Report No: FIN-2019-82(E)

08 December 2019

MALDIVES MARKETING AND PUBLIC RELATIONS CORPORATION LIMITED

FINANCIAL YEAR 2016

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AUDITOR GENERAL'S OFFICE

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AUDITOR GENERAL'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF MALDIVES MARKETING AND PUBLIC RELATIONS CORPORATION LIMITED

Disclaimer of Opinion

We were engaged to do the audit of financial statements of Maldives Marketing and Public Relations Corporation Limited (the "Company") which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Due to the significance of matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Basis for disclaimer of opinion

1. We were unable to satisfy ourselves as to the accuracy of the fixed assets with a carrying value of MVR 937,997/- (2015: MVR 7,113,853/-) and the depreciation expense for the year amounting to MVR 334,502/- stated in note 9 of these financial statements, as the Company does not maintain a fixed asset register and supporting documents for the value of individual assets. Further, we noticed that the company has not conducted a physical verification of its assets during the past years.
2. The Company uses its website to earn advertisement income. However, the Company has failed to recognise the value of the website in the books of the company as at the reporting date.
3. We were unable to carry out alternative procedures in respect of independent direct confirmation not received by us. As a result, we were unable to verify amount due from related parties amounting to MVR 18,168,231/- (2015: MVR 5,202,555/-) stated in note 11.1 of these financial statements.
4. Trade receivables as at 31 December 2016 includes an aggregate amount of MVR 1,724,494 /-, recoverability of which is doubtful since the amounts remain unsettled for more than a year. The Company has made neither an assessment nor an allowance for impairment as at 31 December 2016.
5. Other receivables stated in note 11 includes an aggregate of MVR 1,358,251,036/- receivable from various parties on account of leasing tourist resort islands on behalf of the Government. However, we were unable to verify these balances since sufficient appropriate evidences were not available for our review. Further, The Company has made neither an assessment nor allowance for impairment as at 31 December 2016.
6. We were unable to verify the "Fixed term cash lend" amounting to MVR 157,253,546/- (2015: MVR 157,253,546/-) stated in note 11 of these financial statements since sufficient appropriate audit evidences were unavailable for our review.

7. We were not invited to perform year end procedures including observation of physical verification of cash stated at MVR 2,553,756/- in note 12 of these financial statements.

8. The cash at bank balance stated in the note 12 of these financial statements includes an unreconciled balance of "MMA fund control account" amounting to MVR 4,562,168/-, and we were unable to verify the same as a reconciliation or supporting documents were not provided for our review.

9. We were unable to carry out alternative procedures in respect of independent direct confirmation not received by us. As a result, we were unable to verify the Trade payables, Payable to the Ministry of Tourism, Arts and Culture and Amount due to related parties amounting to MVR 16,656,835/- (2015: MVR 3,105,249/-), MVR 1,518,857,975/- (2015: MVR 1,532,964,464/-) and MVR 85,137,999/- (2015: MVR 85,137,999/-) respectively stated in note 14 in these financial statements.

10. We were unable to verify the accuracy and the completeness of the accrued expenses amounting to MVR 3,188,274/- (2015: MVR 1,757,612/-) stated in the note 14 of these financial statements since sufficient appropriate audit evidences were unavailable for our review.

11. During the year, the board has decided to handover all the rights and obligations including the advances and contracts with regards to the Island of "Baresdhoo" to Maldives Integrated Tourism Development Corporation (MITDC). Accordingly, an MOU was signed on 05th January 2017 with MITDC and paid MVR 14,106,489/- (the net of collected advances amounting to MVR 34,617,900/- and the incurred construction cost amounting to MVR 20,511,411/-) to MITDC.

    As explained by the management, the cost incurred during the year amounting to MVR 14,576,671/- has been charged to direct cost and cost incurred in previous years of MVR 5,934,740/- has been transferred from work in progress to direct costs. However, we were unable to verify the amount paid to MITDC amounting MVR 14,106,489/- and advance collected amounting MVR 34,617,900/- as necessary explanations and the details were not provided by the management.

