Crowe Horwath

INDEPENDENT AUDITOR'S REPORT

ADDU MEEDHOO COOPERATIVE SOCIETY

31st December 2016

Crowe Horwath Maldives LLP
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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS
ADDU MEEDHOO COOPERATIVE SOCIETY

Qualified Opinion

We have audited the financial statements of Addu Meedhoo Cooperative Society, which comprise the statement of financial position as at December 31, 2016, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Except for the effect of matters described in basis for qualified opinion paragraph below, the financial statements have been properly drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the financial position of the co-operative society as at 31st December 2016 and of their financial performance and cash flows for the year then ended.

Basis for Qualified Opinion

1. The Entity has recognised MVR 581,235 as property plant and equipment as of 31st December 2016. We were unable to verify the accuracy, completeness and valuation of property plant and equipment recognised in the financial statement because we were unable to obtain an accurate fixed assets register to support this figure. Accordingly, we were unable to determine whether any adjustments might have been found necessary in income statement, statement of changes in equity, and cash-flow statement balances.

2. The Entity has recognised MVR 941,618 as inventories. We did not observe the counting of the physical inventories as of 31st December 2016. We were unable to satisfy ourselves as to physical inventory quantities by other audit procedures. Accordingly, we were unable to determine whether any adjustments might have been found necessary in inventory, statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity.

3. The Entity has recognised MVR -4,452 as bank balance of their BML MVR account as of 31st December 2016. However as per the bank confirmation, the balance on that account was MVR 50,692. The Entity was not able to provide reconciliation for this difference hence we were unable to verify the accuracy of the said balance recognised in the financial statement. Accordingly, we were unable to determine whether any adjustments might have been found necessary in income statement, statement of changes in equity, and cash-flow statement balances.

4. The Entity has filed GST returns in accordance with Goods and Services Tax Act of Maldives. We were unable to reconcile the tax calculated based on the taxable revenue with the tax declared as per GST returns for the year ended 31st December 2016.

5. The Entity has recognised MVR 28,340 as dividend paid during the year 2016 for dividends declared in the year 2011 & 2014. The Entity has not accrued dividend payable for dividend unpaid as of 31st December 2016 and we were unable to receive an accurate schedule of dividend declared and dividend unpaid as of financial year end. Therefore, we were unable to determine whether any adjustments might have been found necessary in statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity.

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 Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Republic of Maldives, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 entities 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 Entity'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 Entity to cease to continue as a going concern.

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

Crowe Horwath

Report on Other Legal and Regulatory Requirements

1. As per Section 48 of Co-operative Society Act the society should transfer 25% of annual profit to a reserve fund and should maintain minimum of 2 years reserve in the fund account. The Entity has not created a reserve fund account as required by law. Hence we were unable to confirm accuracy of classification of equity and reserves.

2. The Co-operative Society has not paid pension during the year as per the Maldives Pension Administration Act.

Report on Internal Controls over Financial Reporting

The Entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. Entity's internal control over financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Entity;
(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards and that receipts and expenditures of the Entity are being made only in accordance with authorizations of management and directors of the Entity; and
(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Entity's assets that could have a material effect on the financial statements

In our opinion, the Entity maintained, adequate internal controls over financial reporting as of December 31, 2016.

Report on compliance to Tax Administration Act Section 27 and Business Profit Tax Regulation Section 16

In our opinion, the Entity has maintained adequate accounting records for the period ended 31st December 2016 as required in Section 27 of Tax Administration Act (Law Number 3/2010) and Section 16 of Business Profit Tax Regulation.

Agreement of Financial Statements with Underlying Accounting Records

In our opinion, based on our audit procedures the financial statements agree with, the underlying accounting records for the period ended December 31, 2016.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Hassan Mohamed.

15 December 2017

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Hassan Mohamed, FCCA
Managing Partner
MIRA Reg. AF1009A

ADDU MEEDHOO COOPERATIVE SOCIETY
STATEMENT OF FINANCIAL POSITION
as of 31st December 2016
All amounts are stated in Maldivian Rufiyaa

	Note	31-Dec-16 MVR	31-Dec-15 MVR
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	4	581,235	8,989
Work in Progress	5	713,779	-
Deferred Tax Asset	18	1,833	2,138
		1,296,847	**11,126**
Current Assets			
Inventory	6	941,618	334,445
Trade & Other Receivables	7	631,871	505,161
Cash & Cash Equivalents	8	35,034	67,546
		1,608,524	**907,152**
TOTAL ASSETS		**2,905,370**	**918,278**
EQUITY & LIABILITIES			
Equity & Reserves			
Share Capital	9	134,600	129,200
Receivable for Issued Shares	9	(18,200)	(17,800)
Retained Earnings		635,122	726,408
		751,522	**837,808**
Non-Current Liabilities			
Deferred Grant	11	1,055,359	-
		1,055,359	**-**
Current Liabilities			
Deferred Grant	11	810,995	-
Trade & Other Payables	10	287,494	80,470
		1,098,489	**80,470**
TOTAL EQUITY & LIABILITIES		**2,905,370**	**918,278**

We draw your attention to accounting policies and notes on page 8 through 18, which are an integral part of the financial statements.

