



DHIVEHI RAAJJEYGE GULHUN PLC
ANNUAL REPORT 2016

LEADING WITH CUSTOMER EXPERIENCE



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LEADING WITH CUSTOMER EXPERIENCE

ANNUAL REPORT 2016

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OUR BUSINESS

OUR BUSINESS



OUR VISION

Enrich lives through
digital services



OUR MISSION

To lead the market
through excellence in
customer experience

OUR VALUES



COLLABORATE

We work together to offer our customers a seamless experience



INNOVATE

We constantly innovate to provide our customers with the latest and best in digital services



SERVE

We keep our customer at the heart of all we do, because we win when they do



INSPIRE

We empower people, and never lose sight of the bigger picture of nation-building and growth

Dhiraagu is the leading and largest digital services provider offering total solutions and a comprehensive range of mobile, internet, data and fixed line services throughout the Maldives.

BTC Islands Limited (Batelco) holding 52%, and the Government of Maldives holding 41.8%, are the two substantial shareholders of Dhiraagu. The remaining 6.2% of shares are held by the general public.

Our business is based on a commitment to providing innovative products and services and a philosophy that places high value on customer experience.

Our customers include individual consumers, small to medium businesses, corporate and government institutions. We provide total solutions and cater to specific needs ranging from simple telephone services to complex integrated private networking solutions for global corporate customers.

With half a million customers, and employing 99% trained qualified Maldivians present in 10 strategically located operating centres across the country, we remain the largest telecommunications provider in the Maldives.

We overcome geographic barriers and stay close to customers through the nation's largest retail and distribution network of 40 exclusive partners, 40 distributors, 120 agents and over 3,000 retailers across the country.

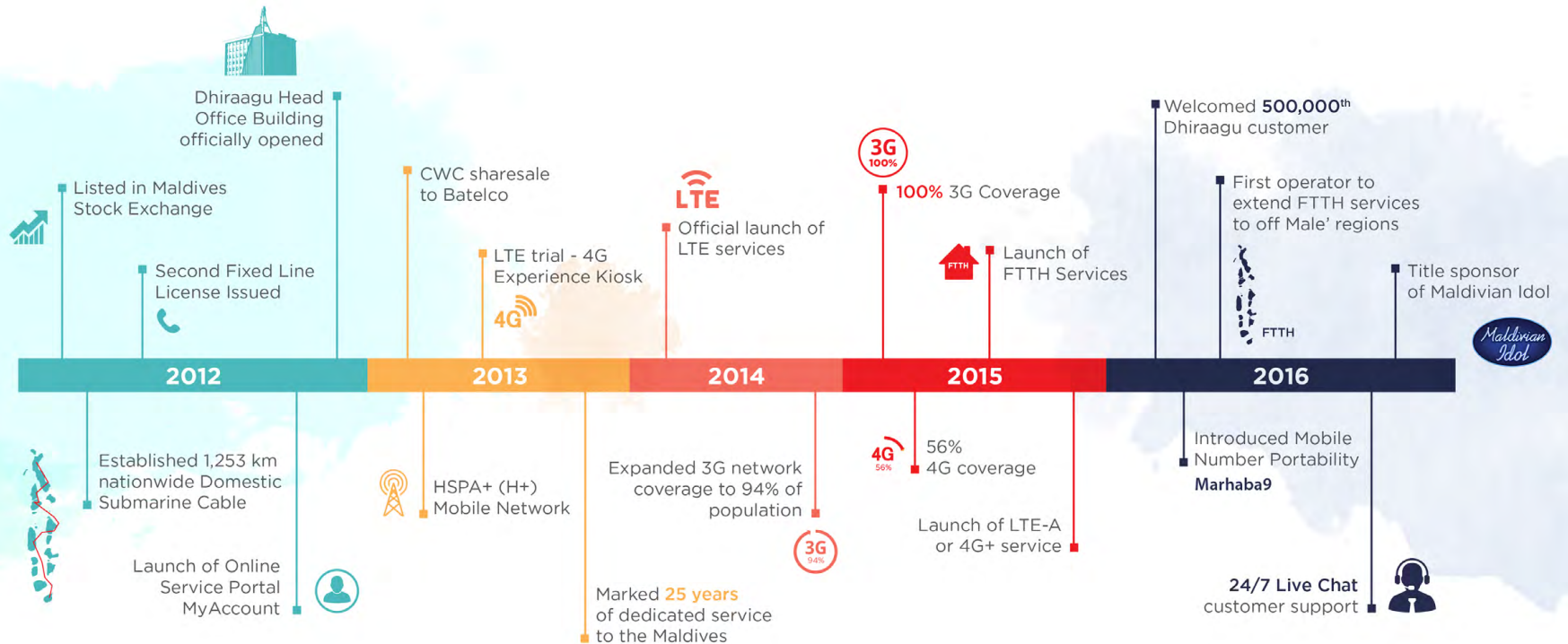
We provide the widest coverage in Maldives, which includes all of the country's 199 inhabited islands, all resort islands and all major industrial islands.

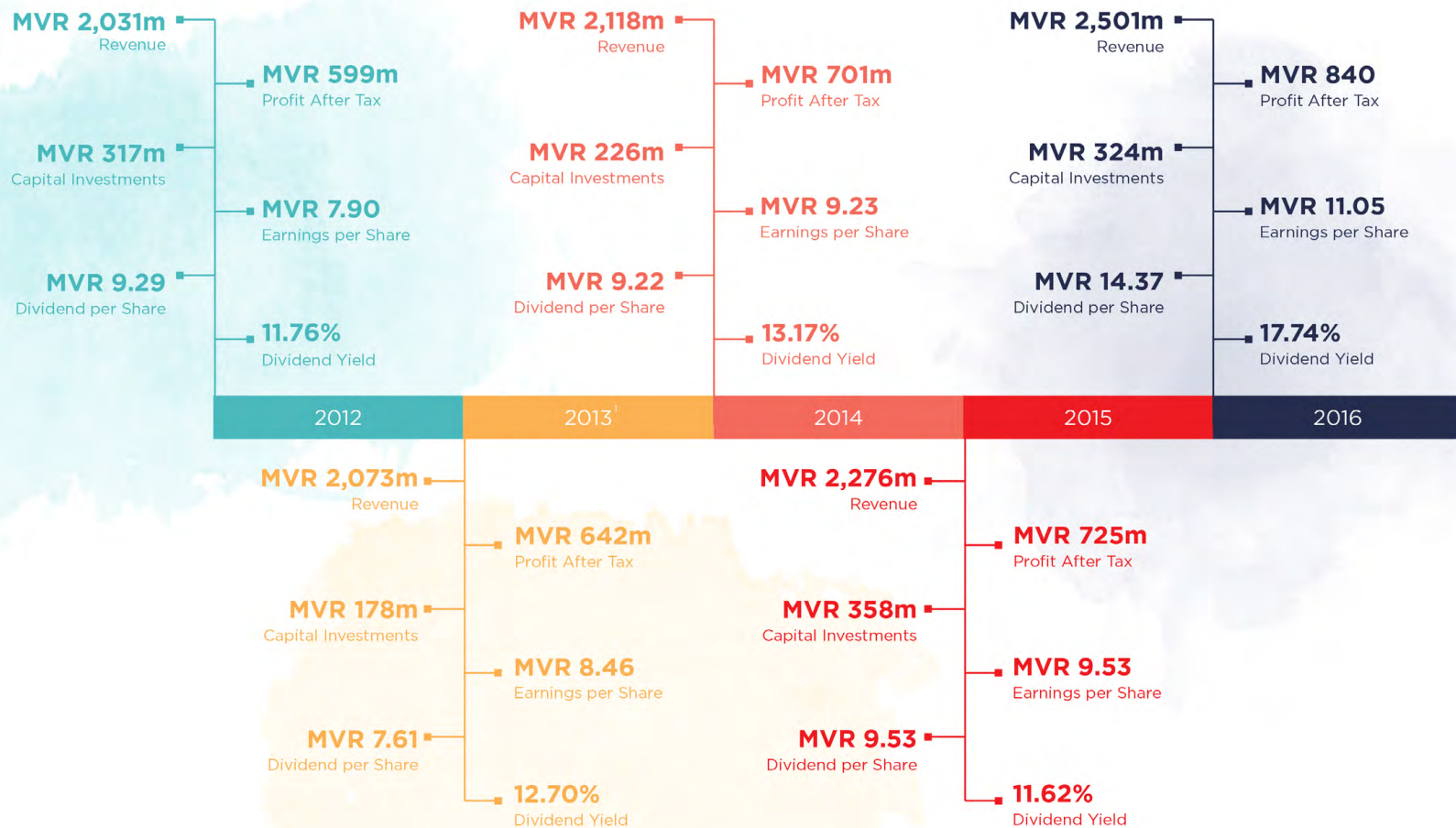
We are the first operator to have linked the Maldives from North to South through a 1,253km long fibre optic submarine cable network which supports the nation's largest 3G and 4G LTE and fixed broadband network.

With nearly three decades of excellence and a proven record of success, we continue to lead the market, holding a superior market position on high value segments such as mobile, enterprise and fixed broadband.

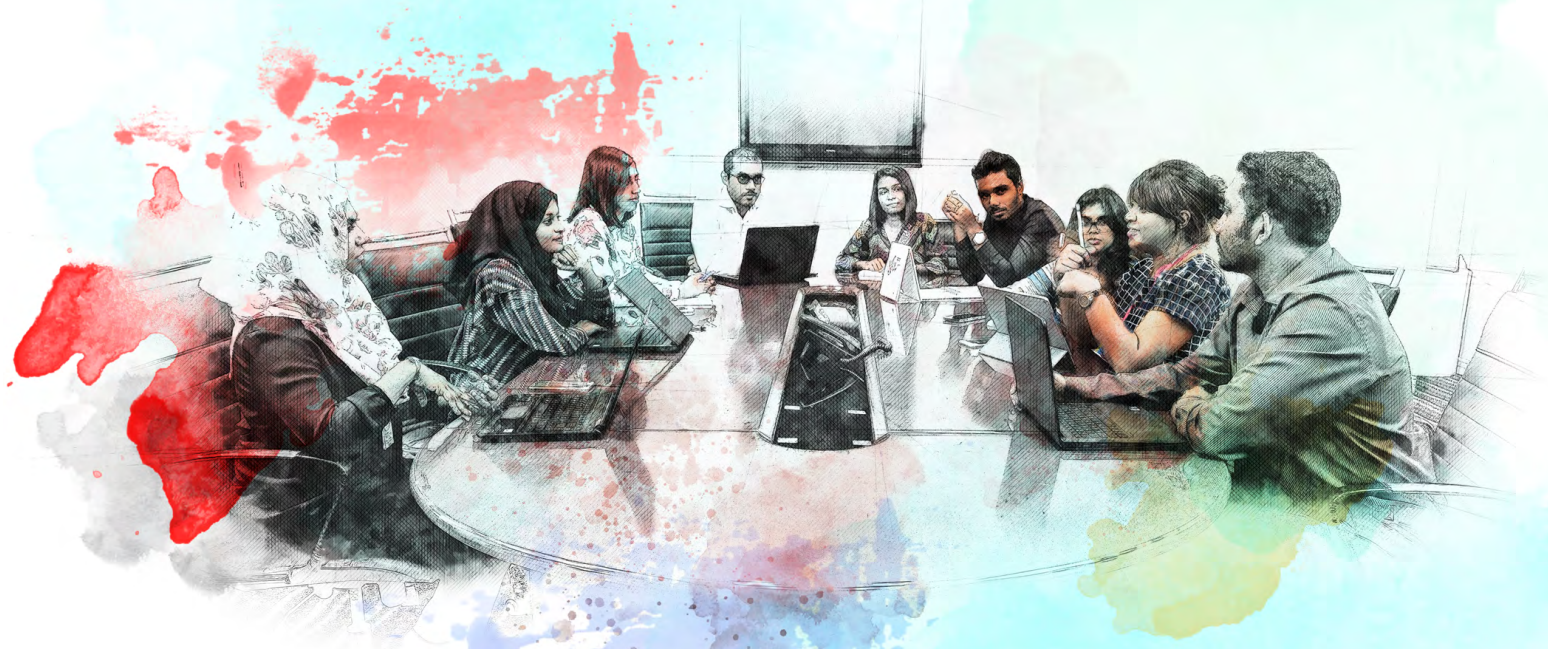


MILESTONES SINCE IPO





¹ Annualized amounts from the 9 month reported figures for the period 1st April 2013 to 31st December 2013 for Revenue, Profit After Tax, Earnings Per Share and Dividend Per Share



FINANCIAL HIGHLIGHTS

REVENUE

2016
MVR 2,501m

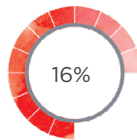
2015
MVR 2,276m



PROFIT AFTER TAX

2016
MVR 840m

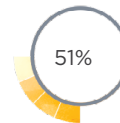
2015
MVR 725m



DIVIDEND PER SHARE

2016
MVR 14.37

2015
MVR 9.53



RETURN ON CAPITAL EMPLOYED (ROCE)

2016
37.1%

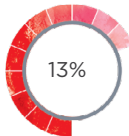
2015
32.5%



EBITDA

2016
MVR 1,389m

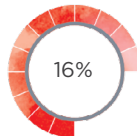
2015
MVR 1,230m



EARNINGS PER SHARE

2016
MVR 11.05

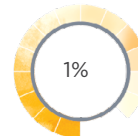
2015
MVR 9.53



FREE CASH FLOW

2016
MVR 863m

2015
MVR 853m



CAPITAL INVESTMENT

2016
MVR 324m

2015
MVR 358m





CHAIRPERSON'S STATEMENT

IT IS WITH GREAT PLEASURE I PRESENT DHIRAAGU'S 2016 ANNUAL REPORT.

Performance in 2016

2016, which marked our fifth anniversary as a publicly listed company, has been a very successful year for Dhiraagu. Our overall performance was very good in 2016 with a revenue of MVR 2.5bn and Profit After Tax of MVR 840m. Growth in mobile and enterprise revenue, customer numbers, and growth in data usage are at the core of this positive performance. Earnings per share was MVR 11.05, up 16 percent when compared to 2015.

The Company's financial position continues to remain strong with a total asset base of MVR 3.4bn and net assets of MVR 2.5bn. Free Cash flow

was MVR 863m as a result of higher earnings and efficient working capital management.

The Board remains confident about the Company's future and we recommend a final dividend of MVR 8.45 per ordinary share (2015: MVR 4.69) for 2016. The final dividend is subject to shareholder approval at the upcoming Annual General Meeting, and will bring the total dividend for 2016 to MVR 14.37 per share (2015: MVR 9.53) - a total dividend payout of MVR 1.1bn for 2016. I am pleased to note that since our IPO in 2012, we have been consistently returning healthy dividends to our shareholders. With the proposed exceptional final dividend cash dividends of MVR 3.9bn would be returned to our shareholders, giving back a healthy 65 percent return to our shareholders since the IPO.

Strategy and Board focus

Unlike other markets, the telecom sector has continued to demonstrate organic growth in the Maldives, with data usage being the driver of this growth. Our strategy revolves around serving our customers, and focuses on expanding and improving the quality of our network while continuing to offer exciting digital services and solutions to our diverse customer base. In 2016, the Board worked with the management to develop the five year strategic plan and closely monitored the execution of the Company's strategy. Our CEO & MD Mr. Ismail Rasheed will elaborate on the company's progress in his message.

Board changes

During the year 2016, the Board saw a number of significant changes.

In January 2016, Dr. Ahmed AlQader succeeded Mr. Ihab Hinnawi as the Chairman of the Audit Committee following his resignation at the end of 2015. Dr. Ahmed AlQader has successfully taken on this Chairmanship and ensured that there has been no break in continuity in this important role.

In May 2016, Mr. Abdul Razzaq AlQassim stood down as the Deputy Chairperson of the Board. Mr. AlQassim served the Board since April 2013 and provided outstanding independent advice especially on areas related to governance. Mr. AbdulRahman Fakhro replaced him as the Deputy Chairperson, and has acted this role with remarkable wisdom and expertise.

Mr. Raed Fakhri was appointed as a Non-Executive Director in May 2016. Mr. Raed lends important financial and analytical insights to the Board.

In April 2016, the Articles of Association was revised to increase Board composition from 7 to 9 members to make the Board more diverse and better reflect the shareholding rights. Mr. Ihab Hinnawi was re-appointed as a Non-Executive Director in July 2016, and Mr. Ahmed Mohamed Didi was appointed in November 2016. Both members further strengthen the Board with their operational expertise in the telecom sector.