    Further, the abovementioned transactions are not accordance with IFRSs since legal rights of the island has been transferred only on 05th January 2017. Accordingly, as at 31 December 2016, the incurred cost should have been recorded as a work in progress and advance collected should have been recorded as a payable in these financial statements. The settlement made amounting to MVR 14,106,489/- should have been recorded as an advance under trade and other receivables.

12. We are unable to verify the accuracy and the occurrence of Membership fee, Fair participation fee and Government grants amounting to MVR 13,991,390/-, MVR 11,528,606/-, MVR 8,564,216/- respectively stated in note 5 of these financial statements, as we have not been provided with sufficient supporting documents.

13. We were unable to verify the accuracy and the completeness of the Business Profit Tax (BPT) as the tax computation was not provided for our review. Further, we were unable to verify the existence and the completeness of the Business profit tax receivable and Business Profit Tax collection amounting to MVR 3,058,482/- and MVR 1,858,059/- stated in the Statement of financial position and Statement of cash flow respectively.

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

This report is made solely to the Company's members, as a body, in accordance with section 71 of the Companies Act No. 10 of 1996. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. Therefore, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with the management 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.

01 September 2019

Hassan Ziyath
Auditor General

Maldives Marketing and Public Relations Corporation Limited
STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2016

	Note	2016 MVR	2015 MVR
Revenue	5	36,067,265	46,645,079
Direct costs		(29,785,303)	(21,232,572)
Gross profit		**6,281,962**	**25,412,507**
Other income		-	11,909
Administration expenses		(9,214,855)	(25,111,841)
(Loss) / profit before taxation	6	**(2,932,893)**	**312,575**
Business profit tax expense		-	(2,251,271)
Loss for the year		(2,932,893)	(1,938,696)
Loss per share - basic	8	(29.33)	(19.39)

The accounting policies and notes on pages 9 through 21 form an integral part of the financial statements.

AUDITOR GENERAL'S OFFICE

MALDIVES MARKETING & PR CORPORATION
State Owned Corporation
C-0509/2011

Maldives Marketing and Public Relations Corporation Limited
STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

Asset	Note	2016 MVR	2015 MVR
Non-current assets			
Property, plant and equipment	9	937,997	7,113,853
Deferred tax asset	7	1,295	1,295
		939,292	7,115,148
Current assets			
Trade and other receivables	11	1,541,925,825	1,532,036,607
Business profit tax receivable		3,058,482	-
Cash and cash equivalents	12	47,051,012	60,625,739
		1,592,035,319	1,592,662,346
Total assets		**1,592,974,611**	**1,599,777,494**
Equity and liabilities			
Share capital and reserves			
Issued share capital	13	10,000,000	10,000,000
Call in arrears	13	(10,000,000)	(10,000,000)
Accumulated losses		(44,931,072)	(41,998,179)
Total equity		(44,931,072)	(41,998,179)
Current liabilities			
Trade and other payables	14	1,637,905,683	1,640,757,475
Business profit tax payable		-	1,018,198
		1,637,905,683	1,641,775,673
Total equity and liabilities		**1,592,974,611**	**1,599,777,494**

The Board of Directors is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the Board by,

Name of the Director   Signature

THOYYIB MOHAMED

ABDULLA SHOOD

The accounting policies and notes on pages 9 through 21 form an integral part of the financial statements.

01 September 2019
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AUDITOR GENERAL'S OFFICE

MALDIVES MARKETING & PR CORPORATION
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Maldives Marketing and Public Relations Corporation Limited
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2016

	Accumulated losses MVR	Total MVR
Balance as at 31 December 2014	(40,059,482)	(40,059,482)
Loss for the year	(1,938,696)	(1,938,696)
Balance as at 31 December 2015	**(41,998,179)**	**(41,998,179)**
Loss for the year	(2,932,893)	(2,932,893)
Balance as at 31 December 2016	**(44,931,072)**	**(44,931,072)**

The accounting policies and notes on pages 9 through 21 form an integral part of the financial statements.