For and on behalf of Board Members:

Name	**Signature**
1. Mohamed Saif Zorer	
2. ABDULLA SHUJAU	

Addu Meedhoo Cooperative Society
AMCS
Proudly Supporting Maldivian Farmers

ADDU MEEDHOO COOPERATIVE SOCIETY
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31st December 2016
All amounts are stated in Maldivian Rufiyaa

	Note	31-Dec-16 MVR	31-Dec-15 MVR
Revenue	12	3,865,047	3,224,617
Cost of Revenue	13	(3,251,930)	(2,588,636)
Gross Profit		**613,117**	**635,981**
Administrative Expenses	14	(806,117)	(609,356)
Sales & Marketing Expenses	15	(6,912)	(10,405)
Operating Profit/(Loss)		**(199,911)**	**16,220**
Other income	16	134,433	-
Profit before tax		**(65,478)**	**16,220**
Income Tax	17	(305)	(528)
Net Profit/(Loss) for the year		**(65,783)**	**15,692**
Earnings Per Share	19	(49)	12

We draw your attention to accounting policies and notes on page 8 through 18, which are an integral part of the financial statements.

ADDU MEEDHOO COOPERATIVE SOCIETY
STATEMENT OF CASH FLOWS
for the year ended 31st December 2016
All amounts are stated in Maldivian Rufiyaa

	Note	31-Dec-16 MVR	31-Dec-15 MVR
Operating Profit before Working Capital Changes	20	**24,743**	**28,668**
Inventory		(607,173)	(233,272)
Trade & Other Receivables		(126,710)	99,452
Trade & Other Payables		207,024	(103,614)
Cash Generated from (Used in) Operating Activities		**(502,116)**	**(208,766)**
Cash Flows from Investing Activities			
Purchase of Property, Plant & Equipment		(659,631)	-
Additions to Work in Progress		(713,779)	-
Deferred Grant Received		1,866,354	-
Net Cash Used in Investing Activities		**492,944**	**-**
Cash flows from Financing Activities			
Share Capital		5,000	700
Dividend Paid		(28,340)	(350)
Net Cash flows from Financing Activities		**(23,340)**	**350**
Net Increase / (Decrease) in Cash and Cash Equivalents		**(32,511)**	**(208,416)**
Cash and Cash Equivalents at the Beginning of the Year		67,546	275,962
Cash and Cash Equivalents at the end of the Year		**35,034**	**67,546**

We draw your attention to accounting policies and notes on page 8 through 18, which are an integral part of the financial statements.

ADDU MEEDHOO COOPERATIVE SOCIETY
STATEMENT OF CHANGES IN EQUITY
as of 31st December 2016
All amounts are stated in Maldivian Rufiyaa

	Share Capital MVR	**Retained Earnings MVR**	**Total Equity MVR**
Balance as at 1st January 2015	110,700	711,066	821,766
Dividend Paid	-	(350)	(350)
New Shares Issued	18,500	-	18,500
Receivable for Issued Shares	(17,800)	-	(17,800)
Net Profit for the year	-	15,692	15,692
Balance as at 31st December 2015	**111,400**	**726,408**	**837,808**
Balance as at 1st January 2016	111,400	726,408	837,808
Unreconciled Retained Earnings Variance	-	2,837	2,837
Dividend Paid	-	(28,340)	(28,340)
New Shares Issued	5,400	-	5,400
Increase in Receivable for Issued Shares	(400)	-	(400)
Net Loss for the year	-	(65,783)	(65,783)
Balance as at 31st December 2016	**116,400**	**635,122**	**751,522**

We draw your attention to accounting policies and notes on page 8 through 18, which are an integral part of the financial statements.

Addu Meedhoo Cooperative Society

Accounting Policies for the Year Ended 31st December 2016.

1. General information

Addu Meedhoo Cooperative Society is a co-operative society incorporated in the Republic of Maldives on 29th November 2010 bearing registration no. CS-0006/2010. The address of its registered office and principal place of business is Mala, Meedhoo, Addu City, Republic of Maldives. The main aim of the society is working for the economic and social development and improving the agriculture of the island.

2. Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Entity has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016.

Amendments to IAS 1 Disclosure Initiative

The Entity has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Entity, and should be separated into the share of items that, in accordance with other IFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or Companying of the notes.

