DHIVEHI RAAJJEYGE GULHUN PLC.

FINANCIAL STATEMENTS
AS AT
31ST MARCH 2012

DHIVEHI RAAJJEYGE GULHUN PLC.

(INCORPORATED IN THE REPUBLIC OF MALDIVES)

FINANCIAL STATEMENTS

AS AT

31ST MARCH 2012

KPMG
(Chartered Accountants)
2nd Floor, H. Mialani
Sosun Magu,
Male',
Republic of Maldives.

Tel : +960 3310 420
+960 3310 421
+960 3310 422
+960 3323 393
Fax : +960 3323 175
E-mail : kpmgmv@kpmg.com

Independent Auditors' Report
To the Shareholders of
Dhivehi Raajjeyge Gulhun PLC.

We have audited the accompanying financial statements of Dhivehi Raajjeyge Gulhun PLC (the "Company"), which comprise the statement of financial position as at 31st March 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information exhibited on pages 2 to 38.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31st March 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Chartered Accountants

7th June 2012
Male'

DHIVEHI RAAJJEYGE GULHUN PLC.
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR / PERIOD ENDED 31ST MARCH	Note	2012 MRf "000" (12 Months)	2011 MRf "000" (15 Months)
Revenue	**7**	2,044,391	2,548,505
Operating costs	**8**	(925,299)	(1,160,512)
Depreciation and amortization	**14 & 15**	(317,973)	(356,189)
Other Operating Income	**9**	91,227	1,162
Other Operating Expense	**10**	(35,533)	-
Results from Operating Activities		856,813	1,032,966
Finance Income	**11**	6,277	20,629
Finance Costs	**11**	(148,252)	(85,171)
Net Finance Costs		(141,975)	(64,542)
Profit Before Tax		714,838	968,424
Tax Expense	**12**	(80,847)	-
Profit for the Year / Period		633,991	968,424
Other Comprehensive income		-	-
Total Comprehensive income for the year / period		633,991	968,424
Earnings Per Share			
Basic Earnings Per Share (MRf)	**13.1**	8.35	12.74
Diluted Earnings Per Share (MRf)	**13.2**	8.34	12.74

The 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 6 to 38.

Touch Maldives

DHIVEHI RAAJJEYGE GULHUN PLC.
STATEMENT OF FINANCIAL POSITION

AS AT 31ST MARCH	Note	2012 MRf "000"	2011 MRf "000"
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	14	2,220,341	2,082,062
Intangible Assets	15	10,074	6,171
Deferred Tax Asset	12.2	15,272	-
Total Non-Current Assets		2,245,687	2,088,233
Current Assets			
Inventories	16	39,785	54,551
Trade and Other Receivables	17	282,028	312,432
Cash and Cash Equivalents	18	810,422	1,183,929
Total Current Assets		1,132,235	1,550,912
Total Assets		3,377,922	3,639,145
EQUITY AND LIABILITIES			
Equity			
Share Capital	19	190,000	190,000
Treasury Shares	19.2	(15,126)	-
Retained Earnings		2,266,530	2,647,259
Total Equity		2,441,404	2,837,259
Non-Current Liabilities			
Loans and Borrowings	20	29,013	145,276
Provisions	21	109,366	94,249
Total Non-Current Liabilities		138,379	239,525
Current Liabilities			
Loans and Borrowings	20	144,640	137,067
Trade and Other Payables	22	653,499	425,294
Total Current Liabilities		798,139	562,361
Total Liabilities		936,518	801,886
Total Equity and Liabilities		3,377,922	3,639,145

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 6 to 38.

These Financial statements were approved on 7th June 2012 by the board of Directors and sign on behalf by:

Mr. Athif Shakoor	**Mr. Ismail Waheed**	**Mr. Avnish Jindal**
Chairman	**Chief Executive officer and Managing Director**	**Chief Finance Officer and Company Secretary**

DHIVEHI RAAJJEYGE GULHUN PLC.
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2012

	Note	Share Capital MRf "000"	Treasury Shares MRf "000"	Retained Earnings MRf "000"	Total MRf "000"
As at 1st January 2010		190,000	-	2,113,797	2,303,797
Profit for the Period		-	-	968,424	968,424
Total comprehensive income for the period		-	-	968,424	968,424
Dividend	**19.3**	-	-	(434,962)	(434,962)
As at 31st March 2011		190,000	-	2,647,259	2,837,259
As at 1st April 2011		190,000	-	2,647,259	2,837,259
Profit for the Year		-	-	633,991	633,991
Total comprehensive income for the year		-	-	633,991	633,991
Own shares acquired	**24**	-	(18,057)	-	(18,057)
Share-based payment expenses	**24**	-	2,931	-	2,931
Dividend	**19.3**	-	-	(1,014,720)	(1,014,720)
As at 31st March 2012		190,000	(15,126)	2,266,530	2,441,404

The 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 6 to 38.

DHIVEHI RAAJJEYGE GULHUN PLC.
STATEMENT OF CASH FLOWS

FOR THE YEAR / PERIOD ENDED 31ST MARCH	Note	2012 (12 Months) MRf "000"	2011 (15 Months) MRf "000"
Cash Flows from Operating Activities			
Profit before Tax		714,838	968,424
Adjustment for:			
Depreciation	**14**	312,292	349,047
Amortization of Intangible Assets	**15**	5,681	7,142
Provision /(Reversal) for Slow-Moving /Obsolete Inventories	**16.1**	2,556	(4,552)
Provision for Impairment Loss on Trade and Other Receivables	**17.1**	10,894	94,677
Finance Income	**11**	(6,277)	(20,629)
Finance Expense	**11**	148,252	85,171
Share-based payment expenses	**24**	2,931	-
Loss on write off of Property, Plant and Equipment	**9**	32,082	-
(Profit) /Loss on Disposal of Property, Plant and Equipment		3,451	(1,162)
		1,226,700	1,478,118
Changes in Inventories		12,210	(11,698)
Changes in Trade and Other Receivables		19,510	(108,403)
Changes in Trade and Other Payables		197,185	52,239
Cash Flow From Operating Activities		1,455,605	1,410,256
Cash Flows From Investing Activities			
Purchase and Construction of Property, Plant and Equipment	**14**	(553,747)	(425,931)
Proceeds from Disposal of Property, Plant and Equipment		258	1,162
Interest Received	**11**	6,277	20,629
Net Cash Used in Investing Activities		(547,212)	(404,140)
Cash Flows From Financing Activities			
Loans Obtained during the year / period	**20**	-	218,450
Loans Repaid during the year / period	**20**	(164,480)	(140,813)
Interest Paid	**11**	(29,913)	(39,463)
Repurchase of own shares	**24**	(18,057)	-
Dividend Paid to the shareholders		(1,014,720)	(546,513)
Net Cash Used in Financing Activities		(1,227,170)	(508,339)
Net (Decrease) / Increase in Cash and Cash Equivalents		(318,777)	497,777
Effect of difference in Foreign Exchange		(54,730)	(32,613)
Cash and Cash Equivalents at beginning of the year / Period		1,183,929	718,765
Cash and Cash Equivalents at end of the year / Period	**18**	810,422	1,183,929