With these changes, I am confident that our Board is stronger and better equipped to drive the company towards reaching its long-term objectives.

Annual General Meeting

Our AGM will be on 20 April 2017 and the Notice of Meeting and explanatory notes can be found on our website. Similar to previous years, resolutions will be conducted by a show of hands unless a shareholder having more than 10 percent of shareholding requests for a poll. The Board believe that this allows for greater transparency of the process and encourages the participation of the public shareholders, who can join the votes by way of proxy as well. All members of the Board plan to attend the AGM and look forward to the opportunity to meet with shareholders. The detail of the AGM resolutions is set out in the Notice of Meeting published along with this Annual Report.

Note of appreciation

I extend my gratitude to his Excellency President Abdulla Yameen Abdul Gayoom for his visionary leadership in paving the way forward for our businesses to expand.

Thanks are also due to my fellow Board members, for their advice and direction; I look forward to continue working with them on guiding the company towards even greater success in the future.

On behalf of the Board of Directors, I thank and congratulate Mr. Ismail Rasheed, the executive committee and staff of Dhiraagu for their dedication, passion and hard work to make 2016 a great success.

As a final note, I am also pleased to note in a highly competitive and evolving market, Dhiraagu remains the leader for every single segment we operate. I would like to reiterate our commitment to continue leading the market.



Mohamed Ashmalee
Chairperson



CEO & MD'S MESSAGE

2016 has been a record year of success in which Dhiraagu has produced outstanding results.

I thank our customers for their continued trust and support in choosing our network, our products and services, which enabled us to lead the market in all areas of our business.

I am very proud of the hard work and dedication of our teams, for keeping their focus on providing a better experience to our customers and delivering on our mission. I thank them for their valuable contributions.

With the support of our Board of Directors' we increased our investments to strengthen our network, expanded our mobile broadband services across the country, and rolled out fibre to new islands providing high speed internet to many new homes.

Following the establishment of the very first nationwide optical-fiber submarine cable network in 2012, every year we have made considerable investments in upgrading connectivity between the islands and have been rolling out our services to reach the entire population. In 2015 we announced completion of mobile broadband service to 100 percent of all inhabited islands. We continued this work in 2016 and provided 4G service to 58 percent of the population and announced an ongoing program to provide 4G service across the country.

Fibre-to-the-home (FTTH) was launched in Laamu Funadhoo, Laamu Gan, Villimale' and Kaafu Maafushi. This program will continue in 2017 to cover additional islands.

Whilst delivering critical network upgrades and enhancements, our teams worked hard to ensure on a seamless launch of the Mobile Number Portability requirement. We also physically relocated the services from old exchange at our previous customer services centre to a modern new exchange and moved the submarine cable landing station in Male' to facilitate the construction of the

Male' – Hulhumale' bridge.

I am very pleased to see the increasing popularity of our online services with our customers. Significant improvements were made to our online services during 2016 which include popular additions to our MyAccount service. We also made the Online Chat service available 24 hours allowing customers to reach us and receive support whenever they want.

Services offered through our partner shops around the country were expanded to include all residential services improving the ease of access for customers across the country.

Some of the exciting new products launched during the year include FTTH based special internet packages for Guest House businesses with cloud-based centralized WiFi management systems. We partnered with iflix, a major regional OTT provider to offer video streaming service with a wide range of international TV shows and movies, bringing popular entertainment content to our customers. Similarly, we partnered with Shaw Academy to bring education content to our customers.

With a second new data center established we expanded our enterprise services portfolio offering managed services and total solutions for corporates and resorts. We will continue to forge a greater relationship with our customers, to listen and understand their requirements better and deliver the services they need for today and the future.

We will continue this work to modernize the network and bring in innovations to achieve our vision to “Enrich lives through digital services”. We will continue to work to meet the growing expectations of our customer by improving broadband speeds, quality, security, valued adding services and improved response times.

In 2016 we continued our CSR programme which assures we run our business with the highest level of integrity and professionalism, while contributing to our community and protecting our environment. Our CSR initiatives are well received by the public. We successfully continued our apprenticeship programme for the sixth consecutive year, and increased our support to the community. We launched “For the Oceans” campaign to raise awareness on keeping our oceans clean and encouraging the public to use reusable bags. As part of this campaign, we also instituted a company-wide initiative to eliminate the use of PET water bottles at the workplace, replacing these bottles with environmentally friendly BPA free multi-use water bottles. The initiative received overwhelming support from all our staff.

Our commitment to provide a better experience to our customer, and also our strategy to enrich lives through digital services, will help us deliver an enhanced portfolio of smart products and services to our customers, enabling better social connections, improved productivity, easy access to information and entertainment.

My team and I are committed to keep Dhiraagu at the forefront of the digital revolution, bringing the benefits of convergence to offer innovative services, to significantly increase the value for our customers, colleagues and shareholders.



Ismail Rasheed
Chief Executive Officer and Managing Director

BOARD OF DIRECTORS





BOARD OF DIRECTORS

MOHAMED ASHMALEE
CHAIRPERSON
NON-EXECUTIVE & INDEPENDENT

Nationality: Maldivian
Appointed by Government of Maldives
Tenure since February 2015

EXPERIENCE & QUALIFICATIONS

Minister of State for Finance & Treasury, and the Executive Head of the National Bureau of Statistics. Previously held positions of Deputy Minister of Transport & Communications (2013) & Deputy Minister of Finance & Treasury (2014). Also served as the Chairman of the National Tender Board.

Holds a Bachelor's Degree from Warnborough College (UK)

OTHER BOARD REPRESENTATIONS

None

COMMITTEE MEMBERSHIP

Chairperson, RNG Committee

ABDUL RAHMAN YUSUF FAKHRO
DEPUTY CHAIRPERSON
NON-EXECUTIVE & INDEPENDENT

Nationality: Bahraini
Appointed by Batelco Group
Tenure since March 2014

EXPERIENCE & QUALIFICATIONS

Chairman of Bahrain Commercial Facilities Company and Yusif bin Yusif Fakhro Group of Companies in Bahrain. Served on the Boards of various companies in Bahrain including Bahrain Kuwait Insurance Company (BSC), BMMI, National Motors, Bahrain Flour Mills and Seef Properties (BSC). Immense experience of over 50 years in business, insurance and investments sector.

Studied Commerce from the University of Cairo.

OTHER BOARD REPRESENTATIONS

Chairman of Bahrain Commercial Facilities Company/Yusif bin Yusif Fakhro BSC/Amlak/Bahrain Marina. Deputy Chairman of Social Insurance Organization (SIO) & Osool Asset Management. Board member of Batelco Group, & Sure Channel Islands and Isle of Man (UK).

COMMITTEE MEMBERSHIP

Member, Remuneration, Nomination and Governance Committee

IHAB HINNAWI
DIRECTOR
NON-EXECUTIVE & INDEPENDENT

Nationality: Jordanian
Appointed by Batelco Group
Tenure since July 2016

EXPERIENCE & QUALIFICATIONS

Batelco Group CEO - March 2015 to current date. Chief Executive Officer of Umniah, Jordan - April 2009 to Feb 2015. GM, Enterprise Division, Batelco Bahrain - Jan 2009 - Mar 2009. GM, Special Projects, Batelco Bahrain - July 2008 to Dec 2008. Chief Executive Officer of Batelco, Jordan - April 2007 to June 2008

Over 25 years of extensive managerial and operational experience to lead industry pioneering operations. Helped establish Umniah in 2004, as a key member of its initial management team, and continue to work at Umniah as its Operations Director until 2007.

Holds a BA in Business Administration

OTHER BOARD REPRESENTATIONS

Vice Chairman - Samena Telecommunications

BOARD OF DIRECTORS

ISMAIL RASHEED DIRECTOR EXECUTIVE & NON-INDEPENDENT

Council. Board Member – Dhiraagu (June 2013 – Dec 2015 & Reappointed on 31 July 2016). Board member - CWC South Atlantic Limited (South Atlantic & Diego Garcia). Board Member – Etihad Atheeb Telecom Company. Board Member – Umniah. Board Member - Batelco-Jordan.

COMMITTEE MEMBERSHIP
None

Nationality: Maldivian
Appointed by Batelco Group
Tenure since September 2015

EXPERIENCE & QUALIFICATIONS
CEO & MD of Dhiraagu since September 2015. Previously served as Chief Executive of Dhiraagu for 8 years, and held key positions including Director of Networks (2000-2007), Manager Networks Planning and Projects (1999-2000). Over 30 years of extensive telecoms experience.

Holds an MBA from University of Reading (UK), BEng (Hons) in Telecommunications Systems Management & Design - Anglia Polytechnic University (UK), member of the Institute of Engineering & Technology (UK).

OTHER BOARD REPRESENTATIONS
None

COMMITTEE MEMBERSHIP
None

ABDULLA AHMED DIRECTOR NON-EXECUTIVE & INDEPENDENT

Nationality: Maldivian
Appointed by Government of Maldives
Tenure since January 2014

EXPERIENCE & QUALIFICATIONS
Deputy Chief Executive Officer of Maldives Industrial Fisheries Company (MIFCO) since December 2014. Served as Director Finance & Procurement in Koodoo Fisheries Maldives Ltd, held various managerial positions in (MIFCO), lastly serving as the Chief Financial Officer.

Holds a Bachelor's Degree in Applied Accounting from Oxford Brookes University, UK. ACCA fellow since 2011.

OTHER BOARD REPRESENTATIONS
Director, Mifco, and Marine Maldives Products Pvt Ltd. (a JVC of Mifco)

COMMITTEE MEMBERSHIP
Member, Audit Committee

BOARD OF DIRECTORS

IMRAN ALI
DIRECTOR
NON-EXECUTIVE & INDEPENDENT

Nationality: Maldivian
Appointed by Public Shareholders
Tenure since May 2014

EXPERIENCE & QUALIFICATIONS

Chief Executive Officer of Dhonkeyo Group with over 15 years of industry experience in tourism and real estate development.

Holds an MBA from Manchester Metropolitan University, UK. Bachelor's degree in Economics from the University College London, UK

OTHER BOARD REPRESENTATIONS

Chairman of Dhonkeyo Group of Companies.
Director of Reethi Rah Resort Private Limited.

COMMITTEE MEMBERSHIP

Member, Audit Committee,
Member Remuneration, Nomination and Governance Committee

DR. AHMED ABDULQADER
DIRECTOR
NON-EXECUTIVE & INDEPENDENT

Nationality: Bahraini
Appointed by Batelco Group
Tenure since December 2015

EXPERIENCE & QUALIFICATIONS

CEO of Smarteam Consultancy, Bahrain. Assistant Professor at the College of Business Administration, UOB since 2014. Served as Undersecretary, Regulatory and Performance Audit, National Audit Office (Bahrain) from 2005 to 2013, Senior Manager with Ernst and Young, Director of Audit at the Ministry of Finance, and Head of Computer Audit, Ministry of Finance.

Holds a Ph.D in Accounting from the University of Surry, UK and is a Certified Public Accountant (CPA) - USA.

OTHER BOARD REPRESENTATIONS

Chairman UOB Alumni, Bahrain. Board member of Batelco Group; Member AICPA -USA & GCC Accounting and Auditing Organization

COMMITTEE MEMBERSHIP

Chairperson, Audit Committee

RAED FAKHRI
DIRECTOR
NON-EXECUTIVE & INDEPENDENT

Nationality: Bahraini
Appointed by Batelco Group
Tenure since May 2016

EXPERIENCE & QUALIFICATIONS

Vice President, Investments at Bahrain Mumtalakat Holding Company B.S.C since March 2013 with over 20 years of experience in business development and investment banking. Co-founded BDI Partners in 2010 and headed the firm as a Managing Director prior to his current role. Headed the investment department of Capivest Investment Bank for 3 years, mainly engaged in identifying and originating potential investments. Prior to that, Mr. Fakhri was with Batelco for 9 years lastly serving as a Senior Manager in New Business Development Unit, responsible for start-ups, mergers and acquisitions. Also served 3 years with Gulf Petrochemical Industries Company (GPIC) as a Control Systems Engineer and Project Engineer.

Holds an Executive MBA from the University of Bahrain, and Bachelor of Science in Electronics

BOARD OF DIRECTORS

AHMED MOHAMED DIDI DIRECTOR NON-EXECUTIVE & INDEPENDENT

Engineering Technology from the University of Central Florida, Orlando, USA

OTHER BOARD REPRESENTATIONS

Board member of Batelco Group (Bahrain), Investrade (Bahrain) and BDI Partners (Bahrain).

COMMITTEE MEMBERSHIP

None

Nationality: Maldivian
Appointed by Government of Maldives
Tenure since November 2016

EXPERIENCE & QUALIFICATIONS

Managing Director, Bold Point Pvt Ltd from Nov 2016 onwards. Served as Director Human Resources, Dhiraagu PLC May 2010 to Aug 2016, Manager Billing & Credit Control, Dhiraagu Plc, March 2009 to May 2010. Worked as the Secretariat of the Former President Nov 2008 to Feb 2009 after serving in The Presidential Palace from 1997 to Nov 2008 in various capacities, lastly serving as the Deputy Director (Head of Human Resources & Finance). Lecturer and Training consultant in Management, Human Resources and Finance disciplines for over 15 years with various institutions including MAPS College, Clique College, Maldives National University (former Faculty of Management and Computing), Villa College and Focus Education Centre.

Holds an MBA from Maquarie Graduate School of Management (Australia), a Bachelor of Business & Commerce (specializing in Accounting and Fi-

nance), Monash University (Australia), and a Chartered member of the Chartered Institute for Personnel & Development (UK)

OTHER BOARD REPRESENTATIONS

Managing Director, Bold Point Pvt Ltd and Director, Prime Care Investment Pvt Ltd.

COMMITTEE MEMBERSHIP

None

MANAGEMENT TEAM



MANAGEMENT TEAM



MANAGEMENT TEAM

ISMAIL RASHEED CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

- Appointed CEO & MD in 2015.
- Joined Dhiraagu in 1988.
- Held key positions in Dhiraagu including Chief Executive, Director Networks and Manager Networks Planning and Projects.
- Experienced Chartered Engineer and Manager with over 30 years of telecoms experience.
- MBA, University of Reading (UK); BEng (Hons) Telecommunications Systems Management & Design, Anglia Polytechnic University (UK) & Member of Institute of Engineering & Technology (UK).

ROBIN WALL CHIEF FINANCIAL OFFICER

- Appointed Chief Financial Officer (CFO) in 2015.
- Joined Dhiraagu in 2011.
- Held key positions in Dhiraagu including, Acting CFO, Financial Controller & Assistant Financial Controller. Also served as Financial Controller of Monaco & Islands region, CWC Group.
- Chartered Management Accountant with 11 years of financial & operational expertise in the telecoms industry.
- BSc Management Studies, University of Brunel (UK) & Associate Member, Chartered Institute of Management Accountants (UK).

ISABELLE HAJRI CHIEF MARKETING OFFICER

- Appointed Chief Marketing Officer in 2016.
- Joined Dhiraagu in 2016.
- Held positions in commercial functions as well as strategy, project management, corporate & financial planning.
- Broad international exposure, having worked for diverse telecoms groups in Europe, the Middle East, Africa, Canada, North and Central America. Track record includes launching new operations, turning around underperforming companies and introducing innovative customer propositions.
- Marketing expert with over 20 years Telecoms industry experience.
- MSc International Management, Montreal University (Canada).

MANAGEMENT TEAM

ATHIFA ALI

DIRECTOR, CORPORATE SERVICES

- Appointed Director, Corporate Services in 2016 after being the Director of International, Legal and Regulatory since 2003
- Joined Dhiraagu in 1988.
- Held key positions in Dhiraagu including Financial Controller.
- Also the Chairperson of the Board of Maldives Pension Administration Office.
- Chartered Management Accountant with over 26 years of telecoms and finance experience.
- MBA, University of Bradford (UK) & Associate Member of Chartered Institute of Management Accountants (UK).

ALI RIYAZ

DIRECTOR, CUSTOMER SERVICES & SALES

- Appointed as Director, Customer Services and Sales in 2004.
- Joined Dhiraagu in 1999.
- Held key positions in Dhiraagu including Head of Administration and Human Resources (Dhiraagu). Also served as Group Sales & Marketing Manager at Universal Enterprises Pvt Ltd and Manager Human Resources at Maldives Inflight Catering.
- Widespread knowledge with over 20 years of industry experience in cross-functional areas of business and management.
- Advanced Diploma in Hospitality Management from SHATEC College (Singapore).