AUDITOR GENERAL'S OFFICE

MALDIVES MARKETING & PR CORPORATION
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Maldives Marketing and Public Relations Corporation Limited
STATEMENT OF CASH FLOW
Year ended 31 December 2016

	Note	2016 MVR	2015 MVR
Operating activities			
(Loss)/profit before tax		(2,932,893)	312,575
Adjustment to reconcile profit to net cash flows			
Depreciation		334,502	228,545
Amortisation		-	2,200
		(2,598,391)	**543,320**
Working capital changes			
Increase in trade and other receivables		(9,889,218)	(1,036,606,505)
(Decrease)/ increase in trade and other payable		(2,851,792)	1,065,374,933
Cash generated used in operations		**(15,339,400)**	**29,311,747**
Business profit tax paid		1,858,059	(1,297,210)
Net cash flows from operating activities		**(13,481,341)**	**28,014,537**
Investing activities			
Acquisition of property, plant and equipment		-	(7,041,492)
Disposal proceeds		(93,386)	(15,322)
Net cash flow used in investing activities		**(93,386)**	**(7,056,814)**
Net (Decrease) / increase in cash and cash equivalents		**(13,574,727)**	**20,957,723**
Cash and cash equivalents at 1 January		60,625,739	39,668,016
Cash and cash equivalents at 31 December	12	**47,051,012**	**60,625,739**

The accounting policies and notes on pages 9 through 21 form an integral part of the financial statements.

AUDITOR GENERAL'S OFFICE

MALDIVES MARKETING & PR CORPORATION
State Owned Corporation
C-0509/2011

1. Corporate information

Maldives Marketing and Public Relations Corporation Limited ("the Company") is a limited liability company, which is fully owned by Government of Maldives. The Company was incorporated in the Republic of Maldives on 14 August 2011 under the Act No. 10/96. The Registered office of the Company is situated at Ministry of Finance and Treasury, Ameenee Magu, Male - 20379, Republic of Maldives.

Principal activities and nature of operations
Principal activity of the Company is to provide advertising and public relations services to the Government and related departments or offices through use of various media to create awareness for the target segments in the public with regard to new policies, laws, issues and services in line with the National Strategic Action Plan, provide campaign management services for Government offices.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements are prepared on a historical cost basis. No adjustment is made for inflationary factors affecting these financial statements. The Financial Statements are presented in Maldivian Rufiyaa and all the values are rounded to nearest integral, except when otherwise indicated.

Comparative information
The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. Comparative information has been restated where necessary.

Statement of compliance
The financial statements of Maldives Marketing and Public Relations Corporation Limited have been prepared in accordance with International Financial Reporting Standards.

3. Summary of significant accounting policies

a. Conversion of foreign currencies
The Company's financial statements are presented in Maldivian Rufiyaa, which is the Company's functional and presentation currency.

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

Transactions in currencies other than Maldivian Rufiyaa are translated to Maldivian Rufiyaa at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in currencies other than Maldivian Rufiyaa are translated to Maldivian Rufiyaa at the exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognized in the income statement.

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

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

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

AUDITOR GENERAL'S OFFICE

MALDIVES MARKETING & PR CORPORATION
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3. Summary of significant accounting policies (continued)

b. Current versus non-current classification (Continued)

All other assets are classified as non-current. A liability is current when:

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

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

c. **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific criteria are used for the purpose of recognition of revenue.

Rendering of services

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

Advertising Income

Advertising Revenues are recognised when the related advertisement or commercial appears before the public.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected.

Other income

Other income is recognised on accrual basis.

d. **Expenditure recognition**

Expenses are recognised in the income statement on the basis of direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been recognised in income statement.

e. **Taxes**

Current business profit tax

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

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

AUDITOR GENERAL'S OFFICE

MALDIVES MARKETING & PR CORPORATION
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3. Summary of significant accounting policies (continued)

Deferred tax

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses.