The figures in bracket 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 6 to 38.

1. Reporting entity

Dhivehi Raajjeyge Gulhun PLC (the "Company") was originally incorporated under the Limited Liability Companies Decree No. 1988/123 and, presently governed under the Companies Act No. 10 of 1996 as a limited liability company in the Republic of Maldives. The Company provides telecommunication services in the Maldives. The registered office of the Company is situated at 19, Medhuziyaaraiy Magu, Male' 20-03, Republic of Maldives.

The Company became listed in the Maldives Stock Exchange, in the Republic of Maldives and a Public Limited Liability Company in the Maldives with effect from on 29th September 2011.

2. Basis of preparation

(a) Statement of Compliance

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

(b) Basis of Measurement

The financial statements have been prepared based on the historical costs basis except for the assets and liabilities which are stated at their fair values.

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are discussed in Note 5.

(e) Application of recently issued IFRSs and amendments to IFRSs and changes in Accounting Policies of the Company

New and Amended Standards and Interpretations effective and adopted by the Company from 1 April 2011.

Title	Effective Date	Description	Impact on the Company
Revised IAS 24 Related Party Disclosures	Annual periods beginning on or after 1st January 2011.	The revisions provide an exemption from disclosure requirements for transactions between state-controlled entities and remove some inconsistencies.	The Company adopted in 2011/12. These revisions did not have a material impact on the Company.

2. Basis of preparation (Continued)

(e) Application of recently issued IFRSs and amendments to IFRSs and changes in Accounting Policies of the Company (Continued)

New and Amended Standards and Interpretations effective and adopted by the Company from 1 April 2011 (Continued)

Title	Effective Date	Description	Impact on the Company
Improvements to IFRS 2010	Various dates, earliest is annual periods beginning on or after 1st January 2011.	The Improvements to IFRS contains miscellaneous necessary but non-urgent amendments to IFRS.	The Company adopted in 2011/12. These improvements did not have a material impact on the Company.

New and Amended Standards and Interpretations not yet effective and not adopted by the Company.

Title	Effective Date	Description	Expected adoption date and impact on the Company
IFRS 9 Financial Instruments	Annual period beginning on or after 1st January 2015	This IFRS requires that entity classifies its financial assets as subsequently measured at either amortised cost or fair value depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.	The Company will not early adopt this standard.
Amendments to IAS 1 Presentation of Financial Statements	1st July 2012	These amendments provide guidance on presentation of items of other comprehensive income.	The Company will adopt for 2012/13. These improvements are not expected to have a material on the Company.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

3. Significant accounting policies (Continued)

3.1 Transactions in foreign currencies

Transactions in foreign currencies are translated to Maldivian Rufiyaa (functional currency) at the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies as at the reporting date are recognized in profit or loss.

Non-monetary assets and liabilities, which are stated at historical cost, denominated in foreign currencies are translated to Maldivian Rufiyaa at the exchange rates ruling at the date of transaction. Non monetary assets and liabilities, which are stated at fair value, denominated in foreign currencies are translated to Maldivian Rufiyaa at the foreign exchange rates ruling at the dates that the fair value was determined.

3.2 Financial Instruments

(i) Financial Assets (Non-derivative)

The Company initially recognizes receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

- Receivables
- Cash and Cash Equivalents

Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Receivables comprise trade and other receivables.

Cash and Cash Equivalents

Cash and cash equivalents comprise short term deposits, cash at bank and cash in hand.

3 Significant accounting policies (Continued)

3.2 Financial Instruments (Continued)

(ii) Financial liabilities (Non-derivative)

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: trade and other payables and loans and borrowings.

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.

(iii) 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.

Repurchase and reissue of share capital (Treasury Shares)

When share capital recognised as equity is repurchased, the amount of consideration paid, which includes directly attributable cost is recognised as a deduction from equity. Repurchase shares are classified as treasury shares and are presented in the reserves for own shares. When treasuary shares are sold, transfer to the employees under share base payment arrangement or reissued subsequently, the consideration received is recognised as an increase or decrease in equity, and the resulting surpluses or deficit on the transaction is presented in share premium.

Dividends

Interim dividends to ordinary shareholders are recognised as a liability in the period in which they are declared and final dividends are recognised as a liability in the period which they are approved by the shareholders.

3.3 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.

3 Significant accounting policies (Continued)

3.3 Property, Plant and Equipment (Continued)

(i) Recognition and Measurement (Continued)

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 and capitalized borrowing costs. The estimated costs of dismantling and removing an asset and restoring the site on which it is located are also included in the cost of property, plant and equipment. The corresponding obligation is recognised as a provision. 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.

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

Buildings (Technical and domestic)		25 to 40 years
Plant and equipment	- Switches, network equipment and computer equipment	3 to 25 years
	- Ducting	40 years
Vehicles, launches, furniture and fittings		4 to 10 years

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

Assets under construction

Assets under construction as at the year end represents the costs incurred or accrued for the projects which are not commissioned for commercial operation as at the year end.

3 Significant accounting policies (Continued)

3.4 Intangible assets

(i) Recognition and Measurement

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

Software	3 Years
Licences	3 Years or less if the licence term is shorter

3.5 Inventories

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

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.6 Construction work in progress (Sales Projects)

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred.