AHMED MAUMOON

DIRECTOR, BUSINESS DEVELOPMENT

- Appointed Director, Business Development in 2016 after being Director Marketing since 2009.
- Joined Dhiraagu in 1990.
- Held key positions in Dhiraagu including Manager Marketing Division, Manager Mobile Networks and Manager of Transmission and Earth Station.
- Qualified Engineer/Marketer with over 25 years of experience in the telecommunications sector.
- MBA, Anglia Ruskin University, Chelmsford (UK); BEng (Hons) Engineering Telecommunications Systems, Coventry University (UK).

MANAGEMENT TEAM

MUSTHAG AHMED DIDI

DIRECTOR, CUSTOMER SOLUTIONS

- Appointed Director, Customer Solutions in 2009.
- Joined Dhiraagu in 1994.
- Held key positions in Dhiraagu including Manager Data & IP solutions and Manager Information Systems.
- IT specialist with more than 21 years of experience in the telecommunications industry.
- BSc Microelectronics & Computing, University College of Wales (UK).

MOHAMED HAZMATH ABDULLA

DIRECTOR, PROPERTY, PROCUREMENT & ADMINISTRATION

- Appointed as Director, Property, Procurement and Administration in 2004.
- Joined Dhiraagu in 2004.
- Held key positions in the Ministry of Finance and Treasury from 1995-2004 including Assistant Director of the Department of Inland Revenue.
- Over 20 years operational & managerial experience in both public and private sector.
- Masters in Economics (Public Policy & Taxation) from Yokohama National University (Japan) and a Bachelor in Business Administration, Hawaii Pacific University.

PAVAN KUMAR MALLADI

DIRECTOR, INFORMATION SYSTEMS

- Appointed Director, Information Systems in 2015.
- Joined Dhiraagu in 2015.
- Held key positions in Ericsson India, IBM India, MACH (currently Syniverse) India, and Apalya Mobile TV India.
- Digital services & telecommunications industry specialist with 17 years of experience in telecoms delivering projects across multiple geographies.
- Executive General Management Programme, Indian Institute of Management Bangalore, Bachelor of Engineering, Osmania University (India).

MANAGEMENT TEAM

DR. ABDULLA FIRAG

DIRECTOR, NETWORKS

- Appointed Director Networks in 2016
- Joined Dhiraagu in 2012
- Held key positions in Dhiraagu including Manager Access Engineering and Manager Network Quality Assurance. Also worked as a Postdoctoral Research Fellow at University of Canterbury (New Zealand) Project coordinator at Ministry of Communications, Science and Technology (Maldives), and as an Engineer at the Maldives Airports Company.
- Qualified engineer and researcher with over 12 years of experience in telecommunications, electrical and energy sector.
- Ph.D. and Masters in Electrical and Electronics Engineering from the University of Canterbury (New Zealand) and Bachelor of Engineering in Electrical and Electronics Engineering from the University of Adelaide (Australia). IEEE member since 2006.

AJWAD ALI

DIRECTOR, HUMAN RESOURCES

- Appointed Director Human Resources in 2016
- Joined Dhiraagu in 2016
- Held key positions in the Public Sector including Director Corporate Affairs at Maldives Pension Administration Office, Permanent Secretary of Ministry of Human Resources, Youth and Sports, Director General at Ministry of Higher Education, Employment and Social Security.
- Human Resource Planning and Development Specialist with over 17 years of experience in Human Resource Management field.
- Masters in Human Resource Planning and Development from GGS Indraprastha University (India, New Delhi) and Bachelor of Commerce in Human Resource Management and Industrial Relations from Curtin University of Technology (Australia, Perth). Professional member of the Society for Human Resource Management (USA).

Mohamed Musad Served as the Director, Networks from 2013 to 30th June 2016.

Ahmed Mohamed Didi served as the Director, Human Resources from 2010 to 31st July 2016.



STRATEGY AND PERFORMANCE IN 2016

Strategic Direction

Financial Performance

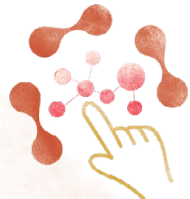
Sustainable Returns to Shareholders

STRATEGY AND PERFORMANCE IN 2016

STRATEGIC DIRECTION

Our strategy is to improve the lives of Maldivians through the provision of high quality digital services. We do this through superior product experience, greater choice, impeccable customer service and network reliability. We have catered to specific and diverse segments of the market to ensure that our customers have the best experience through our differentiated digital services. In the past year, we have placed additional emphasis on our enterprise customers. We are proud to cater to businesses ranging from small and medium sized enterprises to internationally renowned multinationals. Our specialized focus on total digital solutions have enabled businesses to sell their products and services better. These are all ways in which life improves because of greater convergence of the community through digital services. Our products and services create the opportunities for Maldivians to progress, prosper and enjoy better lives.

THE MOST SIGNIFICANT ASPECTS OF OUR STRATEGY FOCUSED ON THE FOLLOWING:



Maintaining network superiority



Delivering Customer Focused Products and Services



Providing enhanced digital services for a more prosperous Maldives

MAINTAINING NETWORK SUPERIORITY

Dhiraagu continues to maintain its position as the country's largest and most reliable network. In 2012, Dhiraagu was the first company in the Maldives to lay a fibre optic submarine cable system that spanned the entire length of the country. The submarine cable forms the backbone of our network to provide superior digital services to the Maldives - a first for any service provider in the country. Our position is strengthened by the continued modernization of our network which has, in turn, cemented our position as a provider of dependable digital connectivity.

Superior Mobile Network

Substantial work was done to strengthen our superior 3G and 4G network. Our 4G LTE service was initiated in 2015, and we have continued to extend service coverage around the country. Our 4G LTE roll out is subject to extensive product testing to minimize unexpected service interruptions - such diligence ensures that our 4G LTE services are better and more reliable.

Largest Broadband Service Provider

We are the largest and most reliable provider of broadband service in the country. We have continued to extend our fibre network with coverage expanded to additional islands besides the existing network in Male' and Hulhumale'. Under this initiative, fibre broadband network to the communities of K. Villimale', K. Maafushi, L. Fonadhoo and L. Gan were extended. At present, we offer the highest bandwidth and largest data allowance plans for residences and SMEs.

Network Security

We have doubled up on our efforts to ensure greater network security and mitigate service interruptions. We are continuing to invest in concrete measures to ensure a seamless service to our customers and to keep service interruptions at a minimum and minimize the impact well in advance.

CUSTOMER FOCUSED PRODUCTS AND SERVICES

Several initiatives were undertaken to ensure that we continue to create value for our customers. We do this by diversity of choice, value added experiences and the best customer service in the country.

Increased choice

We are a total solutions digital services provider with the ability to cater to different niches of the market with relative ease. Some of the major segment products offered in the past year include launching the then highest data inclusive package of 15GB for our postpaid heavy data-reliant customers. Additionally, our Postpaid packages underwent a significant improvement both on data allowances as well as price points to reflect the diversity of the market and provide better value for our customers. We also initiated customized regional offers including special residential broadband packages for the outer atolls. At present, 8 atolls have customized broadband packages exclusive only to them. We also became the first service provider in the Maldives to offer fibre broadband service for residential areas outside of

the greater Male' area including K. Maafushi, L. Fonadhoo and L. Gan. Increased choices were made available for other targeted niches with improved packages for tourists and the SERA package announced for the Bangladeshi community in the Maldives.

We welcomed the increased flexibility available to customers under the Mobile Number Portability programme. The process itself was achieved with relative ease, and the fact that our overall customer base had increased to over half a million in the past year is testament to the fact that we offer customers better value. Key promotions were announced to retain both customers seeking to port out as well as welcome customers coming in.

Value Enhanced Products

We are more than just the largest telecoms service provider. This is why we constantly strive to provide products and services that are smarter, superior and add value for our customers.

Mobile Devices from Samsung and Apple

Dhiraagu offered the latest mobile devices by Samsung and Apple in the same period they were released internationally. Timed to coincide with the international official launches, Apple and Samsung devices were offered to our customers at attractive price points and payment schemes. The programme was received with overwhelming enthusiasm.

Maldivian Idol

We were the title sponsor of the Maldivian idol franchise – the first time a licensed Maldivian version of an international television franchise was aired in the country. The overwhelming popularity for the series further ensures Dhiraagu's role as a facilitator of entertainment innovation.

iflix

In the past year, we partnered with iflix – a major regional OTT platform-offering our customers a streaming service with a wide range of Hollywood, Bollywood and world cinema content.

Shaw Academy

Dhiraagu partnered up with the online education provider Shaw Academy, where any of our customers can enroll for free in a course offered by the academy.

Best Customer Service

Because of the centrality of the customer to our business strategy, we expend significant effort on how we can best serve them. We have long ago dispensed with the hours of waiting in queues, endless reams of forms, and days waiting for technical support in a favour of faster and more efficient models of attending to our customers and their needs. This is why we maintain that Dhiraagu has the best customer service model in the country.

Award Winning Call Centre

With over 90 staff, 65% of whom are qualified COPC certified customer professionals, Dhiraagu Contact Centre serves our customers 24 hours a day and are available through phone, email, social media and IVR. Our Head Office in Male' and the Kulhudhuffushi Operations Centre attends to over 18,000 calls per day on a normal day. We are amongst a select few call centres in the country providing service through multi-locations using various channels.

In 2016 ContactCentreWorld.com, the world's largest association of call centres, acknowledged Dhiraagu Contact Centre's excellent Customer Service, and awarded the Bronze Award in the South Asia Pacific - Best in Customer Service - Medium Category.

24/7 Online Chat

While our customer services Online Chat was introduced the previous year, in 2016 we made the service a full round-the clock-service available every day. This means that in addition to our Customer Service Centres across the Maldives, and 24/7 Call Centre, our customers would be able to raise their concerns and receive support from our customer service agents via online chat. We also continue to maintain our presence on social media and our Customer Service agents are always at hand to assist customers.

Enhanced Dhiraagu Online Services

In this last year, we have also greatly enhanced our Dhiraagu Online Services including significant improvements to our MyAccount service to include requests for services, changes to packages and ability to monitor real time usage in addition to the bill pay service which was previously included. This allows our customers to apply to virtually any of our services wherever, whenever.

PartnerShops

In this spirit of increasing accessibility for our services, we have sought to give a bigger role to our PartnerShops. While PartnerShops have long provided services for mobile and bill pay, we are continuing to increase the range of services offered through our PartnerShops to include service provisioning - meaning that customers can now request for all residential service available in their particular region through PartnerShops.

DIGITAL SERVICES FOR A PROSPEROUS MALDIVES

Dhiraagu contributes to the socio-economic wellbeing of the country. Our goal is to impact positively on the way our customers do business. We do this by facilitating greater commerce and in turn, greater prosperity for our community. For this reason, we offer our business clients a range of bespoke digital services. Such segmentation allows us to tailor solutions that are relevant and specific to the needs of our enterprise clients. For us, value comes from identifying customer needs and delivering it in a timely manner. Some of the major projects we undertook in 2016:

Launch of Guesthouse Internet

The guesthouse industry is widely regarded as an important development in Maldivian tourism. Our Guesthouse Internet Service is one of our key initiatives designed at supporting local small businesses flourish. Under the programme, we provide the country's first ever dedicated internet solution designed exclusively for guesthouses including a cloud-based centralized WiFi management system which enables them to create flexible packages for guests as well as run their own operations.

Reliable Partner for the Government

Our network superiority is one of the principal reasons we are continuing to provide exclusive connectivity to the Government Network of Maldives (GNM).

In addition to the GNM, we have enabled improved governance through better connectivity for the Courts system. A unified communication solutions were provided to connect Courts in

101 islands. In 2016, we also provided enhanced internet connectivity to all 212 registered schools, which was provided under a framework agreement with the Ministry of Education.

Wholesale Internet

Designed to cater to smaller third party service providers licensed by the regulator, this product is aimed for Small and Medium businesses that wish to provide internet in non-cabled islands and promote growth in such islands. The product also aims to cater to smaller niches in the market ensuring digital connectivity across the country.

Expansion of Dedicated Internet Access to Corporate Sector

Dedicated Internet Access infrastructure has been extended to over 99% of currently operating resorts in the Maldives. Furthermore, we have extended DIA services to all resorts that are currently under construction.

Adjacent Businesses

We have significantly invested in providing our customers additional products and services under our Adjacent Business development. The major driver of our Adjacent Business was Enterprise ICT Solutions including hosting and cloud services, M2M connectivity, data centres and equipment sales.

In keeping with our pioneering spirit, we introduced the Maldives' first Smart Home concept to the market. The Smart Home concept essentially revolves around automation of lights, air conditioners, purifiers, and alarms all purposed to ensure that homes are energy efficient, comfortable and safe. We introduced several attractive Smart Home packages to cater to our customers.

FINANCIAL PERFORMANCE

In 2016, Dhiraagu delivered revenue growth of 10% over 2015 as we continue to innovate and rollout new products and services to our customers. We continued investment in both our mobile and fixed networks to expand presence and bring in the latest and fastest technology while improving customer experience. With our focus on continued investment in our network and new products and services, we experienced significant growth in customer numbers and mobile and fixed internet usage.

We are pleased to have achieved double-digit growth in EBITDA² and profit after tax of 13% and 16% respectively over 2015. This performance was achieved despite pressure on costs primarily due to the major unplanned work carried out to repair the damaged domestic submarine cable in Q4. Due to the strong commercial performance, earnings per share grew to MVR 11.05 as we continue to return value to our shareholders. We are also pleased to return an exceptional total dividend of MVR 14.37 per share to our shareholders, which is equivalent to 130% of EPS for 2016.

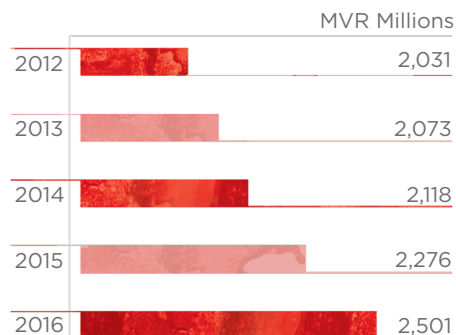
MVR (MILLIONS)	2016	2015
Revenue	2,501	2,276
EBITDA	1,389	1,230
Profit After Tax	840	725
Basic Earnings Per Share (MVR)	11.05	9.53
Free Cash Flow	863	853
Net Assets	2,512	2,479

² EBITDA is calculated as Revenue less Operating Costs before Interest, Depreciation and Amortization.

REVENUE

MVR 2,501M [+10%]

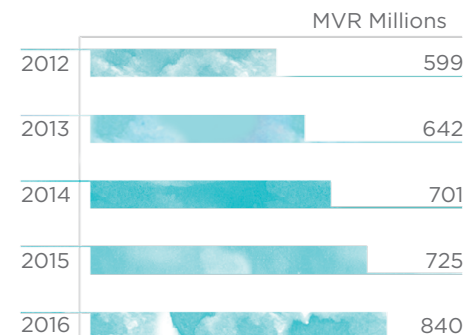
Revenue increased by MVR 226m in 2016 mainly contributed by an increase in revenue from mobile and enterprise. Growth in customers, increased demand for high-speed data and value added services have helped to achieve this performance.



PROFIT AFTER TAX (PAT)

MVR 840M [+16%]

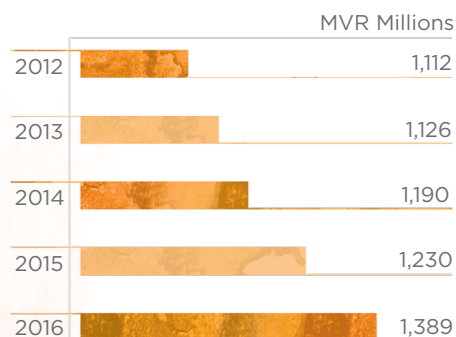
Profit after tax increased by MVR 115m (16%) compared to 2015 mainly due to the uplift in revenue.



EBITDA

MVR 1,389M [+13%]

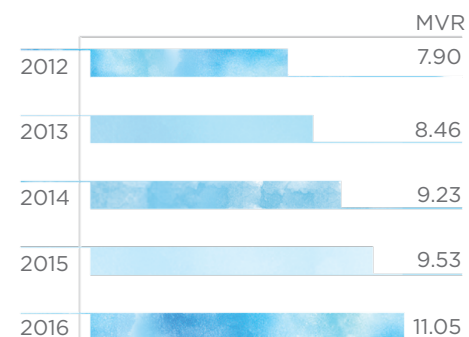
Despite pressure on increasing operational costs, EBITDA grew by MVR 158m, a 13% increase over 2015.