The application of these amendments has not resulted in any impact on the financial performance or financial position of the Entity.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The Entity has applied these amendments for the first time in the current year. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) When the intangible asset is expressed as a measure of revenue; or

b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

As the Entity already uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively, the application of these amendments has had no impact on the Entity's financial statements.

2.2 New and revised IFRSs in issue but not yet effective

The Entity has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 15	Revenue from Contracts with Customers (and the related Clarifications)[2]
IFRS 16	Leases[3]
Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]

[1] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The members of the entity do not anticipate that the application of these amendments will have a material impact on the Entity's financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify the following:

1. Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;

2. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;

3. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

4. In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The members of the Entity do not anticipate that the application of these amendments will have a material impact on the Entity's financial statements.

3. Significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

3.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

3.3.1 Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Entity retains neither continuing managerial involvement to the degree usually associated with

ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.3.2 Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and
- Revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

3.3.3 Dividend

Dividend income from investments is recognised when the Entity's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Co-operarative and the amount of income can be measured reliably).

3.4 Government grants

Government grants are not recognised until there is reasonable assurance that the Entity will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Entity recognises as expenses the related costs for which the grants are intended to compensate.

Specifically, government grants whose primary condition is that the Entity should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Entity with no future related costs are recognised in profit or loss in the period in which they become receivable.

3.5 Taxation

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

3.5.1 Current tax

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

3.5.2 Deferred tax

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

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

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

Current and deferred tax for the year

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

3.6 Property, plant and equipment

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following annual rates are used for the depreciation of property, plant and equipment:

	Rate
Furniture $ Fittings	10%
Office Equipment	25%
Other Equipment	25%
Motor Vehicle	10%

3.7 Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.9 Provisions

Provisions are recognised when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliable.

3.10 Financial assets

3.10.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

ADDU MEEDHOO COOPERATIVE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st December 2016
All amounts are stated in Maldivian Rufiyaa

4 Property, Plant & Equipment

4.1 Cost

	Balance As at 01.01.2016	Additions	Disposals	Balance As at 31.12.2016
Furniture & Fittings	9,989	8,371	-	18,360
Office Equipment	34,774	70,380	-	105,154
Other Equipment	16,770	-	-	16,770
Motor Vehicle	-	580,880	-	580,880
	61,533	**659,631**	**-**	**721,164**

4.2 Depreciation

	Balance As at 01.01.2016	Charge for the Year	Disposals	Balance As at 31.12.2016
Furniture & Fittings	4,427	1,526	-	5,953
Office Equipment	32,726	12,027	-	44,753
Other Equipment	15,392	625	-	16,017
Motor Vehicle	-	73,207	-	73,207
	52,544	**87,385**	**-**	**139,929**
Net Book Value	**8,989**			**581,235**

5 Work in Progress

	Balance As at 01.01.2016	Additions	Disposals	Balance As at 31.12.2016
Building	-	713,779	-	713,779
	-	**713,779**	**-**	**713,779**
	-			**713,779**

	31-Dec-16 MVR	31-Dec-15 MVR
6 Inventories		
Inventory for Resale	292,777	334,445
Inventory of Packing Materials	648,841	-
Total	**941,618**	**334,445**

		31-Dec-16 MVR	31-Dec-15 MVR
7	**Trade & Other Receivables**		
	Accounts Receivable	696,077	505,161
	Less: Provision for Doubtful Debts	(100,452)	-
		595,625	505,161
	Other Receivables	36,246	-
	Total	**631,871**	**505,161**

7.1 As at 31 December 2016, the aging analysis of trade receivables before provision for doubtful debts are as follows:

	TOTAL	1 - 180	181 - 365	> 365
2016	696,077	421,767	173,858	100,452
Total	**696,077**	**421,767**	**173,858**	**100,452**

		31-Dec-16 MVR	31-Dec-15 MVR
8	**Cash & Cash Equivalent**		
	Cash at Bank	3,128	49,086
	Cash in Hand	31,906	18,459
	Total	**35,034**	**67,546**
9	**Share Capital**		
	Issued share capital: 1346 Ordinary Shares of MVR 100 each	134,600	129,200
	Receivable for Issued Shares	(18,200)	(17,800)
	Total	**116,400**	**111,400**

The total authorised number of ordinary shares is 50,000 shares (2015: 50,000 shares) with a par value of MVR 100 per share (2015: MVR 100 per share). All issued shares are not fully paid and have equal rights to vote at general meetings and receive dividends.