Construction work in progress is presented as part other receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred income in the statement of financial position.

3 Significant accounting policies (Continued)

3.7 Impairment

(i) Financial Assets (Including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial Assets

The carrying amounts of the Company's non-financial assets other than inventories (refer Note 3.4) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

3 Significant accounting policies (Continued)

3.8 Employee Benefits

(a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

A new local pension scheme, Maldives Retirement Pension Scheme (MRPS) was introduced to the Company effective from 1st November 2010. The Company contributed 10% of members' salary into the scheme with an additional, minimum, 4% of salary being contributed by the members.

(b) Short-term benefits

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

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

(c) Share-based compensation

The Company operates equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of shares in the Company is recognised as an operating cost through profit or loss over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted, which excludes the impact of any non-market vesting conditions (for example, service, profitability and sales growth targets). Non-market vesting conditions are included in estimates about the number of options that are expected to vest. At each reporting date, the Company revises its estimates of the number of shares that are expected to vest. It recognises the impact of the revision of original non-market estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the shares are vested.

3.9 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost.

A provision is made for the best estimate of the present value of the unavoidable future cost of dismantling and removing the items of property, plant and equipment and restoring the sites on which they are located.

3. Significant accounting policies (Continued)

3.10 Borrowing Costs

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

3.11 Cash flow statement

Cash flow statement has been prepared using the "indirect method".

3.12 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.

3.13 Commitments and contingencies

Commitments and contingent liabilities of the Company are disclosed wherever appropriate.

3.14 Revenue recognition

Revenue is recognised net of discounts and represents the amounts receivables in respect of goods and services provided to the customers.

Sale of Goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Revenue from sales of telecommunications equipment is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The total consideration on arrangements with multiple revenue generating activities (generally the sale of telecommunications equipment and ongoing service) is allocated to those components that are separable based on the estimated fair value of the components.

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale.

Services

Revenue from services is recognised as the services are provided. Revenue from service contracts that cover periods of greater than 12 months is recognised in the income statement in proportion to the services delivered at the reporting date. In respect of services invoiced in advance, amounts are deferred until provision of the service.

3 Significant accounting policies (Continued)

3.14 Revenue recognition (Continued)

Services (Continued)

Amounts payable by and to other telecommunications operators are recognised as the services are provided. Charges are negotiated separately and are subject to continual review. Revenue generated through the provision of these services is accounted for gross of any amounts payable to other telecommunication operators for interconnect fees.

Customers from the billing cycle date to the end of each period is accrued. Unearned monthly access charges relating to periods after each accounting period are deferred.

Mobile revenue comprises amounts charged to customers in respect of monthly access charges, airtime usage, messaging, and the provision of other mobile telecommunications services. Mobile monthly access charges are invoiced and recorded as part of a periodic billing cycle. Airtime, either from contract customers as part of the invoiced amount or from prepaid customers through the sale of prepaid cards, is recorded in the period in which the customer uses the service. Unbilled revenue resulting from mobile services provided to contract.

The Company recognises revenue from the transmission of content and traffic on its network originated by third-party providers. The Company assess whether revenue should be recorded gross as principal or net as agent, based on the particular features of such arrangements.

Revenue arising from the provision of other services, including maintenance contracts, is recognised evenly over the periods in which the service is provided.

3.15 Expenditure

Operating lease payments

Leases comprising a lease of land and a lease of buildings within a single contract are split into the two component parts. The component part for buildings is then tested to determine whether the lease is a finance or operating lease and treated accordingly. Leases of land and all other leases are classified as operating leases and are not recognised in the statement of financial position. Payments made under operating leases, net of lease incentives or premiums received, are charged to the income statement on a straight-line basis over the period of the lease. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Finance income and expense

Finance income comprises interest income on funds invested. Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

Financing costs comprise interest payable on borrowings, unwinding of discounts on provisions and foreign exchange losses that are recognised in profit or loss.

3.16 Tax

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

3. Significant accounting policies (Continued)

3.16 Tax (Continued)

Current tax

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

Deferred tax

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

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

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

A deferred tax assets is recognized for unused tax losses, tax credits deductible temporary difference to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it no longer probable that the related tax benefits will be provided

4. Determination of Fair Values

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

Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Financial liabilities (Non-derivative)

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Critical accounting estimates, assumptions and judgements

In the preparation of these financial statements, a number of estimates and assumptions have been made relating to the performance and the financial position of the Company. Results may differ significantly from those estimates under different assumptions and conditions. The Directors consider that the following discussion addresses the Company's most critical accounting policies, which are those that are most important to the presentation of its financial performance and position. These particular policies require subjective and complex judgements, often as a result of the need to make estimates about the effect of matters that are uncertain.

Depreciation of property, plant and equipment

The Company assigns useful lives and residual values to property, plant and equipment based on periodic studies of actual asset lives and the intended use for those assets. Changes in circumstances such as technological advances, prospective economic utilisation and physical condition of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

Where the Company determines that the useful life of property, plant and equipment should be shortened or residual value reduced, it depreciates the net carrying amount in excess of the residual value over the revised remaining useful life, thereby increasing depreciation expense. Any change in an asset's life or residual value is reflected in the Company's financial statements when the change in estimate is determined.

Impairment of property, plant and equipment and intangible assets

The Company assess the impairment of property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable or otherwise as required by accounting standards. Factors that are considered important and which could trigger an impairment review include the following:

- obsolescence or physical damage;
- significant changes in technology and regulatory environments;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the use of its assets or the strategy for its overall business;
- significant negative industry or economic trends;

The identification of impairment indicators, the estimation of future cash flows and the determination of the recoverable amount for assets or cash generating units require significant judgement.

Revenue recognition

Judgement is required in assessing the application of the principles of revenue recognition in respect of revenues. This includes presentation of revenue as principal or as agent in respect of income received from transmission of content provided by third parties.

Valuation of receivables

The provision for impairment losses for trade and other receivables reflects the Company's estimates of losses arising from the failure or inability of customers to make required payments. The provision is based on the ageing of customer accounts, customer credit-worthiness and the Company's historical write-off experience etc. Changes to the provision may be required if the financial condition of its customers improves or deteriorates. An improvement in financial condition may result in lower actual write-offs.