EARNINGS PER SHARE

MVR 11.05 [+16%]

Basic EPS grew by 16% to MVR 11.05, resulting from the increase in profit after tax.



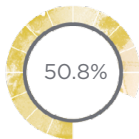
DIVIDEND

MVR 1,092M [130% of PAT]

For the financial year 2016, an exceptional total dividend of MVR 1,092m is proposed to the shareholders (MVR 450m as the interim dividend and MVR 642m proposed as final dividend for 2016).

Dividend Per Share

2016
MVR 14.37
2015
MVR 9.53



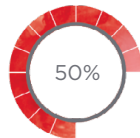
Dividend Payout Ratio

2016
130% of PAT
2015
100% of PAT



Dividend Yield³

2016
18%
2015
12%



ASSETS & ROCE

MVR 3,444M [+2.1%]

At the end of 2016 Dhiraagu's total asset base stood at MVR 3.4bn and net assets were MVR 2.5bn. Return on capital employed (ROCE) for 2016 increased to 37.1% from 32.5% in 2015.

CAPITAL INVESTMENT

MVR 324M [-9.5%]

Total capital investment in 2016 was MVR 324m with significant capital spent on mobile network upgrades, including 4G expansion and delivering FTTH.

FREE CASH FLOW

MVR 863M [+1.2%]

Free cash flow (cash flow from operating activities less capital expenditure) was MVR 863m for 2016. This is a 1.2% increase from 2015 primarily resulting from increase in earnings and efficient working capital management.

³ Dividend Yield is the percentage of dividend per share to the last traded share price

SUSTAINABLE RETURNS TO SHAREHOLDERS

Creating sustainable shareholder value is important to us and this continues to be demonstrated by the healthy dividends we pay to our shareholders.

Our Dividend Policy ensures a minimum of 50% of profit after tax is returned to shareholders as dividends. Dividends are proposed by the Board of Directors based on cash availability after meeting capital expenditure and other business requirements for future growth.

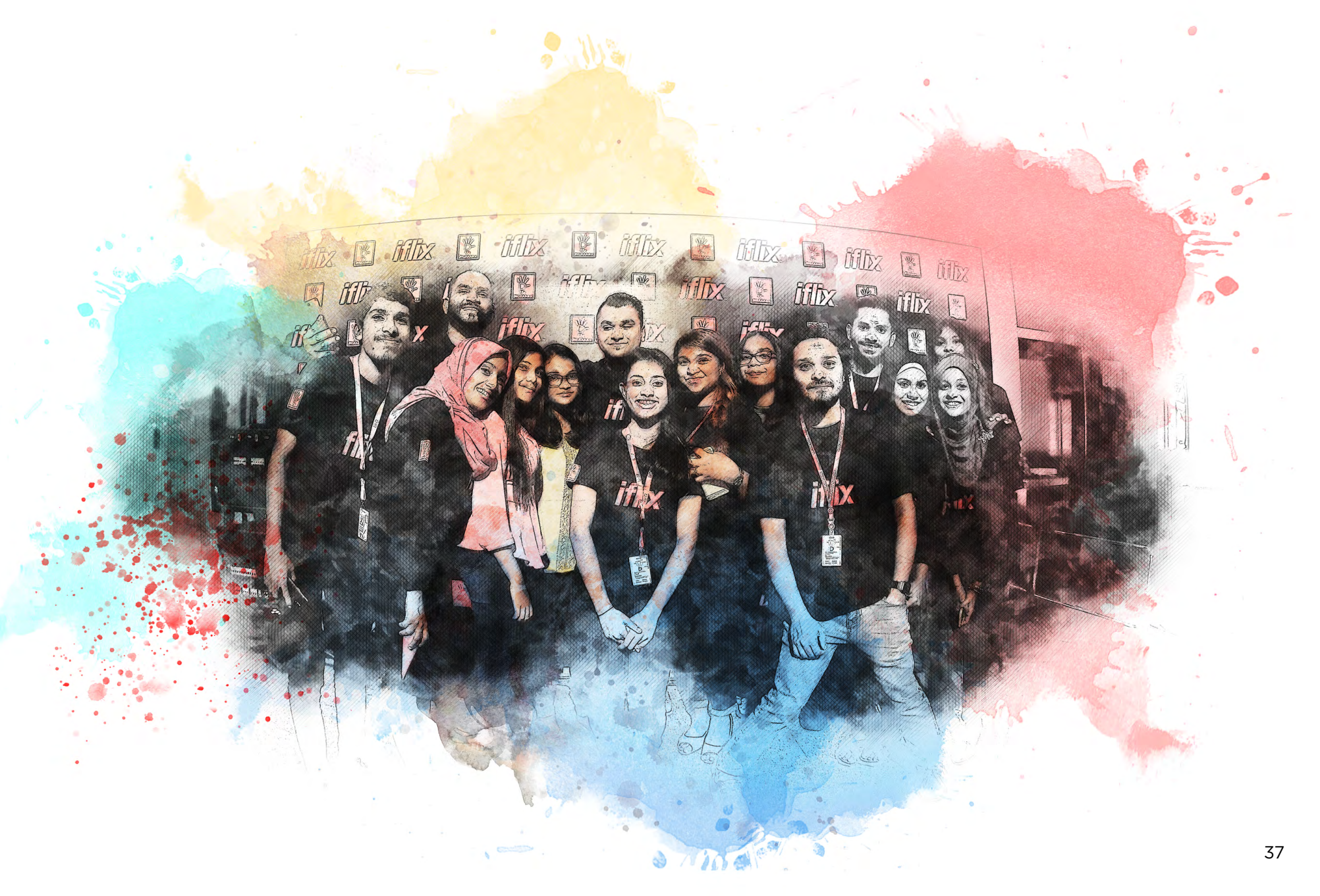
Since becoming a public listed company, Dhiraagu has returned MVR 3.3bn⁴, as cash dividends

KEY TRADING HIGHLIGHTS

TRADING HIGHLIGHTS	2016	2015
Last Traded Price (MVR)	81.00	82.00
Highest Traded Price (MVR)	85.00	83.00
Lowest Traded Price (MVR)	80.00	71.00
Weighted average traded price (MVR)	82.44	77.04
No of shares traded	5,458	4,783
No of trades	56.00	29.00
Market Capitalization (MVR bn)	6.16	6.23

SHARE PERFORMANCE	2016	2015
EPS (MVR)	11.05	9.53
P/E Ratio (times)	7.33	8.60
Dividend per share (MVR)	14.37	9.53
Net Asset Per Share (MVR)	33.06	32.62
Dividend Payout Ratio	130%	100%

⁴ The calculation based on all dividends declared and paid after January 2012 and excludes the final dividend proposed for the year 2016.





CORPORATE SOCIAL RESPONSIBILITY

Our People
Our Community
Our Environment

CORPORATE SOCIAL RESPONSIBILITY

At Dhiraagu our work is motivated by the principles of remaining a good corporate citizen. We seek to set an example for the rest of society by adhering to the highest levels of integrity, sound ethics, transparency and accountability. These are values that are clearly reflected in our core business processes including Human Resources, Marketing, Procurement and Administration. We are actively committed to reinforce the ties that bind us to the greater Maldivian community by contributing towards causes that promote nation building and societal development. Which is why we take our Corporate Social Responsibility programme with great seriousness. We have sought to ensure our CSR initiatives are strategically programmed, have maximum impact and ensures sustainability.

In the past, we have identified three key pillars of focus for our CSR initiatives-namely our people, our community and our environment. Our people refers to the Dhiraagu family of staff, whose welfare and wellbeing remain a principal concern of ours. Likewise, we are a distinctly Maldivian company who play an important role in strengthening the social fabric of our society, which is why we remain committed to programmes that protect and preserve the sanctity of children, provide development opportunities for young people and foster a culture of learning within the community. As one of the most climate vulnerable countries in the world, we are committed to ensuring environmental protection and building a more climate-resilient country in the Maldives. Which is why we are committed to protecting our oceans and reduce our carbon footprint by remaining as one of the largest utiliser of renewable energy in the Maldives.

Our CSR actions are informed by our CSR strategy and guided by the Dhiraagu CSR Committee. The Committee is chaired by the Chief Executive Officer & Managing Director and is represented by senior management from departments. We remain committed to our obligations under the United Nations Global Compact, the largest voluntary CSR initiative in the world, and remain steadfast in our commitment to promote the key areas of Human Rights, Labour, the Environment and Anti-Corruption.

In the past year, we undertook the following activities under the three pillars of our people, our community and our environment

OUR PEOPLE

Our committed and talented workforce is the most important and distinct strength, and the driving force behind our continued growth and success. We closed the year with 599 full time staff, of which 99% remains Maldivians, signifying our continued efforts to employ retain and develop local talent.

STAFF TRAINING AND DEVELOPMENT

Dhiraagu Human Resources Development Strategy focuses on providing a wide range of training and developmental opportunities to support our staff in achieving business objectives along with their career goals.

By the end of 2016, we conducted 34 Training Programmes where 396 staff were trained in technical and non-technical areas. These included academic programs at masters, and undergraduate level. 45 staff also completed professional certification programmes.

As part of our commitment to groom local staff for leadership roles and to support their career development, a special management development programme composing of three modules under the theme - "Agility in Execution", was conducted during the year. This programme was designed and delivered by an internationally renowned institution in the field of management and leadership development. Senior management and middle management level 57 staff participated and completed the programme.

HEALTH AND SAFETY AT WORK

We are committed to ensuring the health and safety of all our staff. Apart from complying with local legislations, we work towards achieving international best practices in relevant areas relating to our industry and specific work environments.

In 2016, a team of staff was trained as industrial fire squad for our Head Office. Basic fire awareness trainings were conducted in all regional centers with fire drills conducted at Dhiraagu Head Office (DHO) and all regional centers. Fire evacuation procedure was revised to single alarm evacuation and extended fire alarm panel to DhiNOC to manage it better.

During 2016, a Breast Cancer screening session was arranged for all staff at DHO in liaison with the Cancer Society of Maldives.

GRIEVANCE POLICY AND PROCEDURE

A Grievance Policy and Procedure was implemented in 2015. This sets out the mechanism for employees to raise any concerns regarding any work related matters.

STAFF ENGAGEMENT

We have a well-rounded, structured programme to motivate and engage staff. A wide range of events were conducted during the past year, which gave the opportunity for staff and families to participate. Key events included the DESCUP Football Tournament, 28th Anniversary Talent Show, Staff Karaoke Competition (DhiRaagu 2016), Roadha Festival, 3ON3 Futsal Tournament and Staff Picnic.



OUR COMMUNITY

Child protection / support and the empowerment of youth are key focus areas under our Community pillar.

CARE FOR CHILDREN

- 200 children participated in Dhiraagu Special Sports Festival 2016, an annual event organized and driven by Dhiraagu for children with disabilities in collaboration with various NGOs.
- Dhiraagu contributed indoor playground equipment and established a Children's Play Area at Indira Ghandhi Memorial Hospital to support children and families visiting the hospital.
- Supported Care Society to establish an Early Intervention Class at Care Development Centre, which will focus on skills development for children with disabilities under the ages of 7.
- Contributed developmental resources to special education needs classes in Laamu Atoll and Baa Atoll.
- Renewed our commitment to sponsor and support the arrangement of 3 teachers at Kuda Kudhinge Hiyaa orphanage for another year. Also contributed computer systems to the orphanage and organized a special children's evening for the children during school holidays.
- Renewed membership of 'GSMA Mobile Alliance Against Child Sexual Abuse Content' with the Internet Watch Foundation, to block child sexual abuse content from Dhiraagu's network.

YOUTH DEVELOPMENT

- With 3,000 participants, organised the Dhiraagu Maldives Road Race 2016 for the 10th consecutive year. Donated financial grants of MVR 200,000 to 5 local NGOs endorsed in the Dhiraagu Maldives Road Race 2016.
- Enrolled 25 new apprentices in Dhiraagu Apprenticeship Program, an educational and training programme targeted for youth to enhance work skills development.

SUPPORT FOR NGOS

- Became a Corporate Member of the Maldivian Red Crescent to collaborate in supporting Humanitarian efforts within the Maldives.
- Donated to local NGO - "Care Society" to organize an art exhibition for people with disabilities.



OUR ENVIRONMENT

Protecting and preserving our natural environment and ensuring environmental sustainability in our corporate practices is a priority goal for us.

FOR THE OCEANS CAMPAIGN

Dhiraagu was a proud supporter of Maldivian sailor Abdul Ghafoor's (Gabbe) successful navigation of the entire length of the Maldives on a catamaran. Gabbe's travels to the various atolls was an eye-opener for us as to how marine pollution affects the health of our ocean biodiversity. Each year, pollutants, including plastic bags and PET bottles, are the principal cause for the deaths of hundreds of endangered marine species including turtles and sharks – which are protected by law. Plastic, furthermore, gets strewn up on our beaches, caught up on delicate corals jeopardizing the health of the entire reef system, and in turn affecting our food supply and the wellbeing of our communities.

As a way of addressing this problem we initiated our “For The Oceans” awareness campaign in collaboration with Parley International and local NGO Beam – encouraging all staff and public to use reusable bags and to reduce single use plastic bags. We also instituted a company-wide initiative to completely eliminate the use of PET water bottles and have supplied all our staff with environmentally friendly BPA free multi-use water bottles & reusable shopping bags.

RENEWABLE ENERGY

For a climate vulnerable country such as ours, burning fossil fuels is not a sustainable long term solution. While renewable energies are yet to achieve the same economies of scale as more traditional sources of energy, Dhiraagu is committed to low emission carbon-resilient business practices. This is why we seek to reduce our carbon footprint through increasingly relying on renewable energy to power our various systems. We are a long way off from completely weaning off fossil fuels, yet we take great pride in our role as one the largest producer (and user) of renewable energy in the country.





CORPORATE GOVERNANCE

Directors Governance Report

Audit Committee Report

Remuneration, Nomination and
Governance Committee Report

CORPORATE GOVERNANCE

DIRECTORS GOVERNANCE REPORT

Dhiraagu's commitment to business practices that are fair, ethical and sustainable remains steadfast and unwavering. The Board, as guardian of these principles, continues to reinforce existing governance mechanisms to ensure the continued trust of our customers, shareholders and partners.

Our principal point of reference in sound corporate governance is Dhiraagu's Corporate Governance (CG) Code. The Board's Remuneration, Nomination and Governance Committee is responsible to periodically review the Dhiraagu CG Code to ensure our practices conform to regulatory standards.

For the year ended 31 December 2016, and up to the date of publication of this Annual Report, every effort was expended to ensure that the company remained compliant with the compulsory provisions of the Capital Market Development Authority's (CMDA) CG Code. In the event of any variations to this rule, explanations are provided.

The Dhiraagu CG Code can be downloaded from <http://www.dhiraagu.com.mv/investor/>

ROLE OF THE BOARD, CHAIRPERSON AND THE CEO & MD

BOARD

Determine the broad strategic and policy outlook for the company and oversee the effectiveness of executive management to implement such policies and strategies.

CHAIRPERSON

Provide sound leadership and effective guidance to the Board and company to ensure that the obligations of the Board, as stipulated in the Company's Articles of Association, and also, under relevant laws and regulations are fulfilled.

CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

Principal responsibility to deliver on the company's strategic outlook while providing effective day to day management of Dhiraagu as delegated by the Board.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

- Review/approve strategic plans, management structure, systems and controls framework and monitor the performance of executive management against it.
- Uphold the integrity and reputation of the company, including adherence to applicable laws/regulations/accounting and auditing principles/company internal policies; and the integrity of the company's relationship with its shareholders.
- Prepare/present financial statements in accordance with IFRS.
- Provide oversight and performance evaluation of the Board.
- Succession planning of key executives.
- Assess systems of control, risk recognition and assessment to ensure business operations are measured, monitored and controlled by appropriate, effective and prudent risk management systems.
- Approve/monitor progress of major capital expenditure, capital management, loans, and acquisitions.
- Establish policies/procedures to addresses potential conflicts of interest including matters such as related party transactions, the misuse of company assets, and the use of privileged information for personal advantage (insider trading).
- Establish/disseminate a corporate code of conduct to all employees and appointed representatives of Dhiraagu.

BOARD COMPOSITION & MEMBERSHIP

Under article no 70(A) of the Company's Articles of Association, the Board consists of 9 members, composed as follows.