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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income (OCI) or directly in equity.
Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in income statement.

f. Property, plant and equipment

Recognition and measurement

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

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

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3. Summary of significant accounting policies (continued)

f. Property, plant and equipment (continued)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised 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 derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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 recognised 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.

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

Furniture and fittings	10 years
Office equipment	05 years

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

g. Intangible assets

Intangible assets with finite lives are amortised over the useful economic life (3 years) and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

h. Financial instruments

i) Financial assets

Financial assets include cash and balances with banks and trade and other receivables including receivables from related parties. The accounting policies for each financial asset are stated separately.

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less impairment losses on any uncollectible amounts. Provision is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

Other receivables and dues from related parties are recognised and carried at cost less impairment losses on any uncollectible amounts.

ii) Impairment of financial assets

The Company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events

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MALDIVES MARKETING & PR CORPORATION
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3. **Summary of significant accounting policies (continued)**

h. **Financial instruments (continued)**

that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

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

Trade and other payables
Liabilities for trade and other amounts payable, which are normally settled in 30-90 day terms, are carried at cost. Payables to related parties are also carried at cost.

i. **Cash and cash equivalents**
Cash and cash equivalents in the statement of financial position comprise of cash in hand and balance with banks.

Statement of cash flows is prepared in "indirect method". For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand and balances with banks as defined above, net of outstanding bank overdrafts, if any.

j. **Impairment of assets**
The Company assesses, at the end of each reporting period, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

3. Summary of significant accounting policies (continued)

j. Impairment of assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.
The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

k. Provisions

General provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

l. Pension and other post-employment benefits

All local (Maldivian National) employees are eligible for Maldives Retirement Pension Scheme (MRPS) contribution according to the terms of the Maldives Pension Act Law No. 8/2009 handled by Maldives Pension Administration Office (MPAO) from May 2011.

4. Summary of significant accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(a) Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements are prepared on the going concern basis.

(b) Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

(c) Taxes
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

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4. Summary of significant accounting judgments, estimates and assumptions (continued)

c. Taxes (continued)
The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as differing interpretations of tax regulations by the Company and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the Maldives. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable prófits together with future tax planning strategies.

5. Standard issued not yet effective.

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

IFRS 9 - Financial instruments

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 16 - Leases

IFRS 16 specifies how an IFRS report will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from predecessor, IAS 17.

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 01 January 2019.

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		2016	2015
5	**Revenue**	**MVR**	**MVR**
	Advertising	240,000	456,133
	Membership fee	13,991,390	10,290,698
	Resort development	73,359	14,137,602
	Fair participation fee	11,528,606	7,259,444
	Net government grants (5.1)	8,564,216	7,000,000
	Environmental impact assessment	1,003,842	647,640
	SEZM contribution	-	6,331,000
	Road Show participation fee	327,706	-
	other Income	338,146	522,562
		36,067,265	**46,645,079**

5.1 Government grants

Advertising	4,532,068	434,852
Consultancy fee	280,559	-
PR & FAM Trip	25,022,785	7,335,959
Promotional material	6,070,692	929,566
Road show	1,918,303	4,776,281
VMY event	1,804,612	-
Promotional fair	66,351,674	36,032,288
Consultation fee	11,168,203	7,000,000
	117,148,896	**56,508,946**

5.2 Related costs

Advertising	4,532,068	434,852
Consultation fee	280,559	-
PR & Fam Tours	27,534,266	7,335,958
Promotional material	6,070,692	929,566
Road show	1,918,303	4,776,281
VMY Event	1,804,612	-
Fair& Events	66,444,180	36,032,289
	108,584,680	**49,508,946**
Net government grant	**8,564,216**	**7,000,000**

6 Profit from the operating activities stated after charging,

Salary and wages	6,555,708	5,335,399
Board member's fee	379,100	368,550
Rent	345,000	318,750
Telephone and internet	450,590	596,293

7 Deferred tax

7.1 Deferred tax on temporary differences

a) The deferred tax is arrived by applying the income tax rate of 15% to the timing differences as at 31 December.