5. Critical accounting estimates, assumptions and judgements (Continued)

Customer and supplier commitments

The nature of the telecommunications industry is such that estimates are often required to be made in relation to customer or supplier commitments, the final outcome of which may not be known for some time.

It uses estimates of price or usage to determine the revenue and expense recognised in any period. These estimates are periodically adjusted to reflect actual pricing or usage as such information becomes available or is agreed. As issues arise or are resolved, accruals are created or released as appropriate—the net impact of this is included in operating profit within the relevant line item.

Interconnection with other operators

As part of the normal course of business, the Company interconnects with other telecommunications operators. In certain instances it uses estimates to determine the amount of revenue receivable from or expense payable to these other operators. The prices at which these services are charged are sometimes regulated and may be subject to retrospective adjustment. Estimates are used in assessing the likely impact of these adjustments. Adjustments to interconnect estimates are taken to operating profit in the period in which the adjustments are made.

Provisions

A provision is recognised when there is a present (legal or constructive) obligation in respect of a past event as explained in the accounting policy in Note 3.9 to the financial statements. Judgement is required to quantify such amounts.

FOR THE YEAR ENDED 31ST MARCH 2012

6 SEGMENT INFORMATION

The Company is a national telecommunications service provider in the Maldives. During the period ended 31st March 2012, the Company operated as a single business unit under one management team offering mobile, broadband and domestic and international fixed line services to residential and business customers.

The Chief Operating Decision Maker (CODM) of the Company is the Chief Executive Officer (CEO) of the Company. The CEO considers the performance of the Company as a whole considering total operation of the Company as a one segment in assessing the performance of the Company and making decisions about the resource allocation within the Organization. The disclosures on segmental information below have been presented on this basis.

Segment Revenue	**2012 MRf "000" (12 Months)**	**2011 MRf "000" (15 Months)**
Mobile telephony	1,357,289	1,668,994
Fixed line telephony	275,409	364,079
Internet services	258,049	276,834
Equipment sales	99,431	71,524
International Premium rates (IPRS)	-	105,542
Other services	54,213	61,532
Total revenue	2,044,391	2,548,505

Results from operating activities	**2012 MRf "000" (12 Months)**	**2011 MRf "000" (15 Months)**
Revenue	2,044,391	2,548,505
Cost of sales	(276,071)	(381,322)
Gross profit	1,768,320	2,167,183
Operating costs	(649,228)	(779,190)
Earnings before Interest, depreciation and amortisation	1,119,092	1,387,993
Depreciation	(317,973)	(356,189)
Other operating income	91,227	1,162
Other operating expense	(35,533)	-
Results from operating activities	856,813	1,032,966

FOR THE YEAR ENDED 31ST MARCH 2012

7 REVENUE

	2012 MRf "000" (12 Months)	2011 MRf "000" (15 Months)
Mobile telephony	1,357,289	1,668,994
Fixed line telephony	275,409	364,079
Internet services	258,049	276,834
Equipment sales	99,431	71,524
International Premium rates (IPRS)	-	105,542
Other services	54,213	61,532
	2,044,391	2,548,505

Revenue is shown on gross basis and before out-payments to other telecommunication companies and license payments.

8 OPERATING COSTS

	2012 MRf "000" (12 Months)	2011 MRf "000" (15 Months)
Cost of sales	276,071	381,322
Personnel Costs **(Note 8.1)**	183,531	224,677
License fees	88,768	110,878
Operating lease rentals	51,099	49,610
Provision for impairment loss on trade receivables	10,894	94,677
Professional fees	22,930	14,228
Support Services	32,382	26,371
External Publicity	25,248	32,972
Other administrative expenses	65,564	67,523
Network costs	60,519	54,034
Property and utility costs	108,293	104,220
	925,299	1,160,512

8.1 Personnel Costs

Wages and salaries	132,982	171,438
Performance reward scheme	29,503	41,914
Defined contribution expense	6,949	5,766
Share-based payment	2,931	-
Temporary labour and recruitments	759	614
Training	8,433	11,858
Medical benefits	6,096	4,903
Others	7,379	5,526
	195,032	242,019
Less: Staff costs capitalised	(11,501)	(17,342)
	183,531	224,677

FOR THE YEAR ENDED 31ST MARCH 2012

9 OTHER OPERTING INCOME

	2012 MRf "000" (12 Months)	2011 MRf "000" (15 Months)
Other income	39	-
Profit on disposal of property, plant and equipment	-	1,162
Foreign exchange gain	91,188	-
	91,227	1,162

10 OTHER OPERTING EXPENSE

	2012 MRf "000" (12 Months)	2011 MRf "000" (15 Months)
Loss on write off of Property, Plant and Equipment	32,082	-
Loss on disposal of Property, Plant and Equipment	3,451	-
	35,533	-

11 NET FINANCE COSTS

	2012 MRf "000" (12 Months)	2011 MRf "000" (15 Months)
Finance Income		
Interest Income	6,277	20,629
	6,277	20,629
Finance Costs		
Interest Expenses	(29,913)	(39,463)
Unwinding of discounts on provisions	(7,819)	(13,095)
Foreign exchange loss	(110,520)	(32,613)
	(148,252)	(85,171)
Net Finance Costs	(141,975)	(64,542)

FOR THE YEAR ENDED 31ST MARCH 2012

12 TAX EXPENSE

	2012 MRf "000" (12 Months)	2011 MRf "000" (15 Months)
On Current profits **(Note 12.1)**	96,119	-
Deferred tax Assets **(Note 12.2)**	(15,272)	-
	80,847	-

12.1 Reconciliation Between Accounting Profit and Taxable Profit :

	2012	2011
Accounting profit before Tax	714,838	-
Profit attributable to Non taxable period	(185,869)	-
Profit attributable to taxable period	528,969	-
Disallowable expenses	235,118	-
Allowable expenses	(122,945)	-
Tax Free Allowance	(353)	-
Total Taxable Profit	640,789	-
Income Tax @ 15%	96,119	-

In accordance with the provisions of the Business Profit Tax Act No. 5 of 2011, regulations and subsequent amendments thereto. The Company is liable for income tax on its taxable profits at the rate of 15% with effect from 18th July 2011. Prior to 18th July 2011, all profits earned by the Company were free from income tax.