- 5 Directors appointed by Batelco (inclusive of the CEO & MD).
- 3 Directors appointed by the Government of Maldives (inclusive of the Chairperson).
- 1 Director elected by the public shareholders at the Annual General Meeting.

Appointments from Batelco Group and Government of Maldives are received in writing from the respective shareholder, and holds office until a written notice of their removal is provided. The Public Director is elected by the public shareholders at the AGM and holds office for a term of two years from the meeting he/she is elected to the second AGM following the election unless he/she resigns or is removed from office during the intervening period.

Directors who served on the Board during 2016, with their lengths of tenure are listed below. All Directors, except the CEO & MD, are Non-Executive and Independent Directors as defined by CMDA's Corporate Governance Code.



Attendance
4/5

Director
Mr. Mohamed Ashmalee

Position
Chairperson

Representation
Government of Maldives

Tenure
Feb 15 - date



Attendance
5/5

Director
Mr. AbdulRahman Fakhro

Position
Deputy Chairperson

Representation
Batelco Group

Tenure
Mar 14 to date



Attendance
1/2

Director
Mr. AbdulRazaq AlQassim

Position
Deputy Chairperson

Representation
Batelco Group

Tenure
Jun 13 to May 2016



Attendance
5/5

Director
Mr. Ismail Rasheed

Position
CEO & MD

Representation
Batelco Group

Tenure
Sep 15 to date



Attendance
3/5

Director
Mr. Abdulla Ahmed

Position
Non-Executive Director

Representation
Government of Maldives

Tenure
Jan 14 to date



Attendance
4/5

Director
Mr. Imran Ali

Position
Non-Executive Director

Representation
Public Shareholders

Tenure
May 14 to date



Attendance
4/5

Director
Dr. Ahmed AbdulQader

Position
Non-Executive Director

Representation
Batelco Group

Tenure
Jan 16 to date



Attendance
2/3

Director
Mr. Raed Fakhri

Position
Non-Executive Director

Representation
Batelco Group

Tenure
May 16 to date



Attendance
3/3

Director
Mr. Ihab Hinnawi

Position
Non-Executive Director

Representation
Batelco Group

Tenure
Jul 16 to date



Attendance
1/1

Director
Mr. Ahmed Mohamed Didi

Position
Non-Executive Director

Representation
Government of Maldives

Tenure
Nov 16 to date

The Board of Directors at the date of publication of this report, together with their profiles are included in pages 17 to 21.

BOARD COMMITTEES

Both the Audit Committee and the Remuneration Nomination and Governance (RNG) Committee were active during 2016. The committees operated in accordance with approved Terms of References, with their composition and respective chairpersons appointed by the Board. Committee meetings were scheduled prior to Board meetings, and outcomes were discussed at the following Board meeting. Details of committee activities are highlighted in the respective committee reports.

BOARD MEETINGS

The Board meets at least once every quarter. On specific matters that require the Board's urgent attention special meetings are held in between regular sessions. A total of five Board meetings were held in 2016.

The meeting agendas were set in consultation with the Chairperson and Batelco Group. Board papers were shared two weeks in advance providing both majority shareholders with opportunity to include their views on the agenda through their relevant directors. All Board meeting agendas have a permanent provision for any other business where directors can voice matters of pressing concern to the respective shareholder they are representing.

KEY DECISIONS IN 2016

- Recommended the approval of the Annual Report for 2015.
- Proposed MVR 4.69 per ordinary share as Final Dividend for 2015.
- Proposed nominations for the position of Public Director for 2016/18.
- Proposed re-appointment of KPMG as the External Auditor for 2016.
- Declared MVR 5.92 per ordinary share as Interim Dividend for 2016.
- Revised the banks and limits and authorized signatories for the Company.
- Approved the Strategy and five-year Business Plan for 2017 to 2021.
- Approved the business plan to enhance 3G coverage and rollout 4G services to whole country.
- Revised the Authority Matrix of the Company.
- Proposed the revisions of the company's Articles of Association of Dhiraagu.

DIRECTORS' SHAREHOLDING

Details of Directors shareholdings in Dhiraagu as at 31st December 2016 were as follows.

DIRECTOR	NO OF SHARES HELD
Imran Ali	15,000
Ismail Rasheed	13,994
Ahmed Mohamed Didi	4,330
Abdulla Ahmed	150

INVESTOR RELATIONS & SHAREHOLDER COMMUNICATIONS

We strive to provide clear, accurate and timely information to our shareholders through different mechanisms to ensure information is communicated in a transparent and non-discriminatory manner.

Financial Reports

Quarterly reports are published within thirty days of each quarter end, followed by a press briefing on the overall performance during the quarter. Annual Reports are published within four months of the year end, and provide a brief summary of the company's performance and highlights during the financial year. All quarterly and annual reports published since the company became publicly listed are available on our website. This ensures all material facts are available to shareholders prior to any vote.

Annual General Meeting (AGM)

AGMs are the principal platform where we interact with our shareholders. For this reason, shareholder participation at AGMs are encouraged. Draft minutes of the preceding meetings are opened for public comments prior to the notice of AGM to ensure shareholder concerns raised at general meetings are captured accurately. The Board and management attends the AGM to address any queries and concerns from shareholders. The External Auditor is present to help address any queries relating to the External Auditors Report. Resolutions passed at the AGM are published and made available on our website.

Dhiraagu Website

Our investor relations webpage provides regular and timely updates on all key developments of the company. Key financial reports, public announcements and communications related to the AGMs are updated and maintained on our website allowing investors and other stakeholders to be kept abreast of our business and performance.

Investor Relations (IR) Team

We have a committed team responding daily to enquiries from shareholders and stakeholders. Information on shareholding details and dividend payment history are promptly provided. Dhiraagu's customer service hotlines and offices supports the IR team by forwarding queries and requests from shareholders.

GOING CONCERN

Considering the company's strong financial standing and position in the market, the company is well placed to manage its business risks in the current economic conditions. Having reviewed the company's strategy and business plan for 2017-2021, and the audited financial statements for 2016, the Board confirms that the company has adequate resources to continue in operation for the foreseeable future, and will continue to adopt the going concern basis in preparing its financial statements.

CONFLICTS OF INTEREST

Directors are required to take all necessary steps to avoid actual, potential or perceived conflicts of interest and to be sensitive to situations in which these may arise. The Company's Act (Law no 10/96), the company's Articles of Association, Corporate Governance Code and Board Charter requires Directors to disclose any conflicts of interest. On occasions where potential conflicts of interest arise, related Directors abstain from participating in any discussions or voting. All material related to transactions of the majority shareholders and Directors are reported and reviewed by the Board during the quarterly meetings. There were no substantial or material third party transactions made by the Directors or the Management during the year.

INTERNAL CONTROL, RISK OVERSIGHT, AND RISK MANAGEMENT

As a company we face several risks due to the complexity of our business and the business environment in which we operate. Risks are monitored, reported and addressed regularly throughout the year, with the Audit Committee assisting the

Board in its oversight function. A 'Decision Matrix' approved by the Board is in place that sets approval limits for all business transactions and expenditures within the company. A 'Risks Register' is maintained and reviewed by the Audit Committee every quarter. The Internal Audit function carries out annual audits based on an Internal Audit Plan that is approved and reviewed closely by the Audit Committee.

CODE OF CONDUCT

The company places great emphasis to conduct its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behavior. Dhiraagu has adopted internal policies which promote ethical and responsible conduct. These policies provide guidance to the Directors, management and employees on the standards of ethical business and personal conduct required of all employees in undertaking their daily business activities.

An Ethics Policy, adopted in September 2011, recognizes that the company's success depends on the ability to establish and maintain positive relationships, both internally within employees and externally with its stakeholders.

The Ethics Policy together with the code of conduct is communicated with all new employees as part of the Employee Induction Programme and is shared on the online employee portal for further reference.

ANTI-CORRUPTION

Dhiraagu has zero tolerance for bribery and corruption. The company's Anti-Bribery policy emphasizes the principles that employees need to follow to ensure they show integrity, honesty and remain trustworthy in all dealings. Dhiraagu refrains from making any political contributions either directly or indirectly to political parties, causes or individuals.

From 2013 onwards, key suppliers and vendors sign the Supplier Code of Conduct when entering into a contract with us. This Code of Conduct addresses the commitment to comply with applicable laws and regulations concerning bribery, corruption, fraud, and any other prohibited business practices.

A Donations and Sponsorships Policy is in place establishing a clear and transparent framework for all donations and sponsorships made by the company. It complements the Anti-Bribery Policy in working against corruption by implementing good governance and establishing a formal application, assessment, approval, notification and reporting process in accordance to the policy.

SYSTEM TO RAISE CONCERNS

A Fraud Reporting and Whistle Blowing Policy and procedure was established in 2014 to strengthen the human resource governance structures within the company, raising confidence of our colleagues and other stakeholders in our systems and processes.

LEGAL & REGULATORY COMPLIANCE

We have conducted our business in compliance with the legal and regulatory obligations under the Maldives Company's Act (Law No. 10/96), the Maldives Telecommunications Regulation 2003, the Securities Act (Law No. 2/2006), obligations under our operational licenses, the Maldives Stock Exchange Listing Rules and the CMDA's CG Code. With appropriate controls and governance procedures in place, the company continues to comply with relevant laws, regulations and industry codes, and we confirm that we have not received any notice from any regulatory authority to the contrary.

AUDITORS

Since becoming a listed company, the External Auditors are appointed by the shareholders at each AGM. KPMG has been the company's External Auditor for over 10 years, and the Board has ensured that regulatory requirements on audit partner rotation are strictly adhered to.

A formal tendering process was conducted in 2015 to select an External Auditor, with the option to re-appoint for two additional fiscal years. This appointment is confirmed by the shareholders at each Annual General meeting.

As per the Audit Committee recommendation, the Board is proposing the re-appointment of KPMG to carry out the statutory audit for the financial year 2017. The proposed remuneration is a maximum fee of US\$ 45,000 excluding out of pocket expenses and 6% GST.

BOARD NOMINATIONS

Under the company's Articles of Association, the Board only reviews the nomination of the Director elected by the public shareholders. Mr. Imran Ali was elected as the company's Public Director by the public shareholders at the 27th Annual General Meeting held on the 26th of April 2016. Mr. Imran Ali will hold office for a term of two years from the 27th AGM to the second consecutive AGM (29th) following the 27th AGM.

28TH ANNUAL GENERAL MEETING (AGM)

The 28th AGM is scheduled to be held on Thursday, 20 April 2017. Details of the venue, timings and proposed resolutions will be communicated in the Notice of AGM.

DIVIDENDS

The Board recommends a full year dividend of 130% of full year PAT of MVR 14.37 per share (total dividend of MVR 1,092,120,000) to be declared as full year dividend for 2016, of which

- MVR 5.92 per share (total MVR 449,920,000) was paid as interim dividend in 2016, and
- MVR 8.45 per share (total dividend of MVR 642,200,000.), is proposed as the final dividend for 2016, for shareholder approval at the 28th AGM.

The final dividend will be payable to all shareholders listed in the Company's register on the book closure day announced for the 28th AGM.

DECLARATION OF INTEREST

In compliance with the requirements of the Securities (Continuing Disclosure Obligations of Issuers) Regulation 2010, the Board of Directors of Dhiraagu affirms that:

- This Annual Report 2016 has been prepared in compliance with all the reporting requirements, and in accordance with the relevant laws and regulations;
- The Board of Directors of Dhiraagu and/or any of their associates did not have any significant interest in the equity or debt securities of the company, or had any right to subscribe for equity or debt security of the company; and
- There were no contract(s) of significant substance during or at the end of the accounting period in which a Board Director of the company has a direct or indirect interest.

Details of material contracts for the provision of services entered into between Dhiraagu and Batelco Group and Government of Maldives are provided in Note 26 "Related Parties Transactions" of the Audited Financial Statements as at 31st December 2016.



MR. ISMAIL RASHEED
Chief Executive Officer
& Managing Director



MR. MOHAMED ASHMALEE
Chairperson

AUDIT COMMITTEE REPORT

COMPOSITION & MEMBERSHIP

During 2016, the following members served the Audit Committee. All members were non-executive and independent directors and possessed the required financial expertise.



Director
Dr. Ahmed AbdulQader

Position
Chairperson

Tenure
Jan 16 to date



Director
Mr. Abdulla Ahmed

Position
Member

Tenure
Jan 14 to date



Director
Mr. Imran Ali

Position
Member

Tenure
Jul 14 to date

ROLES AND RESPONSIBILITIES

The Audit Committee assisted the Board in discharging its statutory obligations and oversight duties by ensuring an effective system of internal control, compliance, and accurate external financial reporting are in place.

MEETINGS

The Audit Committee met once every quarter in 2016. All meetings were attended by the Chief Executive Officer & Managing Director, the Chief Financial Officer and the Internal Auditor. The meetings were also attended by Batelco Group's Chief Internal Auditor. The Secretary of the Board acted as the Secretary of all the meetings.

KEY DECISIONS / ACTIVITIES

- Review and recommendation of Audited Financial Statements for 2016.
- Review and recommendation of quarterly financials and reports for the fiscal year 2016.
- Oversee the appointment of KPMG as the company's external auditor for the financial year 2016.
- Review and recommendation of the Authority Matrix.
- Approval of the Internal Audit Plan for 2017.
- Review and recommendation of the Policy on Disclosure and Approval requirements for Non-Audit Services performed by the External Auditor.
- Review and monitoring of all internal audit activities.

EXTERNAL AUDIT

KPMG was appointed as the External Auditor for 2016 by the shareholders. The Audit Committee reviewed the non-audit services provided by KPMG and are satisfied with the independence and objectivity of the External Auditor. The External Auditor has provided confirmation of their compliance with the practice note of CMDA's CG Code.

The External Auditor attended all the Audit Committee meetings during the year to provide assurance and present their opinion on the financial reports. The Audit Committee also met the External Auditor without the management to get an independent view of their audit experience and opinion.

INTERNAL CONTROL & RISK MANAGEMENT

During the year the Audit Committee reviewed the effectiveness of the company's internal controls including financial, operational and compliance controls and procedures for identifying and managing risks through the Internal Audit Department. A total of 12 Internal Audit were carried out and presented to the Audit Committee in 2016.

The Audit Committee was responsible to monitor the implementation of the Whistleblowing and Fraud Reporting Policy. No incidences were reported to the Whistleblowing and Fraud Reporting Committee in 2016.

During the year, a Risk and Compliance function was created and a full time Risk and Compliance officer was appointed. The Risk Register was closely monitored every quarter, and was considered when finalizing the internal audit plan for the year.

Requirement for disclosures/provisions on any material claims and litigations against the company was monitored closely with support from External Lawyers and External Auditor when required.

The Audit Committee is satisfied with the progress of internal audit function during the year 2016 and the adequacy of the internal control measures in place.

Dr. Ahmed AbdulQader
Chairperson, Audit Committee

REMUNERATION, NOMINATION AND GOVERNANCE COMMITTEE REPORT

COMPOSITION & MEMBERSHIP

The following non-executive and independent Directors served the Remuneration, Nomination and Governance (RNG) Committee during 2016.



Attendance

Director
Mr. Mohamed Ashmalee

Position
Chairperson

Tenure
Jun 15 to date



Attendance

Director
Mr. AbdulRahman Fakhro

Position
Member

Tenure
May 14 to date



Attendance

Director
Mr. Imran Ali

Position
Member

Tenure
Jul 14 to date

ROLES & RESPONSIBILITIES

The RNG Committee assists the Board in formulating remuneration policies, framework for nominating and appointing Directors, and monitoring the performance of the company's corporate governance framework and its compliance with applicable legislation.

The current committee was reconstituted in August 2013, and combines the three functions of remuneration, nomination and governance. The rationale behind combining the three

functions was to facilitate effective and efficient discharge of responsibilities as a majority of the members were on both the Remuneration and Nomination Committee and the Governance Committee.

KEY DECISIONS

- Nomination of the Public Director for 2016 to 2018.
- Recommendation on the amendments of the Company's Articles of Association.
- Review of the Company's Remuneration package
- Review of the 2016 Performance Bonus policy and 2015 performance bonus pay-out.
- Review of the company's organizational structure and succession planning.
- Revision of the Board Directors Remuneration Policy.
- Appointment of the Chief Marketing Officer.

MEETINGS

Four RNG Committee meetings were held in 2016. The Chief Executive Officer & Managing Director attended all the meetings and other members from the management team were invited as and when required. The Company Secretary acted as the Committee Secretary.