(Continued)

7 Deferred tax (Continued)

7.1 Deferred tax on temporary differences

	2016 MVR	2015 MVR
On property, plant and equipment	1,295	1,295
Total tax asset as at 31 December	**1,295**	**1,295**

The provision on deferred tax is made on temporary differences between the carrying value and tax base of property, plant and equipment, accumulated tax losses, voluntary retirement provision and debtors general provision. The Company's management expects to earn future taxable profits and therefore deferred tax assets are recognised.

b) **Movement in deferred tax**	2016 MVR	2015 MVR
As at 01 January	1,295	3,338
Provision reversed during the year	-	(2,043)
As at 31 December	**1,295**	**1,295**

8 Loss per share - basic

Basic loss per share is calculated by dividing the loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The following reflects the loss and share data used in the basic earnings per share computation.

	2016 MVR	2015 MVR
Amount used as the numerator:		
loss for the year	(2,932,893)	(1,938,696)
Number of ordinary shares used as denominator:		
Weighted average number of ordinary shares in issue - applicable to basic earnings per share	100,000	100,000

9 Property, plant and equipment

Gross carrying amounts **At cost**	Balance as at 01.01.2016 MVR	Additions during the year MVR	Disposals during the year MVR	Balance as at 31.12.2016 MVR
Furniture and fittings	133,476	16,414	-	149,890
Office equipment	1,520,591	76,972	-	1,597,563
	1,654,067	**93,386**	**-**	**1,747,453**

Work in progress	Balance as at 31.12.2016 MVR	Additions / Transfer during the year MVR	Balance as at 31.12.2016 MVR
Thumburi project	1,131,864	(1,131,864)	-
I.mahakanfushi project	4,802,876	(4,802,876)	-
	5,934,740	**(5,934,740)**	-

(Continued)

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9 **Property, plant and equipment (Continued)**

Depreciation	Balance as at 01.01.2016 MVR	Charge for the year MVR	Disposals during the year MVR	Balance as at 31.12.2016 MVR
Furniture and fittings	34,629	14,989	-	49,618
Office equipment	440,325	319,513	-	759,838
	474,954	334,502	-	809,456
Net book value	7,113,853			937,997

10 **Intangible assets**	2016 MVR	2015 MVR
Computer software		
As at 01 January	16,962	16,962
Additions during the year	-	-
As at 31 December	16,962	16,962
Amortisation		
As at 1 January	16,962	14,762
Charge for the year	-	2,200
As at 31 December	16,962	16,962
Net book value	-	-

11 **Trade and other receivables**

Accounts receivables	4,722,631	3,123,742
Prepayments and deposits	3,262,525	8,809,194
Other receivable	1,358,251,036	1,357,295,668
Goods and services tax recoverable	267,857	351,902
Fixed Term Cash lend	157,253,546	157,253,546
Amounts due from related parties (note 11.1)	18,168,231	5,202,555
	1,541,925,825	1,532,036,607

11.1 **Amounts due from related parties**

Maldives Tourism, Arts and Culture	18,168,231	5,202,555

12 **Cash and cash equivalents**

Cash in hand	2,553,756	2,937,660
Cash at bank	44,497,256	57,688,079
	47,051,012	60,625,739

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	2016	2015
13 Share capital	**MVR**	**MVR**
Authorised share capital		
10,000,000 Ordinary shares of Rf 100/= each	1,000,000,000	1,000,000,000
Issued share capital		
100,000 Ordinary shares of Rf 100/= each	10,000,000	10,000,000
Call in arrears		
100,000 Ordinary shares of Rf 100/= each	10,000,000	10,000,000

14 Trade and other payables

Trade payables	16,656,835	3,105,249
Advance from customer	12,746,270	16,473,809
Other payables	1,318,331	1,318,342
Accrued expenses	3,188,274	1,757,612
Payable to the Ministry of Tourism, Arts and Culture	1,518,857,975	1,532,964,464
Amount due to related parties (note 14.1)	85,137,999	85,137,999
	1,637,905,683	**1,640,757,475**

14 Amount due to related parties

Maldives Ports Limited	**85,137,999**	**85,137,999**

15 Capital commitment and contingent liabilities

The Company had no significant capital commitments or contingent liabilities as at 31 December 2016.