12.2 Deferred Tax Asset

	2012 MRf "000"	2011 MRf "000"
As at 1st April	-	-
Deferred tax asset recognized during the year	15,272	-
As at 31st March	15,272	-

12.3 Deferred Tax Asset is attributable for following:

	2012		2011	
	Temporary Difference MRf "000"	Tax Effect MRf "000"	Temporary Difference MRf "000"	Tax Effect MRf "000"
Property, Plant and Equipment	101,814	15,272	-	-
	101,814	15,272	-	-

FOR THE YEAR ENDED 31ST MARCH 2012

13 EARNINGS PER SHARE

13.1 Basic earnings per share

Basic earnings per ordinary share is based on the profit for the period attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the period.

	2012 (12 Months)	**2011 (15 Months)**
Profit for the period attributable to the ordinary shareholders (MRf "000")	633,991	968,424
Weighted average number of ordinary shares outstanding ("000")	75,954	76,000
Basic earnings per share (MRf)	8.35	12.74

13.2 Diluted earnings per share

The calculation of diluted earning per share was based on profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

	2012 (12 Months)	**2011 (15 Months)**
Profit for the period attributable to the ordinary shareholders (MRf "000")	633,991	968,424
Weighted average number of ordinary shares outstanding (diluted) ("000")	75,990	76,000
Diluted earnings per share (MRf)	8.34	12.74

13.3 The Company has performed a share split as on 27 September 2011 at the ratio of 1: 4 share for existing ordinary shares. Accordingly, the calculation of basic and diluted earnings per share for the periods presented has been adjusted retrospectively.

AS AT 31ST MARCH 2012

14 PROPERTY, PLANT AND EQUIPMENT

31st March 2012	Buildings MRf "000"	Plant and Equipment MRf "000"	Vehicles, spares, launches, furniture and fittings MRf "000"	Assets under Construction MRf "000"	Total MRf "000"
Cost					
As at 1st April 2011	169,836	3,669,491	36,005	473,756	4,349,088
Additions	-	-	-	479,064	479,064
Movements in asset retirement obligations	-	7,298	-	-	7,298
Transfers during the year	16,794	306,812	3,288	(326,894)	-
Disposals	(1,102)	(10,121)	910	-	(10,313)
Write off	-	(86,471)	-	-	(86,471)
As at 31st March 2012	185,528	3,887,009	40,203	625,926	4,738,666
Depreciation					
As at 1st April 2011	59,985	2,175,569	31,472	-	2,267,026
Charge for the year	9,835	302,198	259	-	312,292
Disposals	(609)	(6,922)	927	-	(6,604)
Write off	-	(54,389)	-	-	(54,389)
As at 31st March 2012	69,211	2,416,456	32,658	-	2,518,325
Net Carrying amount	116,317	1,470,553	7,545	625,926	2,220,341

31st March 2011	Buildings MRf "000"	Plant and Equipment MRf "000"	Vehicles, spares, launches, furniture and fittings MRf "000"	Assets under Construction MRf "000"	Total MRf "000"
Cost					
As at 1st January 2010	153,525	3,306,026	36,456	410,043	3,906,050
Additions	-	-	-	446,705	446,705
Transfers during the period	16,353	365,216	1,423	(382,992)	-
Disposals	(42)	(1,751)	(1,874)	-	(3,667)
As at 31st March 2011	169,836	3,669,491	36,005	473,756	4,349,088
Depreciation					
As at 1st January 2010	53,588	1,837,506	30,552	-	1,921,646
Charge for the Period	6,439	339,814	2,794	-	349,047
Disposals	(42)	(1,751)	(1,874)	-	(3,667)
As at 31st March 2011	59,985	2,175,569	31,472	-	2,267,026
Net Carrying amount	109,851	1,493,922	4,533	473,756	2,082,062

AS AT 31ST MARCH 2012

15 INTANGIBLE ASSETS

	2012 MRf "000"	2011 MRf "000"
Cost		
Opening balance	21,587	19,291
Additions during the year / period	9,584	2,296
Closing balance	31,171	21,587
Amortization and Impairment losses		
Opening balance	15,416	8,274
Amortization for the year / period	5,681	7,142
Closing balance	21,097	15,416
Net Carrying Value	10,074	6,171

The purchase and upgration cost of softwares has been recognized as intangible assets and amortized over a period of 3 to 5years.

16 INVENTORIES

	2012 MRf "000"	2011 MRf "000"
Cost of inventories	47,013	59,223
Less: Provision for slow moving / obsolete items **(Note 16.1)**	(7,228)	(4,672)
	39,785	54,551

16.1 Provision for Slow-Moving /Obsolete Inventories

	2012	2011
Opening balance	4,672	9,224
Provision made during the year / period	2,556	-
Provision reversed during the year / period	-	(4,552)
Closing balance	7,228	4,672

17 TRADE AND OTHER RECEIVABLES

	2012 MRf "000"	2011 MRf "000"
Gross trade receivables	226,815	402,813
Less: Provision for impairment loss **(Note 17.1)**	(96,000)	(201,902)
	130,815	200,911
Other receivables	5,159	10,118
Prepayments and accrued income	146,054	101,403
	282,028	312,432

AS AT 31ST MARCH 2012

		2012	2011
17	**TRADE AND OTHER RECEIVABLES (CONTINUED)**	**MRf "000"**	**MRf "000"**
17.1	**Provision for Impairment Loss**		
	Opening Balance	201,902	107,225
	Provision made during the year / perioc	10,894	94,677
	Bad debt written off during the year / period	(116,796)	-
	Closing Balance	96,000	201,902

		2012	2011
18	**CASH AND CASH EQUIVALENTS**	**MRf "000"**	**MRf "000"**
	Cash in hand	8,241	45,908
	Balance with bank	517,255	505,932
	Short term deposits	284,926	632,089
		810,422	1,183,929

Short-term deposits include fixed income instruments, which can be readily converted to cash at short notice.