REMUNERATION PACKAGE OF DIRECTORS & EXECUTIVES

Board Directors are rewarded as per the Board Director's Remuneration Policy, which ensures Director remuneration is competitive and compensates for the responsibilities assigned to each Director.

Remuneration for key executives are determined in consultation with Batelco Group, and are based on individual scope of work, level of responsibilities, market rates for comparable roles and replacement costs where relevant. The company's remuneration packages are designed to be competitively attractive and aim to ensure retention of key and critical talent within Dhiraagu, and include fixed components and performance linked incentives. No stock options are included in the remuneration package of Board Directors or key executives.

Disclosure of remuneration of Directors and key executives as required by CMDA, which includes details on level and mix of remuneration package, and individual remunerations paid to Board Directors and key executive, are withheld due to the competitive environment Dhiraagu is operating in. Total remuneration (including short term benefits) paid to the

Directors and key executives are MVR 1.17m and MVR 18.97m respectively. Payments for service contracts, notice period, severance fees and stock options did not form any part of the remuneration paid to Directors or key executives in 2016.

Each of the Directors and key executives have presented to Dhiraagu that he or she has no conflicts of interest between his or her duties to Dhiraagu and his or her respective private interests.

BOARD APPOINTMENTS

During the year 2016, article no 70(A) of the Company's Articles of Association were amended to increase the Board composition from 7 members to 9 members. With this revision, five Directors are appointed by the Batelco Group, three Directors are appointed by the Government of Maldives, and one Director is elected by the public.

Board Directors representing the major shareholders are appointed through a letter of appointment. The Director representing the public shareholders are recommended by the RNG Committee to be nominated by the Board of Directors. Eligibility of the candidates for the position of Public Director would be reviewed and proposed for election by the public shareholders at every other AGM.

The Curriculum Vitae of Directors appointed by the majority shareholders are reviewed by the committee, and the committee confirms that all Directors possess the required expertise to discharge their responsibilities effectively.

The following Board Directors were appointed/re-elected to the Board in 2016.

- Mr. Imran Ali, was re-elected by the public shareholders at the 27th AGM held on 26th April 2016. Mr. Imran Ali will serve for a term of two years, from the 27th AGM to the 29th AGM.
- Mr. Raed Fakhri was appointed as a Non executive Director on 9 May 2016 by Batelco Group. Mr. Fakhri replaced Mr. Abdul Razzaq AlQassim, who served the Board from 2013 to 2016.
- Mr. Ihab Hinnawi was re-appointed as a Non-Executive Director on 31 July 2016 by Batelco Group.
- Mr. Ahmed Mohamed Didi was appointed as a Non-Executive Director on 2 November 2016 by the Government of Maldives.

The RNG Committee confirms that Dhiraagu Board and its committees discharged their responsibilities satisfactorily during 2016.

MR. MOHAMED ASHMALEE

Chairperson, Remuneration, Nomination and Governance Committee

BOARD DIVERSITY

Our Board represents a highly qualified and diverse set of experts with members from different professional backgrounds. Qualified women candidates are encouraged to apply for the position of the Public Director to encourage women participation in the Board and both majority shareholders are advised on the CMDA's policy on gender diversity in the Board.

BOARD EFFECTIVENESS

The Company's Board Directors Performance Evaluation Policy, requires Directors to carry out a self evaluation of Board and the Committees performance. A Board evaluation was carried out in early 2016. And the next evaluation will be carried out towards the end of 2017.



AUDITED FINANCIAL STATEMENTS

Independent Auditors Report
Financial Statements
Notes to the Financial Statements



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 : kpmgmvmv@kpmg.com

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF DHIVEHI RAAJJEYGE GULHUN PLC

Opinion

We have audited the accompanying financial statements of Dhivehi Raajjeyge Gulhun PLC (the "Company"), which comprise the statement of financial position as at 31st December 2016, 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 set out in pages 67 to 126.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities

for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

KPMG in the Maldives is a partnership registered in the Republic of Maldives, a foreign branch of KPMG, the Sri Lankan member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
S.R.I. Perera FCMA(UK)
M.N.M. Shameel ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA
G.A.U. Karunaratne FCA
Ms. B.K.D.T.N. Rodrigo FCA

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
R.M.D.B. Rajapakse FCA



INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF DHIVEHI RAAJJEYGE GULHUN PLC

Revenue Recognition

(Refer to the accounting policies and critical accounting estimates, assumptions and judgments in notes 3.14 and 5(c) of the financial statements)

Description	How the matter was addressed in our audit
<p>Revenue recognition is one of the most judgmental and complex area of accounting especially with the added complexity of the vast array of rapidly changing offers and due to the high volume of low value transactions captured by the billing systems.</p> <p>The majority of the Company's revenue is generated from the output of billing systems. Determining when and how much revenue is recognized from customer contracts has a significant impact especially on multiple elements arrangements and customer offers.</p>	<p>In this area, our audit procedures included, among others;</p> <ul style="list-style-type: none">■ Testing of controls, assisted by our own IT specialists including, among others, those over the input of terms and pricing of different services; accuracy of the data captured by different systems and linkage between the systems.■ Detailed analysis of revenue and tested the timing of its recognition through focused substantive testing performed based on our industry knowledge which include, among others, testing on a sample basis of the;<ul style="list-style-type: none">■ Adjustments which are outside of the normal billing process,■ Revenue recognition on the bundled services offered, and■ Revenue recognition related to the customer loyalty program of the Company.



INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF DHIVEHI RAAJJEYGE GULHUN PLC

Impairment of Property, Plant & Equipment and Intangible Assets

(Refer to the accounting policies, critical accounting estimates, assumptions and judgments in note 3.7(ii) and 5(b) of the financial statements and notes 14.2 and 14.3 to the financial statements)

DESCRIPTION	How the matter was addressed in our audit
<p>Determination of recoverable amount of Property, Plant & Equipment and Intangible Assets involves significant judgments and estimates. Therefore, an error in such estimates could result in material misstatements in the valuation of Property, Plant & Equipment and Intangible Assets. Further, Company has huge number of physical assets related to telecommunication.</p> <p>Telecommunication industry is evolving continually due to the changes in the technology and therefore, technology changes would create obsolescence of Property, Plant & Equipment and Intangible Assets which might require an Impairment provision during the year.</p>	<p>In this area, our audit procedures included, among others;</p> <ul style="list-style-type: none">■ Assessing whether there were impairment triggers giving rise to a need to perform an impairment review of property, plant and equipment based on the internal and external information assessed, and■ Critically assessed management's positions of the impairment assessment as to whether or not a reasonable possible change to key operating assumptions could result in impairment and give rise to the impairment recognized in the financial statements.



INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF DHIVEHI RAAJJEYGE GULHUN PLC

Capitalization of Property, Plant and Equipment and Projects under Construction

(Refer to the accounting policies and critical accounting estimates, assumptions and judgments in notes 3.3 and 5(g) of the financial statements)

Description	How the matter was addressed in our audit
<p>Items of assets under construction are transferred to Property, Plant and Equipment when they are ready for its intended use. The complex nature of the assets is such that judgment is required to determine when the assets are ready for its intended use. Any late transfer of assets under construction may result in inappropriate classification in the financial statements and understatement of depreciation.</p> <p>Further, the Company may capitalize some of the revenue nature expenses which would overstate the profit of the Company. Judgment is required to determine whether the costs incurred on projects under capital work in progress can be capitalized or not.</p>	<p>In this area, our audit procedures included, among others;</p> <ul style="list-style-type: none">■ Test of controls over the capitalization of the assets.■ Detailed substantive procedures over the capitalization of the assets assessing;<ul style="list-style-type: none">■ The nature of the expenses incurred by the Company to determine the ability to capitalize the expenses.■ Test the timing and completeness of capitalization of the assets referring to the availability of the assets to its intended use.



INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF DHIVEHI RAAJJEYGE GULHUN PLC

Other Information

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

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

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

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

Responsibilities of the Board of Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.



INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF DHIVEHI RAAJJEYGE GULHUN PLC

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Mohamed Shameel.

Mohamed Shameel
For and on behalf of KPMG
13th February 2017
Male'

DHIVEHI RAAJJEYGE GULHUN PLC. STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2016

	Note	2016 MVR “000”	2015 MVR “000”
Revenue	7	2,501,419	2,275,773
Operating costs	8	(1,112,586)	(1,045,368)
Depreciation, amortization and impairment	13 & 14	(366,957)	(352,247)
Other income	9	1,993	4,659
Results from operating activities		1,023,869	882,817
Finance income	10	18,506	19,505
Finance costs	10	(52,370)	(52,515)
Net Finance costs		(33,864)	(33,010)
Profit before tax		990,005	849,807
Tax expense	11	(149,989)	(125,284)
Profit for the year / Total Comprehensive Income for the year		840,016	724,523
Earnings per share			
Basic earnings per share (MVR)	12	11.05	9.53
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 73 to 126. The Report of the Independent Auditors is given on pages 61 to 66.

DHIVEHI RAAJJEYGE GULHUN PLC STATEMENT OF FINANCIAL POSITION

AS AT	Note	31/12/2016 MVR “000”	31/12/2015 MVR “000”
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,819,023	1,879,108
Intangible assets	14	162,970	137,765
Deferred tax asset	11.2	9,273	11,396
Total non-current assets		1,991,266	2,028,269
Current assets			
Inventories	15	38,203	29,518
Trade and other receivables	16	365,986	343,723
Amounts due from related party	17	-	133
Financial assets - held to maturity	18	-	124,398
Cash and bank balances	19	1,048,902	846,391
Total current assets		1,453,091	1,344,163
Total assets		3,444,357	3,372,432

DHIVEHI RAAJJEYGE GULHUN PLC STATEMENT OF FINANCIAL POSITION (CONTINUED)

EQUITY AND LIABILITIES	Note	31/12/2016 MVR "000"	31/12/2015 MVR "000"
Equity			
Share capital	20	190,000	190,000
Retained earnings		2,322,479	2,288,823
Total equity		2,512,479	2,478,823
Non-current liabilities			
Asset retirement obligation	21	153,109	135,305
Total non-current liabilities		153,109	135,305
Current liabilities			
Trade and other payables	22	701,134	686,163
Amounts due to related party	23	323	-
Income Tax Payable		77,312	72,141
Total current liabilities		778,769	758,304
Total liabilities		931,878	893,609
Total equity and liabilities		3,444,357	3,372,432

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 73 to 126. The Report of the Independent Auditors is given on pages 61 to 66.

These financial statements were approved by the board of directors and signed on its behalf by:


MR. MOHAMED ASHMALEE
 Chairperson


MR. ISMAIL RASHEED
 Chief Executive Officer and
 Managing Director


MR. ROBIN WALL
 Chief Financial Officer

13th February 2017

DHIVEHI RAAJJEYGE GULHUN PLC STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2016

	Note	Share capital MVR “000”	Retained earnings MVR “000”	Total MVR “000”
As at 1st January 2015		190,000	2,290,860	2,480,860
Profit for the year		-	724,523	724,523
Total comprehensive income for the year		-	724,523	724,523
Transactions with owners of the Company				
Dividends	20.2	-	(726,560)	(726,560)
As at 31st December 2015		190,000	2,288,823	2,478,823
As at 1st January 2016		190,000	2,288,823	2,478,823
Profit for the year		-	840,016	840,016
Total comprehensive income for the year		-	840,016	840,016
Transactions with owners of the Company				
Dividends	20.2	-	(806,360)	(806,360)
As at 31st December 2016		190,000	2,322,479	2,512,479

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 73 to 126. The Report of the Independent Auditors is given on pages 61 to 66.

DHIVEHI RAAJJEYGE GULHUN PLC STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED

	Note	31/12/2016 MVR "000"	31/12/2015 MVR "000"
Cash flows from operating activities			
Profit before Tax		990,005	849,807
Adjustments for:			
Depreciation	13	301,252	322,209
Amortization of intangible assets	14	42,124	30,038
Impairment loss of intangible assets under construction	14	19,345	-
Provision for impairment loss of intangible assets under construction	14	4,236	-
Provision for slow-moving/ obsolete inventories	15.1	1,244	319
Net provision for impairment loss on trade and other receivables	16.1	12,234	12,125
Interest income	10	(18,506)	(19,505)
Interest Expense	10	-	177
Unwinding of discount on network and asset retirement obligation	10	10,419	8,850
Profit on disposal of property, plant and equipment	9	(893)	(1,000)
Operating profit before working capital changes		1,361,460	1,203,020
Working capital changes			
Change in inventories		(9,929)	(938)
Change in trade and other receivables		(27,489)	(36,026)
Change in amounts due from related party		133	8,304
Change in trade and other payables		(47,226)	106,535
Change in amounts due to related party		323	-
Cash generated from operating activities		1,277,272	1,280,895
Income tax paid		(142,695)	(120,796)
Net cash from operating activities		1,134,577	1,160,099

DHIVEHI RAAJJEYGE GULHUN PLC

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED

	Note	31/12/2016 MVR “000”	31/12/2015 MVR “000”
Cash flows from investing activities			
Purchase and construction of property, plant and equipment	14	(180,610)	(201,086)
Purchase of intangible assets		(90,911)	(106,392)
Proceeds from disposal of property, plant and equipment		34	1,082
Interest received		20,896	16,079
Net Investments made in fixed deposits	19	(46,859)	(347,775)
Net cash used in investing activities		(297,449)	(638,092)
Cash flows from financing activities			
Interest paid		-	(177)
Dividend paid during the year	10	(805,874)	(726,377)
Net cash used in financing activities		(805,874)	(726,554)
Net Increase / (Decrease) in cash and cash equivalents		31,254	(204,547)
Cash and cash equivalents at beginning of the year		619,359	823,906
Cash and cash equivalents at end of the year	19	650,613	619,359

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 73 to 126. The Report of the Independent Auditors is given on pages 61 to 66.

DHIVEHI RAAJJEYGE GULHUN PLC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2016

01. 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 Dhiraagu Head Office, Ameene Magu, P.O. Box 2082, Male’ 20403, Republic of Maldives.

The Company is a listed Company in the Maldives Stock Exchange, in the Republic of Maldives.

02. 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.

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 recognized 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 recognized in the financial statements are discussed in Note 5 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

2. BASIS OF PREPARATION (CONTINUED)

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

i. New and Amended Standards and Interpretations effective and adopted by the Company from 1st January 2016.

Title	Effective Date	Description	Adoption date and impact on the Company
Annual Improvements to IFRSs 2012-2014 cycle.	1 st January 2016	The Improvements to IFRS contain miscellaneous necessary improvements.	The Company adopted the improvements in 2016. These improvements did not have a material impact on the Company.
Disclosure Initiative (Amendments to IAS 1)	1 st January 2016	The Improvements to IAS 01 contain miscellaneous improvements on the disclosure requirements.	The Company adopted the improvements in 2016. These improvements did not have a material impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

2. BASIS OF PREPARATION (CONTINUED)

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

ii. New and Amended Standards and Interpretations not yet effective.

A number of new standards and amendments are effective for annual periods beginning after 1st January 2017 and early application is permitted. However, the Company has not early adopted the following new or amended standards in preparing these financial statements.

Title	Effective Date	Description	Adoption date and impact on the Company
IFRS 9 Financial Instruments	Annual period beginning on or after 1 st January 2018	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 is assessing the potential impact on its financial impact on its financial statements resulting from the application of IFRS9.
IFRS 15 Revenue from Contracts with customers	Annual period beginning on or after 1 st January 2018	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.	The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

DHIVEHI RAAJJEYGE GULHUN PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

2. BASIS OF PREPARATION (CONTINUED)

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

ii. New and Amended Standards and Interpretations not yet effective (Continued)

Title	Effective Date	Description	Adoption date and impact on the Company
IFRS 16 Leases	Annual period beginning on or after 1 st January 2019.	IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosures of leases for both parties to a lease contract.	The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

The following amended standard is not expected to have a significant impact on the Company's financial statements.

- Disclosure Initiative (Amendments to IAS 7).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

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.

3.1 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 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):

- Investments Held to Maturity
- 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, Investments in Fixed Deposits and Amounts due from related party.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 *Financial Instruments (Continued)*

Cash and Cash Equivalents

Cash and cash equivalents comprise short term deposits which form an integral part of the Company's cash management which are held for the purpose of meeting short term cash commitments, cash at bank and cash in hand.

Investments Held-to-Maturity

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

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 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 non-derivative financial liabilities such as trade and other payables and Amounts due to related party.

