15.42</u>	<u>15.42</u>	<u>15.42</u>

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

28 FAIR VALUE MEASUREMENT

Accounting Classifications and Fair Values

31st December 2019

Financial assets not measured at fair value	Financial Assets at Amortized Cost	Fair Value			
		Level 1	Level 2	Level 3	Total
		US\$	US\$	US\$	US\$
Net Investment in Sublease	43,342,979	-	-	43,342,979	43,342,979
Investment in Fixed Deposit	4,019,058	-	-	-	-
Cash and Cash Equivalents	370,461	-	-	-	-
Other Receivables	6,061	-	-	-	-
	<u>47,738,559</u>	<u>-</u>	<u>-</u>	<u>43,342,979</u>	<u>43,342,979</u>

Financial liabilities not measured at fair value	Other Financial Liabilities	Fair Value			
		Level 1	Level 2	Level 3	Total
		US\$	US\$	US\$	US\$
Lease Liability	14,349,311	-	-	14,349,311	14,349,311
Payables to Government of Maldives	13,205,605	-	-	-	-
Trade and Other Payables	1,935,451	-	-	-	-
	<u>29,490,367</u>	<u>-</u>	<u>-</u>	<u>14,349,311</u>	<u>14,349,311</u>

31st December 2018

Financial assets not measured at fair value	Loans and Receivables	Fair Value			
		Level 1	Level 2	Level 3	Total
		US\$	US\$	US\$	US\$
Cash and Cash Equivalents	2,357,661	-	-	-	-
Other Receivables	42,835	-	-	-	-
	<u>2,400,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Financial liabilities not measured at fair value	Other Financial Liabilities	Fair Value			
		Level 1	Level 2	Level 3	Total
		US\$	US\$	US\$	US\$
Payables to Government of Maldives	11,395,598	-	-	-	-
Trade and Other Payables	2,338,400	-	-	-	-
	<u>13,733,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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29 RELATED PARTY TRANSACTIONS

The Government of Maldives is the shareholder for 48% of the issued shares of the Company as at the end of the reporting period. The transactions with the Government of the Maldives included lease rentals paid for the islands obtained on lease term by the Company. The transactions with the Government of Maldives during the year and outstanding balances as at the end of the reporting period are as follows:

	31/12/2019	31/12/2018
	US\$	US\$
Transactions with the Government of the Maldives :		
Lease rentals paid	1,977,360	1,977,360
	<u>1,977,360</u>	<u>1,977,360</u>
Receivables from related parties		
Receivables for share capital	5,445	5,445
	<u>5,445</u>	<u>5,445</u>
Payables to related parties		
Payables relating to disposed lease properties (Note 25)	13,205,605	11,395,598
	<u>13,205,605</u>	<u>11,395,598</u>

30 COMMITMENTS AND CONTINGENT LIABILITIES

30.1 Capital Commitments

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

30.2 Contingent Liabilities

(I) Dues to MIRA, in relation to the land rent

Following Rent, Fines and Interest are due to MIRA as at 31st December 2019 based on MIRA confirmation. The Board of Directors of the Company is of the view that no liability would arise on the above mentioned tax matters.

	Rent	Fines	Total
	USD	USD	USD
Gdh. Magudhuva	-	1,973,978	1,973,978
B. Kihavah Huravalhi	-	1,195,819	1,195,819
K. Farukolhufushi	(91,320)	461,016	369,696
Hdh. Naagoashi	1,438,356	1,096,027	2,534,383
	<u>1,347,036</u>	<u>4,726,840</u>	<u>6,073,876</u>

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30 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

30.2 Contingent Liabilities (Continued)

(II) Legal cases

Mincon Maldives Pvt Ltd has filed a case at the Civil Court against the Company claiming MVR 21,069,719/- (USD 1,366,389/-) for the liquidated damages that they incurred due to the delay in the invoice repayment by the Company. There are no ongoing legal proceedings against the Company and the likelihood of an unfavourable outcome for the Company is very unlikely.

There are no ongoing legal proceedings against the Company as at 31st December 2019, other than the matter stated above, which require adjustments to or disclosure in the financial statements.

31 CAPITAL MANAGEMENT

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

The Company's debt to adjusted equity ratio was as follows.

	31/12/2019	31/12/2018
	US\$	US\$
Total Liabilities	29,552,412	25,198,842
Less: Cash and Cash Equivalents	<u>(370,461)</u>	<u>(2,357,661)</u>
Net Debt	29,181,951	22,841,181
Total Equity	40,321,832	21,855,169
Net debt to equity ratio	<u>0.72</u>	<u>1.05</u>

Following the adoption of IFRS 16 "Leases" net debt to equity ratio has decreased from 1.05 to 0.76. This is due to the recognition of transition impact of USD 17,227,738/- under the retained earnings as at 1st January 2019. The comparative information has not been restated.

32 EVENTS SUBSEQUENT TO THE REPORTING DATE

On 11th March 2020, The World Health Organization declared that the COVID-19 outbreak as a pandemic. The Government of Maldives has taken some actions such as travel restrictions and quarantine measures which have direct impact on the tourism industry. As a result the sublessees have temporarily suspended their operations with effect from 1st April 2020 which could have an impact on the Company's operating results subsequent to the financial year end.

As the outbreak is ongoing, the potential impact of Covid 19 is subject to significant levels of uncertainties which are often outside of the Company's control with the full range of possible effects are unknown

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

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33 DIRECTORS' RESPONSIBILITY

The Board of Directors of the Company is responsible for the preparation and presentation of these financial statements.

34 Transactions with the Key Management Personnel

The Board of Directors of the Company are the members of the key management personnel. The Company has made USD 78,813/- payments to the key management personnel during the year ended 31st December 2019 (2018 : USD 81,877/-).