The weighted average effective interest rate on short-term bank deposits at 31st March 2012 was 1.219% p.a (2011: 2.1% p.a). These deposits had an average maturity of 20 days as at 31st March 2012. (2011-54 days).

MRf 204 Mn of Short term deposit hace been mortgaged under the loans and borrowings obtained by the Company as disclosed under Note 20 to the financial statements.

		2012	2011
19	**CAPITAL AND RESERVES**	**MRf "000"**	**MRf "000"**
19.1	**Share Capital**		
	Authorised share capital 80,000,000 ordinary shares of MRf 2.5 each (2011: 20,000,000 shares of MRf 10 each)	200,000	200,000
	Issued and fully paid share capital 76,000,000 ordinary shares of MRf 2.5 each (2011: 19,000,000 shares of MRf 10 each)	190,000	190,000

19.2 Treasury Shares

The reserves for the Company's own shares comprises the cost of the own shares held by the Company less the cost of services received from employees in exchange for grant of shares in the Company under share base compensation arrangement.

19.3 Dividends

The holders of ordinary shares are entitled to dividend as declared from time to time and are entitled to one vote per share at the meetings of the Company. The board of directors has declared dividends for the period as follows.

2011/2012	**MRf "000"**
Dividend payment – 1st tranche - MRf 31.831570 per share	604,800
Dividend payment – 2nd tranche - MRf 21.57473 per share	409,920
	1,014,720
2010/2011	
Dividend payment – MRf. 22.8927 per share	434,962
	434,962

AS AT 31ST MARCH 2012

		2012	2011
20	**LOANS AND BORROWINGS**	**MRf "000"**	**MRf "000"**
	Opening Balance	282,343	204,706
	Add: Borrowings during the period	-	218,450
	Effect on currency revaluation	55,790	-
	Less: Loan Repayments during the period	(164,480)	(140,813)
	Closing Balance	173,653	282,343
20.1	**Sources of Finance**		
	HSBC – Male' Branch US$ - Loan I **(Note 20.3)**	57,600	112,437
	HSBC – Male' Branch US$ - Loan II **(Note 20.4)**	116,053	169,906
		173,653	282,343
20.2	**Maturity Analysis**		
	Payable within one year	144,640	137,067
	Payable after one year	29,013	145,276
		173,653	282,343

20.3 Hong Kong and Shanghai Banking Corporation (HSBC) - Male' Branch - US$ loan I

The Company has obtained a loan facility of US$15 Mn (MRf 192.75 Mn) from HSBC - Male' branch in December 2009 to finance general corporate expenses. This Facility is secured against cash deposits. The facility carries an interest rate of three month LIBOR plus 12.5% p.a . The facility is repayable over a 3 year period with the final repayment due in December 2012.

20.4 Hong Kong and Shanghai Banking Corporation (HSBC) - Male' Branch - US$ loan II

The Company has obtained a loan facility of US$17 Mn (MRf 218.45 Mn) from HSBC - Male' branch in July 2010 to finance general corporate expenses. This Facility is secured against cash deposits. The facility carries an interest rate of three 3 month LIBOR plus 10 % p.a .The facility is repayable over a 3 year period with the final repayment due in July 2013.

		2012	2011
21	**PROVISIONS**	**MRf "000"**	**MRf "000"**
	Network and asset retirement obligation	109,366	94,249
		109,366	94,249
	Movement during the period		
	Opening balance	94,249	81,154
	Provision made during the year / period	7,298	-
	Unwinding of discounts on provisions	7,819	13,095
	Closing balance	109,366	94,249

The provisions of network and asset retirement obligations represent the provisions made for the best estimate of the present value of the unavoidable future cost of dismantling and removing the items of property, plant and equipment and restoring the sites on which they are located.

AS AT 31ST MARCH 2012

22 TRADE AND OTHER PAYABLES

	2012 MRf "000"	2011 MRf "000"
Trade payables	77,727	44,388
Accruals	395,504	296,780
Deferred income	49,335	41,850
Sundry creditors	5,454	5,072
Refundable deposits from GSM customers	15,424	16,175
Other payables	13,936	21,029
Income tax payable	96,119	-
	653,499	425,294

23 COMMITMENTS

Capital Commitments

The Company had capital commitments at the end of the financial year relating to the purchase of property, plant and equipment of MRf 52,381 thousands (2010/11: MRf 457,190 thousands). No provision has been made for these commitments.

Lease Commitments

The Company has a number of operating commitments arising in the ordinary course of the Company's business. The Company has obtained mainly land and buildings under various lease agreements (Operating Leases). The leases have varying terms, escalations, clauses and renewal rights.

The future operating lease commitments of the Company as at the reporting date are as follows.

31/03/2012	**Less than one year MRf"000"**	**1 to 2 Years MRf"000"**	**2 to 5 Years MRf"000"**	**Over 5 Years MRf"000"**	**Total MRf"000"**
Future Operating Lease Rentals on Land and Buildings	10,749	11,405	4,053	62,027	88,234
	10,749	11,405	4,053	62,027	88,234

31/03/2011	**Less than one year MRf"000"**	**1 to 2 Years MRf"000"**	**2 to 5 Years MRf"000"**	**Over 5 Years MRf"000"**	**Total MRf"000"**
Future Operating Lease Rentals on Land and Buildings	14,835	16,543	6,570	12,065	50,013
	14,835	16,543	6,570	12,065	50,013

AS AT 31ST MARCH 2012

24 SHARE-BASED PAYMENTS ARRANGEMENTS

A new Dhiraagu Colleague Share Plan (DCSP) has been introduced as approved by the Shareholders of the Company and the Board on 25th September 2011 as a part of listing of the Company Shares. The proposed plan replaces the existing top 100 managers retention plan currently operated in Dhiraagu. The proposed DCSP (equity-settled) has two levels of participation for Dhiraagu colleagues. Dhiraagu has bought 225,710 of its own shares as at 31st March 2012 (2011:Nil) and the shares are held in an employee benefit trust established for the benefit of the employees.