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.

Dividends

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use 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 recognized 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 are as follows:

Buildings	5 to 40 years
Plant and equipment - Civil works, cables and ducting	5 to 40 years
- Network and electronic equipment	3 to 10 years
Vehicles and launches	4 to 7 years
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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, Plant and Equipment (Continued)

Capital Work in Progress

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.

3.4 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 recognized as intangible assets. Expenditures that enhance and extend the benefits of computer software programmes beyond their original specifications and lives are recognized as a capital improvement and added to the original cost of the software.

ii. Subsequent expenditure

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

iii. Amortization

Amortization is recognized 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 to 10 Years
Licences	3 Years or licence term whichever is lower
Indefeasible right to use cable capacity	15 Years or cable life whichever is lower

Capital Work in Progress

Capital work in progress as at the year-end represents the costs incurred or accrued for the projects which are not commenced its commercial operations as at the year end.

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, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Construction work in progress (Enterprise 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 recognized to date less progress billings and recognized 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 recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as deferred income in the statement of financial position.

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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment (continued)

ii. Non-Financial Assets (Continued)

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.

3.8 Employee Benefits

a. Defined contribution plans

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

The Company contributes 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 recognized 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Provisions (continued)

the time value of money and the risks specific to the liability. The unwinding of discount is recognized 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.

3.10 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 recognized net of discounts and represents the amounts receivables in respect of goods and services provided to the customers.

a. 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 recognized 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue Recognition (Continued)

a. Sale of Goods (continued)

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. 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.

b. Services

Revenue from services is recognized as the services are provided. Revenue from service contracts that cover periods of greater than 12 months is recognized in the profit and loss 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.

Amounts payable by and to other telecommunications operators are recognized 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.

Customer revenues 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.

The Company recognises revenue from the transmission of content and traffic on its network originated by third-party providers. The Company assesses 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 recognized over the periods in which the service is provided.

Loyalty Programme

Revenue is allocated between the loyalty programme and other components of the Income. The amount allocated to the loyalty programme is deferred and is recognized as revenue when the Company has fulfilled its obligations to supply the services under terms of the programme or when it is no longer probable that the points under the programme will be redeemed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Expenditure

a. 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 recognized 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 recognized in profit or loss on a straight-line basis over the term of the lease.

b. Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

c. Finance income and expense

Finance income comprise 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 expense, unwinding of discounts on provisions and foreign exchange losses that are recognized in profit or loss. Foreign exchange gains and losses are reported on net basis.

d. Operating Expenses

All expenses incurred in the running of the business and in maintaining the capital assets in a state of efficiency has been charged to the profit or loss for the year.

Expenses incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenses.

3.16 Tax Expenses

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

a. Current tax

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Tax Expenses (continued)

b. 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 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.

Deferred tax assets are recognized for unused tax losses, tax credits and 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

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.

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

a. Trade and other receivables

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

b. Investments Held to Maturity

The fair value of investment held to maturity is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

c. Financial liabilities (Non-derivative)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

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.

a. 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.

b. Impairment of property, plant and equipment and intangible assets

The Company assesses 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

5. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

c. 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.

d. 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.

e. 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.

f. Provisions

A provision is recognized 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.

g. Capitalization of Property, Plant and equipment and projects under construction

Assets are transferred to Property, Plant and equipment from assets under construction when they are ready for its intended use. The complex nature of the assets is such that judgment is required as to when that point is reached. Also, judgment is required to determine whether the costs incurred on those assets can be capitalized or can be recognized as an expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

6. SEGMENT INFORMATION

Reportable Segments

The Company's operation is segregated into two reportable segments, which the Company operates and manages as strategic business units and organize by products and services. The Company measures and evaluates the reportable segments based on segment operating income, consistent with the Chief Operating Decision Maker's ("CODM") assessment of segment performance.

The Company makes capital allocation decisions based on the strategic needs of the business, needs of the network (mobile or fixed and broadband) providing services and to provide emerging services to the customers. The Company excludes from segment results the effects of certain items that management does not consider in assessing segment performance, primarily because of their non-operational nature.

The Following summery describes the operations of each reportable segment.

1. Mobile

Mobile operation primarily includes prepaid mobile, postpaid mobile, roaming, mobile equipment and mobile broadband which are provided to consumer, business and government customers.

2. Fixed, Broadband and Enterprise

Fixed, Broadband and Enterprise primarily include fixed telephony, fixed and fiber broadband, lease circuits, datacoms and enterprise infrastructure project. The Company provides these products and services to the individuals, businesses and government customers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 31ST DECEMBER 2016**6. SEGMENT INFORMATION (CONTINUED)****INFORMATION ABOUT REPORTABLE SEGMENTS**

Segment information disclosed for the year ended 31st December 2016 is as follows :

	Mobile		Fixed, Broadband and Enterprise		Other		Total	
	2016 MVR “000”	2015 MVR “000”	2016 MVR “000”	2015 MVR “000”	2016 MVR “000”	2015 MVR “000”	2016 MVR “000”	2015 MVR “000”
External Revenue	1,715,158	1,528,711	737,288	704,838	48,973	42,224	2,501,419	2,275,773
Total Revenue	1,715,158	1,528,711	737,288	704,838	48,973	42,224	2,501,419	2,275,773
Operating Costs	(738,122)	(696,158)	(345,433)	(322,204)	(29,031)	(27,006)	(1,112,586)	(1,045,368)
Depreciation, amortization and impairment	(234,258)	(246,628)	(132,005)	(104,896)	(694)	(723)	(366,957)	(352,247)
Net finance costs	(23,560)	(22,541)	(9,597)	(9,815)	(707)	(654)	(33,864)	(33,010)
Non-operating income	1,387	3,181	565	1,385	41	93	1,993	4,659
Reportable segment profit before tax	720,605	566,565	250,818	269,308	18,582	13,934	990,005	849,807
Segment assets and liabilities								
Non-current assets	902,867	937,928	758,410	747,147	320,716	331,798	1,981,993	2,016,873
Current assets	244,747	221,232	103,864	120,638	55,578	31,504	404,189	373,374
Total assets	1,147,614	1,159,160	862,274	867,785	376,294	363,302	2,386,182	2,390,247
Non-current liabilities	153,109	135,305	-	-	-	-	153,109	135,305
Current liabilities	425,924	430,366	222,629	215,765	130,216	112,173	778,769	758,304
Total liabilities	579,033	565,671	222,629	215,765	130,216	112,173	931,878	893,609

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 31ST DECEMBER 2016**6. SEGMENT INFORMATION (CONTINUED)**

Reconciliation of total assets information on reportable segments to the total assets reported in the Statement of Financial Position.

	2016		2015	
	Non-current MVR “000”	current MVR “000”	Non-current MVR “000”	current MVR “000”
Total assets for reportable segments	1,661,277	348,611	1,685,075	341,870
Total assets for other segments	320,716	55,578	331,798	31,504
Other unallocated amounts	9,273	1,048,902	11,396	970,789
Total assets as per the statement of financial position	1,991,266	1,453,091	2,028,269	1,344,163

7. REVENUE

	2016 MVR “000”	2015 MVR “000”
Mobile telephony	1,715,158	1,528,711
Fixed, Internet, Enterprise Data & Other Services	786,261	747,062
	2,501,419	2,275,773

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

8. OPERATING COSTS

	2016 MVR “000”	2015 MVR “000”
Direct Cost of Services	348,102	321,477
Personnel Costs (Note 8.1)	211,760	199,030
License fees	111,180	102,159
Operating lease rentals	44,347	42,119
Write-off and provision for impairment loss on trade receivables	12,938	11,367
Support Services	43,918	40,854
External Publicity	40,782	27,450
Other administrative expenses	86,531	65,077
Network costs	105,273	126,832
Property and utility costs	97,247	100,772
Professional fees	10,508	8,231
	1,112,586	1,045,368

DHIVEHI RAAJJEYGE GULHUN PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2016

8.1. PERSONNEL COSTS

	2016 MVR “000”	2015 MVR “000”
Wages, salaries and Performance reward scheme	186,124	174,334
Defined contribution expense	11,543	11,412
Other personnel costs	25,088	24,464
	222,755	210,210
Staff costs capitalized	(10,995)	(11,180)
	211,760	199,030

9. OTHER INCOME

	2016 MVR “000”	2015 MVR “000”
Insurance claim received	-	13
Gain on disposal of Property, Plant and Equipment	893	1,000
Miscellaneous income	1,100	3,646
	1,993	4,659

DHIVEHI RAAJJEYGE GULHUN PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

10. NET FINANCE COSTS

	2016 MVR “000”	2015 MVR “000”
Finance Income		
Interest Income	18,506	19,505
Finance Costs		
Interest Expense	-	(177)
Unwinding of discount on provisions	(10,419)	(8,850)
Foreign exchange loss	(41,951)	(43,488)
	(52,370)	(52,515)
Net Finance Costs	(33,864)	(33,010)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 31ST DECEMBER 2016**11. TAX EXPENSE**

	2016 MVR “000”	2015 MVR “000”
Income tax expense (Note 11.1)	143,765	130,998
Under/(Over) provision for the previous years	4,101	(1,928)
Deferred tax Asset reversed / (recognized) during the year (Note 11.2)	2,123	(3,786)
	149,989	125,284

11.1 Reconciliation between accounting profit and taxable income:

	2016 MVR “000”	2015 MVR “000”
Accounting profit before tax	990,005	849,807
Disallowable expenses	397,624	397,311
Allowable expenses	(428,697)	(373,295)
Tax free allowance	(500)	(500)
Total taxable income	958,432	873,323
Income tax @ 15%	143,765	130,998

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 income at the rate of 15%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 31ST DECEMBER 2016**11. TAX EXPENSE (CONTINUED)****11.2 Deferred Tax Asset**

	31/12/2016 MVR “000”	31/12/2015 MVR “000”
Opening Balance	11,396	7,610
Deferred tax asset (reversed) / recognized	(2,123)	3,786
Closing Balance	9,273	11,396

Deferred tax Assets and (Liabilities) are calculated on all taxable and deductible temporary differences arising from the differences between accounting bases and tax bases of assets and liabilities. Deferred tax is provided at the rate of 15% (2015: 15%).

11.3 Deferred Tax Asset is attributable for following:

	31/12/2016		31/12/2015	
	Temporary Difference MVR “000”	Tax Effect MVR “000”	Temporary Difference MVR “000”	Tax Effect MVR “000”
Property, Plant and Equipment	(119,027)	(17,854)	(88,994)	(13,349)
Intangible Assets	(5,678)	(852)	(20,018)	(3,003)
Provisions	186,526	27,979	184,986	27,748
	61,821	9,273	75,974	11,396

DHIVEHI RAAJJEYGE GULHUN PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

11. TAX EXPENSE (CONTINUED)

11.4 Movement in Deferred Tax Balances

	Balance as at 1st January 2016	Recognized in profit or loss	Deferred Tax asset/ (Liability) as at 31 st Decembe 2016
Property, Plant and Equipment	(13,349)	(4,505)	(17,854)
Intangible Assets	(3,003)	2,151	(852)
Provisions	27,748	231	27,979
	11,396	(2,123)	9,273

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

12. EARNINGS PER SHARE

Basic earnings per share

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

	For the year ended	
	31/12/2016	31/12/2015
Profit for the year attributable to the ordinary shareholders (MVR “000”)	840,016	724,523
Weighted average number of ordinary shares outstanding (“000”)	76,000	76,000
Basic earnings per share (MVR)	11.05	9.53

DHIVEHI RAAJJEYGE GULHUN PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

13. PROPERTY, PLANT AND EQUIPMENT

31 st December 2016	Buildings MVR “000”	Plant and Equipment MVR “000”	Vehicles and launches MVR “000”	Furniture and fittings MVR “000”	Capital Work In Progress MVR “000”	Total MVR “000”
Cost						
As at 1 st January 2016	426,073	4,838,392	16,383	21,214	129,990	5,432,052
Additions during the year	-	9,578	-	-	232,923	242,501
Transfers during the year	4,622	132,155	-	1,025	(137,802)	-
Disposals during the year	(12,448)	(1,406,391)	(2,558)	(2,643)	-	(1,424,040)
As at 31 st December 2016	418,247	3,573,734	13,825	19,596	225,110	4,250,513
Accumulated Depreciation						
As at 1 st January 2016	131,018	3,391,971	15,602	14,353	-	3,552,944
Charge for the year	18,045	281,324	211	1,672	-	301,252
Disposals during the year	(12,448)	(1,405,057)	(2,558)	(2,643)	-	(1,422,706)
As at 31st December 2016	136,615	2,268,238	13,255	13,382	-	2,431,490
Carrying amount as at 31 st December 2016	281,632	1,305,496	570	6,214	225,110	1,819,023

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 31ST DECEMBER 2016**13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

13.1. Capital work in progress represents the costs incurred mainly on the projects of the service extension and expansion of the network which were in progress as at 31st December 2016.

31 st December 2015	Buildings MVR “000”	Plant and Equipment MVR “000”	Vehicles and launches MVR “000”	Furniture and fittings MVR “000”	Capital Work In Progress MVR “000”	Total MVR “000”
Cost						
As at 1 st January 2015	419,830	4,622,962	15,712	18,583	113,454	5,190,541
Additions during the year	-	707	-	-	251,395	252,102
Transfers during the year	6,243	225,238	671	2,707	(234,859)	-
Disposals during the year	-	(10,515)	-	(76)	-	(10,591)
As at 31st December 2015	426,073	4,838,392	16,383	21,214	129,990	5,432,052
Accumulated Depreciation						
As at 1 st January 2015	108,441	3,104,512	15,256	12,932	-	3,241,141
Charge for the year	22,577	297,789	346	1,497	-	322,209
Disposals during the year	-	(10,330)	-	(76)	-	(10,406)
As at 31st December 2015	131,018	3,391,971	15,602	14,353	-	3,552,944
Carrying amount as at 31 st December 2015	295,055	1,446,421	781	6,861	129,990	1,879,108

DHIVEHI RAAJJEYGE GULHUN PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

14. INTANGIBLE ASSETS

	2016 MVR “000”	2015 MVR “000”
Cost		
Opening Balance	236,712	175,114
Transferred from CWIP during the year	40,352	61,598
Disposals during the year	(55,210)	-
Closing Balance	221,854	236,712
Accumulated Amortization		
Opening Balance	143,741	113,703
Amortization for the year	42,124	30,038
Disposals during the year	(55,210)	-
Closing Balance	130,655	143,741

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2016

14. INTANGIBLE ASSETS (CONTINUED)

	2016 MVR “000”	2015 MVR “000”
Work-in-progress		
Opening Balance	44,794	106,392
Additions during the year	90,911	-
Transferred to Intangible assets	(40,352)	(61,598)
Provision for Impairment of intangible asset under construction (Note 14.2)	(4,236)	-
Impairment loss of intangible assets under construction (Note 14.3)	(19,345)	-
Closing Balance (Note 14.1)	71,772	44,794
Net Carrying Value	162,970	137,765

14.1. Capital work in progress represents the costs incurred on the development of new softwares which were in progress of development as at 31st December 2016.

14.2. During the year, the Company has made a provision for impairment loss for softwares under development.

14.3. During the year, the Company has fully impaired some of the development costs in respect of the software under construction due to certain modifications made to initial development of the software.

DHIVEHI RAAJJEYGE GULHUN PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2016

15. INVENTORIES

	31/12/2016 MVR “000”	31/12/2015 MVR “000”
Cost of inventories	53,777	43,848
Less: Provision for slow moving / obsolete items (Note 15.1)	(15,574)	(14,330)
	38,203	29,518

15.1 Provision for Slow-Moving / Obsolete Inventories

Opening Balance	14,330	14,011
Provision made during the year	1,244	319
Closing Balance	15,574	14,330

DHIVEHI RAAJJEYGE GULHUN PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2016

16. TRADE AND OTHER RECEIVABLES

	31/12/2016 MVR "000"	31/12/2015 MVR "000"
Trade receivables	187,446	208,989
Less: Provision for impairment loss on trade receivables (Note 16.1)	(67,437)	(55,364)
	120,009	153,625
Accrued income	132,234	104,378
Prepayments	95,941	79,588
Other receivables	18,357	6,526
	246,532	190,492
Less: Provision for impairment loss on other receivables (Note 16.1)	(555)	(394)
	245,977	190,098
	365,986	343,723

DHIVEHI RAAJJEYGE GULHUN PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

16.1 Provision for Impairment Loss on Trade and Other Receivables

	Trade Receivables		Other Receivable	
	31/12/2016 MVR "000"	31/12/2015 MVR "000"	31/12/2016 MVR "000"	31/12/2015 MVR "000"
Opening Balance	55,364	43,134	394	499
Provision made during the year	12,073	12,230	161	-
Provision reversed during the year	-	-	-	(105)
Closing Balance	67,437	55,364	555	394

17. AMOUNTS DUE FROM RELATED PARTY

	31/12/2016 MVR "000"	31/12/2015 MVR "000"
Bahrain Telecommunications Company BSC (Batelco)	-	133

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

18. FINANCIAL ASSETS - HELD TO MATURITY

	31/12/2016 MVR "000"	31/12/2015 MVR "000"
Held to Maturity Investments	-	124,398
	-	124,398

Investments in Treasury bills securities with maturity periods of one year are classified as Held to Maturity investments.