16 Events occurring after the reporting date

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

17 Financial risk management objectives and policies

The Company's principle financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for company's operations and to provide guarantees to support its operations. The company has financial assets such as trade and other receivables and cash and balances with banks, which are arise directly from its operations. The Company is exposed to market risk, credit risk and foreign currency risk. The Company's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

(continued)

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17 Financial risk management objectives and policies (continued)

17.1 Foreign currency risk

The Company incurs currency risk on services, purchases that are denominated in foreign currency. Foreign exchange risk arises from future commercial transactions and is recognised assets and liabilities.

17.2 Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated funds and related party borrowings. As part of its overall liquidity management, the Company maintains sufficient level of cash or cash convertible investments to meet its working capital requirement.

17.3 Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that sales of services are made to customers with an appropriate credit history.

18 Fair value of financial assets and financial liabilities

The fair value of short-term financial assets and liabilities approximate their carrying value because of their immediate or short-term maturity. Directors believe that the fair value of long-term financial assets would not differ significantly from their carrying amount recorded in the statement of financial position.

19 Capital management

Capital includes the equity share capital and accumulated reserves. The Company's objective is to maintain a healthy capital ratio in order to support the business and maximise the shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in the Company's operations. To manage capital structure, the Company may use dividend payment to shareholders, return capital to shareholders or raise new capital.

The Company monitors capital based on the total debt to equity ratio, which is total debt divided by total shareholders equity. The debt to equity ratio at 31 December are as follows:

	2016 MVR	2015 MVR
Total net liability	1,590,854,671	1,581,149,934
Total shareholders' equity	(44,931,072)	(41,998,179)
Debt to equity ratio	**(35.41)**	**(37.65)**

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20 Reclassification

During the year, the management of the Company has decided to disclose the reimbursements from Government on net basis for the purpose of better presentation. Accordingly, comparative figures have also been reclassified in order to be consistent with the current year's presentation.

	As previous in 2015 MVR	Reclassifaction MVR	Reclassified amount MVR
Revenue	96,154,025	(49,508,946)	145,662,971
Cost of sales	(70,741,518)	(49,508,946)	(21,232,572)

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Maldives Marketing and Public Relations Corporation Limited
DETAIL STATEMENT OF EXPENDITURE
Year ended 31 December 2016

		2016 MVR	2015 MVR
I	**Direct costs**		
	Events	1,844,876	7,777,048
	Fairs-MMPRC Cost	13,758,115	8,989,186
	Advertising	-	(287,844)
	Lease Transfer Cost	-	462,600
	Promotional material	15,523	339,468
	Road shows	12,597	1,568,675
	PR & Fam Trips	103,120	851,054
	Environmental impact assessment	349,723	606,394
	Resort development	13,701,349	10,600
	SEZM costs	-	915,391
		29,785,303	21,232,572
II	**Administrative expenses**		
	Salary and wages	6,555,708	5,335,399
	Directors remuneration	379,100	368,550
	Pension contributions	201,061	204,775
	Meals and entertainment	26,720	138,782
	Traveling	46,866	385,349
	Repairs and maintenance	5,269	706,079
	Depreciation	334,502	228,545
	Amortisation	-	2,200
	Rent	345,000	318,750
	Telephone and internet	450,590	596,293
	Registration and permit fees	10,535	21,009
	Professional fees	269,512	244,682
	Annual fee	2,000	2,000
	Printing and stationaries	146,587	252,238
	Water	18,262	37,934
	Subscription fee	55,149	-
	Insurance	3,075	15,663
	Bank charges	63,561	133,639
	Miscellaneous expenses	81,115	596,765
	Other expense	-	15,420,000
	Fine charges	-	640
	Exchange loss	85,588	102,549
	Website maintenace fee	134,654	-
		9,214,855	25,111,841

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