24.1 Dhiraagu colleague share plan (DCSP)

Grant date/ Employees entitled	Number of Instruments "000"	Vesting Conditions
Scheme ("A")		
Shares grant to senior management	173	Three year service from the date of grant.
Scheme ("B")		
Shares grant to all other employees	53	One year service from the date of grant.
	226	

24.2 Reconciliation of carrying value of shares acquired under the employee share base payment arrangement.

	MRf "000"
Outstanding at the beginning of the year	-
Shares purchased during the year	18,057
Share-based payment expenses	(2,931)
Outstanding at the end of the year	15,126

24.3 The fair value of the employee services received in exchange for the grant of shares in the Company is recognised as an operating cost through profit or loss over the vesting period.

AS AT 31ST MARCH 2012

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Risk Management

Overview

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

(i) Credit risk
(ii) Liquidity risk
(iii) Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further, quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

Risk management systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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 framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Treasury Policy

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme seeks to minimise potential adverse effects on the Company's financial performance. Day to day management of treasury activities is delegated to the Company's treasury function ("Treasury"), within specified financial limits for each type of transaction and counterparty.

To the extent that the Company undertakes treasury transactions, these are governed by Company policies and delegated authorities.

The key responsibilities of Treasury include funding, investment of surplus cash and the management of interest rate and foreign currency risk. The majority of the Company's cash resources (including facilities) and borrowings are managed centrally by Treasury.

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(i) Credit Risk

The carrying amount of financial assets of the Company represents the maximum credit exposure. In relation to deposit held, the management seeks to reduce the credit risk by ensuring the counterparties to all but a small proportion of the Company's financial instruments are the core relationship banks. The counterparties are selected in compliance with Company Treasury Policy. The types of instrument used for investment of funds are prescribed by the Board. These policies contain limits on exposure for the Company as a whole to any one counterparty.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. However, geographically there is no concentration of credit risk.

The management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company establishes a provision for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The provision for impairment represents the specific loss component that relates to individually significant exposures.

The maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	31/03/2012 MRf "000"	31/03/2011 MRf "000"
Trade and Other Receivables	231,974	412,931
Cash at Bank and Short Term Deposits	802,181	1,138,021
	1,034,155	1,550,952

AS AT 31ST MARCH 2012

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(i) Credit Risk (Continued)

Impairment Losses	31/03/2012		31/03/2011	
	Gross MRf "000"	Impairment MRf "000"	Gross MRf "000"	Impairment MRf "000"
The aging of trade and other receivables as at the reporting date was:				
0-30 days	23,970	291	100,668	-
Past due 31-180 days	141,387	36,697	148,607	44,322
More than 180 days	66,617	59,012	163,656	157,580
Total	231,974	96,000	412,931	201,902

The movement in the provision for impairment in respect of trade and other receivables during the year is given in Note 17.1 to the financial statements

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

(ii) 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 Company's exposure to liquidity risk as at reporting date is against the following liabilities.

31st March 2012	Carrying Amount MRf "000"	Within One Year MRf "000"	1-2 Years MRf "000"	2-5 Years MRf "000"	More than 5 years MRf "000"
Financial Liabilities					
Loans and Borrowings	173,653	144,640	29,013	-	-
Trade and Other Payables	653,499	653,499	-	-	-
Total	827,152	798,139	29,013	-	-

31st March 2011	Carrying Amount MRf "000"	Within One Year MRf "000"	1-2 Years MRf "000"	2-5 Years MRf "000"	More than 5 years MRf "000"
Financial Liabilities					
Loans and Borrowings	282,343	137,067	121,004	24,272	-
Trade and Other Payables	425,294	425,294	-	-	-
Total	707,637	562,361	121,004	24,272	-

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(ii) Liquidity Risk (Continued)

The Company manages its own liquidity to meet its financial obligations of servicing and repaying external debt, dividends, Company costs and strategic initiatives. The principal source of liquidity for the Company is its operating cash inflows from the business, supported by bank finance.

At 31st March 2012, the Company had cash and cash equivalents of MRf 810 Mn. These amounts are highly liquid and are a significant component of the Company's overall liquidity and capital resources. The company has no undrawn loan facilities.

The Management produces liquidity forecasts on a regular basis to ensure the utilisation of current facilities is optimised, to ensure covenant compliance and that medium-term liquidity is maintained and for the purpose of identifying long-term strategic funding requirements. The Directors also regularly assess the balance of capital and debt funding of the Company.

Approximately 35.2% of the Company’s cash and cash equivalents are invested in short-term bank deposits (31/03/2011 – 53.4%).

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, equity prices 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 optimizing the return.

Interest rate risk

The Company is exposed to movements in interest rates on its floating rate loans. Treasury may seek to reduce volatility by fixing a proportion of this interest rate exposure whilst taking account of prevailing market conditions as appropriate. There were no interest rate derivatives used by the Company as at 31st March 2012, no debt was held for trading purposes and it is intended that loans and borrowings will be kept in place until maturity. A one percentage point increases in the interest rates will have an approximate MRf 904 thousands impact on the floating rate loans of the Company.

Profile

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

	Carrying Amount	
	31/03/2012	31/03/2011
	MRf "000"	MRf "000"
Fixed Rate Instruments		
Financial Assets - Short Term Deposits	284,926	632,089
	284,926	632,089
Variable Rate Instruments		
Financial Liabilities - Loans and Borrowings	(173,653)	(282,343)
	(173,653)	(282,343)

AS AT 31ST MARCH 2012

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iii) Market risk (Continued)

Currency risk

Exposure to currency risk

The Company is exposed to the risk of available foreign currency for capital and operational purposes and also to the risk of movements in exchange rates in relation to foreign currency transactions. (Mainly US Dollars, Euro and Pounds Sterling.) The Company receives certain collections such as roaming and interconnect in terms of foreign currency and on the other hand, the Company makes certain payments such as capex payments, dividends, out payments, payments relating to group management in terms of foreign currencies.

Currency risk is managed by the Company's treasury function that monitors foreign currency cash inflows and outflows and its closing position on a daily basis. The Company also monitors its exposure to movements in exchange rates on a net basis. The Company currently does not uses forward foreign exchange contracts and other derivative and financial instruments to reduce the exposures created where currencies do not naturally offset in the short term.