		31-Dec-16 MVR	31-Dec-15 MVR
10	**Trade & Other Payables**		
	Trade Payables	261,894	42,943
	Professional Fee Payable	19,080	8,480
	Accrued Expenses	2,100	-
	Advance Payments Received	-	15,005
	GST Payable	4,421	14,043
	Total	**287,494**	**80,470**

10.1 As at 31st December 2016, the aging analysis of trade payables are as follows:

	TOTAL	1 - 180	181 - 365	> 365
2016	261,894	248,980	12,362	551
Total	**261,894**	**248,980**	**12,362**	**551**

		31-Dec-16 MVR	31-Dec-15 MVR
11	**Deferred Grant**		
	Non-Current		
	Deferred Grant received as Property Plant and Equipment	390,065	-
	Deferred Grant received for Building	665,295	-
		1,055,359	**-**
	Current		
	Deferred Grant received as Property Plant and Equipment	134,433	-
	Deferred Grant received for Building	27,721	-
	Deferred Grant received as Packing Materials	648,841	-
		810,995	**-**
	Total Deferred Grant	**1,866,354**	**-**

Grants received from FADIP have been recognized as deferred grant income. The grant income is recognized over the useful life of the asset.

12 Revenue

The breakdown of the revenue is as follows:

Trading Income	3,814,309	3,179,707
Pickup Income	2,057	3,170
Other Income	48,681	41,740
Total	**3,865,047**	**3,224,617**

The main business of the society is buying agricultural products from farmers at a contracted price and selling the products to hotels and resorts in Addu Atoll. Revenue from sale of goods are recognised when the goods are sold and title has passed. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and sales-related taxes collected on behalf of the government of Maldives.

13 Cost of Revenue

Cost of Goods Sold	3,231,113	2,526,941
Direct cost	-	15,778
Carriage Inward	20,817	45,916
Total	**3,251,930**	**2,588,636**

Cost of goods sold includes all the directly attributable costs including purchase costs and other costs incurred to bring the goods to a salable condition.

14 Administrative Expenses

Bank Charges	940	2,310
Bad debts written off	2,988	-
Depreciation	87,385	6,079
Fine and Penalties	1,525	18,835
Management Committee Allowance	2,400	4,600
Professional Fees	13,180	16,000
Provision for Doubtful Debts	100,452	-
Rent	51,000	56,709
Repairs & Maintenance	16,323	4,150
Staff Allowances	-	8,000
Meals and Entertainment	4,714	26,278
Utilities	93,077	76,928

		31-Dec-16 MVR	31-Dec-15 MVR
14	**Administrative Expenses (Continued...)**		
	Telephone Expense	41,500	28,827
	Transportation	90,850	95,540
	Office Expenses	11,991	21,260
	Other Expenses	-	1,543
	Salary & Other Benefits Note (14.1)	216,323	229,009
	Interest	-	840
	Labour Charges	69,670	12,450
	Fees & License	1,800	-
	Total	**806,117**	**609,356**
14.1	**Salary & Other Benefits**		
	Salary & Wages	198,993	229,009
	Staff Travels	2,330	-
	Ramazan Allowance	15,000	-
	Total	**216,323**	**229,009**
15	**Sales & Marketing Expenses**		
	Sales Commission	6,912	10,405
	Total	**6,912**	**10,405**
16	**Other Income**		
	Grant Received as Property Plant and Equipment	134,433	-
	Total	**134,433**	**-**

Co-operative Society received a total contribution of 2,000,787 from FADIP in the year 2016. The contribution includes packing materials, furnitures, freezers, vehicle and cash receipt of 693,015 to construct an office building in S. Meedhoo. The construction of the building was complete and made available for use on March 2017.

17	**Taxation**		
	Income Tax Expense		
	(Increase)/decrease of deferred tax asset	305	528
	Total	**305**	**528**
18	**Deferred Tax Asset**		
	Deferred tax asset brought forward	(2,138)	(2,665)
	Increase/(decrease) of deferred tax asset	305	528
	Deferred tax asset carried forward	**(1,833)**	**(2,138)**
	Total deferred tax asset	**(1,833)**	**(2,138)**

The Business Profit Tax Act (5/2011) of the Maldives was effective from 18 July 2011. As per the tax act, businesses profit is subject to tax of 15% on profits exceeding tax free threshold limit MVR 500,000 for any tax year.

19 Earnings/(Losses) Per Share

Basic Earnings/(Losses) Per Share is calculated by dividing the net profit/(loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the

Profit/(Loss) for the year	(65,783)	15,692
Weighted Average number of Ordinary Shares	1,346	1,292
Earnings/(Losses) Per Share	**(49)**	**12**

		31-Dec-16 MVR	31-Dec-15 MVR
20	**Operating Profit before Working Capital Changes**		
	Net Profit/(Loss) for the Year	(65,478)	16,220
	Depreciation	87,385	6,079
	Unreconciled Retained Earnings Variance	2,837	6,369
	Total	**24,743**	**28,668**

21 Events after the end of the reporting period

There are no significant events after the balance sheet date which warrants disclosure.

22 Approval of financial statements

These financial statements were approved by the members of the board and authorised for issue on 26th September 2017.