19. CASH AND BANK BALANCES

	31/12/2016 MVR "000"	31/12/2015 MVR "000"
Cash in hand	12,452	9,217
Balances with banks	422,295	441,315
Short term deposits	614,155	395,859
	1,048,902	846,391

Cash and bank balances include MVR 398,289,314/- (2015 : MVR 227,031,502/-) on account of short-term deposits with maturities exceeding three months. These have been excluded for the purpose of statement of cash flows.

DHIVEHI RAAJJEYGE GULHUN PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

20. SHARE CAPITAL

20.1 Share Capital

	31/12/2016 MVR “000”	31/12/2015 MVR “000”
Authorized share capital		
80,000,000 ordinary shares of MVR 2.5 each	200,000	200,000
Issued and fully paid share capital		
76,000,000 ordinary shares of MVR 2.5 each	190,000	190,000

20.2 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 shareholders’ meetings of the Company. The board of directors has declared dividends for the year as follows.

	31/12/2016		31/12/2015	
	per share MVR	Dividend MVR “000”	per share MVR	Dividend MVR “000”
Dividend payment – 1 st tranche	4.69	356,440	4.72	358,720
Dividend payment – 2 nd tranche	5.92	449,920	4.84	367,840
		806,360		726,560

DHIVEHI RAAJJEYGE GULHUN PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

21. PROVISIONS

	31/12/2016 MVR “000”	31/12/2015 MVR “000”
Network and asset retirement obligation (Note 21.1)	153,109	135,305
Movement during the year		
Opening Balance	135,305	126,558
Provision made during the year	9,578	-
Unwinding of discounts on provisions	10,419	8,850
Disposals made during the year	(2,193)	(103)
Closing Balance	153,109	135,305

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 31ST DECEMBER 2016**21. PROVISIONS (CONTINUED)****21.1 Network and assets retirement obligation**

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. The following assumptions have been used to calculate the network and asset retirement obligation.

	31/12/2016	31/12/2015
Expected rate of increase of the dismantle cost	7.00%	7.00%
Discount rate	7.70%	7.70%

Sensitivity Analysis

An increase/decrease of 1% of the below variables would have increased or decreased the provision and profit or loss by following amounts. This analysis assumes that the other variables remain constant.

	Effect on charge of profit or loss		Effect on network and assets retirement obligation	
	Increase	Decrease	Increase	Decrease
Expected rate of increase of the dismantle cost (Change by 1%)	480,181	(447,131)	6,716,304	(6,254,028)
Discount rate (Change by 1%)	770,765	(849,300)	(4,948,466)	5,404,991

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2016

22. TRADE AND OTHER PAYABLES

	31/12/2016 MVR "000"	31/12/2015 MVR "000"
Trade payables	13,112	20,274
Accruals	561,680	526,819
Deferred income	77,666	72,723
Dividend payable	912	426
Refundable deposits from GSM customers	18,909	19,220
Other Payable	28,855	22,867
Provisions (Note 22.1)	-	23,834
	701,134	686,163

22.1 During the year ended 31st December 2015, the Company has recognized a provision amounting MVR. 23,834,316/- for the costs to be incurred in respect of relocating the submarine cable as mandated by the Government of Maldives which was included in provisions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 31ST DECEMBER 2016**23. AMOUNTS DUE TO RELATED PARTY**

	31/12/2016 MVR "000"	31/12/2015 MVR "000"
Bahrain Telecommunications Company BSC (Batelco)	323	-

24. COMMITMENTS**Capital Commitments**

The Company had capital commitments at the end of the financial period relating to the purchase of property, plant and equipment and acquisition and development of intangible assets of MVR 21,471,646/- (31st December 2015: MVR 45,572,039/-).

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 and escalation clauses.

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

	Less than one year MVR "000"	1 to 2 Years MVR "000"	2 to 5 Years MVR "000"	Over 5 Years MVR "000"	Total MVR "000"
31st December 2016					
Future Operating Lease Rentals on Land and Buildings	28,660	25,076	56,316	76,717	186,769

	Less than one year MVR "000"	1 to 2 Years MVR "000"	2 to 5 Years MVR "000"	Over 5 Years MVR "000"	Total MVR "000"
31st December 2015					
Future Operating Lease Rentals on Land and Buildings	27,581	24,735	56,425	63,592	172,333

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

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 minimize 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 31ST DECEMBER 2016**25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)****i. Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments.

The carrying amount of financial assets of the Company represents the maximum credit exposure. In relation to deposits 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.

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

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.

	Carrying Amount	
	31/12/2016 MVR	31/12/2015 MVR
Trade and other receivables	338,037	320,992
Amounts due from related party	-	133
Cash and cash equivalents	638,161	610,142
Short term deposits	398,289	227,032
Held to maturity investments	-	124,398
	1,374,487	1,158,299

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 31ST DECEMBER 2016**25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)****i. Credit Risk (Continued)**

	31/12/2016		31/12/2015	
	Gross MVR "000"	Impairment MVR "000"	Gross MVR "000"	Impairment MVR "000"
The aging of trade receivables as at the reporting date was:				
1-30 days	68,668	458	71,391	361
Past due 31-180 days	60,506	10,485	65,447	10,610
More than 180 days	58,272	56,494	72,151	44,393
Total	187,446	67,437	208,989	55,364

The movement in the provision for impairment in respect of trade and other receivables during the year is given in Note 16.1 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.

Investments

The Company limits its exposure to credit risk by investing only in Government debt securities and short term deposits with selected Banks.

Cash and Cash Equivalents

The Company held cash and cash equivalents of MVR. 650,612,609/- as at 31st December 2016 (as at 31st December 2015 : MVR. 619,359,431/-). The Company limits its exposure to credit risk by maintaining its cash balances in selected banks.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 31ST DECEMBER 2016**25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)****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 assets. 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.

31 st December 2016	Carrying Amount MVR "000"	Within One Year MVR "000"
Financial Liabilities		
Trade and other payables	623,468	623,468
Amounts due to related party	323	323
Total	623,791	623,791

31 st December 2015	Carrying Amount MVR "000"	Within One Year MVR "000"
Financial Liabilities		
Trade and other payables	613,440	613,440
Total	613,440	613,440

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

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.

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

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.

a. Interest rate risk

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 bearing loans held or interest rate derivatives used by the Company as at 31st December 2016 (as at 31st December 2015: Nil)

Exposure to interest rate risk

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

	Carrying Amount	
	31/12/2016 MVR "000"	31/12/2015 MVR "000"
Fixed Rate Instruments		
Short term deposits	614,155	395,859
Financial assets - held to maturity	-	124,398
	614,155	520,257

Sensitivity analysis for fixed rate instruments

A change of 100 basis point in interest rates would have increased or decreased profit for the year ended 31st December 2016 by MVR 5,860,254/- (2015: MVR 3,242,032/-). This analysis assumes that all the other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 31ST DECEMBER 2016**25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)****iii. Market risk (Continued)****b. 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 (US Dollars, Euro, Sterling Pounds and Singapore Dollars). 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, roaming settlements, 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 use 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):

	31/12/2016			
	US\$ MVR "000"	Euro MVR "000"	SGD "000"	GBP "000"
Cash and bank balances	46,147	600	25	10
Trade and other receivables	10,650	500	-	13
Amount due from related party	21	-	-	-
Trade and other payables	(19,910)	(204)	(28)	(92)
Net statement of financial position exposure	36,908	896	(3)	(69)

DHIVEHI RAAJJEYGE GULHUN PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

iii. Market risk (Continued)

b. Currency risk (Continued)

Exposure to currency risk (Continued)

	31/12/2015			
	US\$ MVR "000"	Euro MVR "000"	SGD "000"	GBP "000"
Cash and bank balances	23,075	1,693	25	1,053
Investment in fixed deposits	14,661	-	-	-
Trade and other receivables	7,957	2,244	-	1
Amount due from related party	9	-	-	-
Trade and other payables	(11,047)	(2,101)	-	(38)
Net statement of financial position exposure	34,655	1,836	25	1,016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 31ST DECEMBER 2016**25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)****iii. Market risk (Continued)****b. Currency risk (Continued)**

The following significant exchange rates were applied during the year:

	Average Rate		Spot Rate	
	2016	2015	31/12/2016	31/12/2015
US\$ 1 : MVR	15.42	15.42	15.42	15.42
Euro 1: MVR	17.43	17.65	16.14	16.83
SGD 1: MVR	11.45	11.49	10.79	11.24
GBP 1: MVR	21.28	24.20	18.94	23.87

Sensitivity Analysis

A strengthening/ (weakening) of the MVR, as indicated below, against the foreign currencies as at the end of each period would have increased / (decreased) profit or loss by the amounts shown below.

	31/12/2016		31/12/2015	
	Strengthening MVR "000"	Weakening MVR "000"	Strengthening MVR "000"	Weakening MVR "000"
US\$ (10% Movement)	(56,912)	56,912	(53,438)	53,438
Euro (10% Movement)	(1,446)	1,446	(3,090)	3,090
SGD (10% Movement)	3	(3)	(28)	28
GBP (10% Movement)	131	(131)	(2,425)	2,425

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 31ST DECEMBER 2016**25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)****iv. Capital Management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of stated capital and reserves. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There were no borrowings of the Company as at 31st December 2016 (as at 31st December 2015: Nil).

v. Analysis of Financial Instruments by measurement basis

The following table shows the carrying amounts of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value since the carrying amount is a reasonable approximation of fair value.

31st December 2016	Loans and Receivables MVR "000"	Held to Maturity Investments MVR "000"	Other Financial Liabilities MVR "000"	Total MVR "000"
Financial assets not measured at fair value				
Balance with banks	422,295	-	-	422,295
Short term deposits	614,155	-	-	614,155
Trade and other receivables	270,045	-	-	270,045
	1,306,495	-	-	1,306,495
Financial liabilities not measured at fair value				
Trade and other payables	-	-	623,468	623,468
Amounts due to related party	-	-	323	323
	-	-	623,791	623,791

DHIVEHI RAAJJEYGE GULHUN PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2016

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

v. Analysis of Financial Instruments by measurement basis (Continued)

31 st December 2015	Loans and Receivables MVR “000”	Held to Maturity Investments MVR “000”	Other Financial Liabilities MVR “000”	Total MVR “000”
Financial assets not measured at fair value	441,315	-	-	441,315
Balance with banks	395,859	-	-	395,859
Investments in fixed deposits	-	124,398	-	124,398
Trade and other receivables	320,992	-	-	320,992
Amounts due from related party	133	-	-	133
	1,158,299	124,398	-	1,282,697
Financial liabilities not measured at fair value	-	-	613,440	613,440
Trade and other payables	-	-	613,440	613,440

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

26. RELATED PARTY TRANSACTIONS

26.1 Parent and Ultimate Holding Company

Parent of the Company is Batelco Islands Limited, a Company incorporated in the United Kingdom and the ultimate parent is Bahrain Telecommunications Company BSC (Batelco), a Company incorporated in Bahrain.

26.2 Transactions with Batelco Islands Limited

Batelco Islands Limited had a 52% shareholding in the Company as at 31st December 2016 (31st December 2015: 52%). Transactions with Batelco Islands Limited included support fees for technical services, and payments for outsourcing services for certain supplier invoices. Transactions with Batelco Islands Limited during the years, and outstanding balances as at the year ends, are as follows:

Transactions	Year ended 31/12/2016 MVR "000"	Year ended 31/12/2015 MVR "000"
Dividends	419,307	377,811
Management fee	39,526	36,769
other	-	125
	458,833	414,705

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 31ST DECEMBER 2016**26. RELATED PARTY TRANSACTIONS (CONTINUED)****26.3 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 include key management remuneration as follows:

	Year ended 31/12/2016 MVR "000"	Year ended 31/12/2015 MVR "000"
Directors Fees	1,167	1,157
Salaries to Executives	14,592	13,901
Short term Benefits to Executives	4,378	3,892
	20,137	18,950

Balances outstanding	31/12/2016 MVR "000"	31/12/2015 MVR "000"
Amount receivable / (payable)	(323)	133

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 31ST DECEMBER 2016**26. RELATED PARTY TRANSACTIONS (CONTINUED)****26.4 Transactions with the Government of Maldives**

The Government of Maldives has a 41.8% shareholding in the Company as at 31st December 2016 (31st December 2015: 41.8%). Transactions with the Government of 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 year, and outstanding balance as at the year end are as follows:

Individually Significant Transactions

Transactions	Year ended 31/12/2016 MVR "000"	Year ended 31/12/2015 MVR "000"
License fees	111,180	102,559
Rentals on land space	9,376	9,832
Dividends	337,081	303,723
	457,637	416,114

Balances outstanding

	31/12/2016 MVR "000"	31/12/2015 MVR "000"
Amounts payable in respect of rentals on land space	(2,377)	(1,858)
Amounts payable in respect of license payments	(9,867)	(9,356)
	(12,244)	(11,215)

Collectively, but not individually, significant transactions

Dhivehi Raajjeyge Gulhun PLC has transactions with entities directly or indirectly controlled by the Government of Maldives through its authorities, agencies, affiliations and other organizations, collectively referred to as government entities. The Company has transactions with other government related entities including but not limited to sales, purchases, rendering of services, lease of assets and use of public utilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2016

27. BOARD OF DIRECTORS' RESPONSIBILITY

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

28. EVENTS OCCURRING AFTER THE REPORTING DATE

The Board of Directors of the Company has proposed a final dividend of MVR 8.45 per share (total: MVR 642,200,000/-) which is to be approved at the meeting of the shareholders.

Except for the above no circumstances have arisen since the reporting date which require adjustments to / or disclosure in the financial statements.

29. CONTINGENT LIABILITIES

In 2012, SLT (joint owner of the international submarine cable from Male' to Colombo) filed a plaint to arrest a vessel for damages to the international submarine cable. The court awarded an injunction order to arrest the vessel. However, Bhuval industries, who had purchased the vessel, had the order of arrest vacated at preliminary stages.

Later, in April 2014, Bhuval Industries filed a Plaint for recovery of the damages for alleged malicious prosecution and wrongful arrest of the vessel. SLT and Dhiraagu filed a cross claim against Bhuval Industries. The matter was transferred to the newly established Commercial Court of Ahmedabad in December 2016 and was last listed on 16th January 2017.

Based on the present facts of the case and according to the discussions held with the internal and external legal counsel, the management of the Company is of the view that at present, no provision for damages would be required to be recognized in these financial statements for the period ended 31st December 2016.

Other than disclosed above, there were no other material contingent liabilities as at the reporting date which require disclosure in the financial information.

30. COMPARATIVE FIGURES

Comparative figures have been reclassified wherever appropriate to confirm with the current year presentation.

CORPORATE INFORMATION

COMPANY REGISTRATION
NUMBER
C-0024/1988

PLACE OF INCORPORATION
Male', Republic of Maldives

HEAD OFFICE
Dhivehi Raajjeyge Gulhun Plc
Dhiraagu Head Office,
Ameenee Magu P.O Box 2082,
Male' 20403, Republic of Maldives.
Tel: +960 3322802
Fax: +960 3322800
Website: www.dhiraagu.com.mv
Email: 123@dhiraagu.com.mv
investor-relations@dhiraagu.com.mv

CHIEF EXECUTIVE
OFFICER & MD
Ismail Rasheed

CHIEF FINANCIAL OFFICER
Robin Wall

COMPANY SECRETARY
Asiath Rilweena

GENERAL COUNSEL
Hazrath Rasheed Hussain

EXTERNAL AUDITORS
KPMG

EXTERNAL COUNSEL
Mohamed Shahdy Anwar
Partner, Suood & Anwar
LLP

Laila Manik
Attorney at Law

NOTES



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