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

	31/03/2012			
	US$ "000"	Euro "000"	SGD "000"	GBP "000"
Cash and Cash Equivalents	33,064	1,532	25	25
Trade and Other Receivables	9,006	-	-	-
Loans and Borrowings	(11,313)	-	-	-
Trade and Other Payables	(17,734)	(572)	(148)	(886)
Gross statement of financial position exposure	13,023	960	(123)	(861)

	31/03/2011			
	US$ "000"	Euro "000"	SGD "000"	GBP "000"
Cash and Cash Equivalents	25,695	449	25	11
Trade and Other Receivables	10,408	-	-	-
Loans and Borrowings	(21,972)	-	-	-
Trade and Other Payables	(14,870)	(3,301)	(33)	(1,673)
Gross statement of financial position exposure	(739)	(2,852)	(8)	(1,661)

AS AT 31ST MARCH 2012

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iii) Market risk (Continued)

Currency risk (Continued)

The following significant exchange rates were applied during the period:

	Average Rate		Reporting Date	
	2011/12	**2010/11**	**31/03/2012**	**31/03/2011**
US$ 1 : MRf	15.15	12.85	15.35	12.85
Euro 1: MRf	20.99	17.33	20.67	18.29
SGD 1: MRf	12.07	9.65	12.23	10.29
GBP 1: MRf	24.21	20.20	24.34	20.81

Sensitivity Analysis

A strengthening (weakening) of the MRf, as indicated below, against the foreign currencies as at 31st March would have increased / (decreased) profit or loss by the amounts shown below.

	31/03/2012		31/03/2011	
	Strengthening MRf "000"	**Weakening MRf "000"**	**Strengthening MRf "000"**	**Weakening MRf "000"**
US$ (10% Movement)	(19,990)	19,990	949	(949)
Euro (10% Movement)	(1,984)	1,984	5,216	(5,216)
SGD (10% Movement)	150	(150)	8	(8)
GBP (10% Movement)	2,096	(2,096)	3,457	(3,457)

AS AT 31ST MARCH 2012

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Accounting classifications and fair values

Fair value versus carrying amount

As at 31st March 2012	Loans and Receivables MRf "000"	Other financial Liabilities MRf "000"	Carrying amount MRf "000"	Fair value MRf "000"
Assets				
Cash and Cash Equivalents	810,422	-	810,422	810,422
Trade and Other Receivables	282,028	-	282,028	282,028
	1,092,450	-	1,092,450	1,092,450
Liabilities				
Loans and Borrowings	-	173,653	173,653	173,653
Trade and Other Payables	-	653,499	653,499	653,499
	-	827,152	827,152	827,152

As at 31st March 2011	Loans and Receivables MRf "000"	Other financial Liabilities MRf "000"	Carrying amount MRf "000"	Fair value MRf "000"
Assets				
Cash and Cash Equivalents	1,183,929	-	1,183,929	1,183,929
Trade and Other Receivables	312,432	-	312,432	312,432
	1,496,361	-	1,496,361	1,183,929
Liabilities				
Loans and Borrowings	-	282,343	282,343	282,343
Trade and Other Payables	-	425,294	425,294	425,294
	-	707,637	707,637	707,637

AS AT 31ST MARCH 2012

26 RELATED PARTY TRANSACTIONS

26.1 Parent and Ultimate Holding Company

The parent of Dhivehi Raajjeyge Gulhun PLC is CWC Islands Limited and the ultimate parent is Cable and Wireless Communications PLC, a company incorporated in the United Kingdom.

26.2 Transactions with key management personnel

Key management's remuneration

Key management includes Directors and Executive committee members that have regular access to inside information and have the power to make managerial decisions affecting the future development and business prospects of the Company. Employee costs above include key management remuneration as follows:

	2012 MRf "000" (12 Months)	2011 MRf "000" (15 Months)
Directors Fees	960	1,200
Salaries to Executives	14,701	13,451
Short term Benefits to Executives	5,864	2,446
	21,525	17,097

26.3 Transactions with Cable and Wireless Communications Group of companies

CWC Islands Limited had a 52% shareholding in the Company as at 31st March 2012 (31st March 2011 – 52%). Transactions with companies in the Cable and Wireless Communications Group included support fees for technical services, and payments for outsourcing services for certain supplier invoices. Transactions with Cable and Wireless Communications Group during the periods, and outstanding balances at the year ends, are as follows:

Transactions	2012 MRf "000" (12 Months)	2011 MRf "000" (15 Months)
In-payments	(3,106)	(16,025)
Out-payments	525	5,318
Dividends	527,654	226,180
Others	32,382	26,371

Balances outstanding	2012 MRf "000"	2011 MRf "000"
Amounts payable in respect of goods and services	18,346	10,723
	18,346	10,723

AS AT 31ST MARCH 2012

26 RELATED PARTY TRANSACTIONS (CONTINUED)

26.4 Transactions with the Government of Maldives

The Government of Maldives had a 41.8 % shareholding in the Company as at 31st March 2012 (31st March 2011 – 48%). Transactions with the Government of the Maldives included license fees (on gross revenue less out-payment charges to other telecommunications operators) and the rentals of assets owned by the Government of Maldives. Transactions with the Government of Maldives during the periods, and outstanding balances at the year ends, are as follows:

Transactions	**2012 MRf "000" (12 Months)**	**2011 MRf "000" (15 Months)**
Licence fees	88,768	110,878
Rentals on land space	28,423	24,989
Dividends	487,066	208,782

Balances outstanding	**2012 MRf "000"**	**2011 MRf "000"**
Amounts payable in respect of rentals on land space	1,101	287
Amounts payable in respect of licence payments	5,696	8,186
	5,696	8,186

27 MANAGEMENT RESPONSIBILITY

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

28 EVENTS OCCURRING AFTER THE REPORTING DATE

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

29 CONTINGENT LIABILITIES

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

30 COMPARATIVE INFORMATION

The Company has changed its financial year end from 31st December to 31st March in the year 2011 effective from the period ended 31 March 2011 in order to align the Company's financial statements to the parent Company. Accordingly, the comparative information of the financial statements have been presented for 15 months. The comparative amounts presented in these financial statements are as at and for the year ended 31 March 2011 and not entirely comparable with the current period amounts.