

DHIVEHI RAAJJEYGE GULHUN PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2021**

**DHIVEHI RAAJJEYGE GULHUN PLC
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31ST DECEMBER 2021

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Independent Auditor's 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 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information set out in pages 6 to 47.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December 2021, 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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Maldives and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Revenue Recognition – Accuracy of revenue recorded

(Refer to the accounting policies and critical accounting estimates, assumptions and judgments in notes 3.12 and 4(c) of the financial statements)

Risk Description	Our response
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, complexity of billing systems, complexity of products and services and due to high volume of low value transactions captured by the billing systems.	Our audit procedures in this area included: <ul style="list-style-type: none"> - Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls.

Key Audit Matters (Continued)

Revenue Recognition – Accuracy of revenue recorded (Continued)

Risk Description	Our response
<p>The majority of the Company's revenue is generated through the billing systems. Determining when and how much revenue is recognized from customer contracts has a significant impact especially on multiple arrangements and customer offers.</p>	<ul style="list-style-type: none"> - Assisted by our 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 interface between the systems;
<p>We identified revenue recognition as a key audit matter because of how much revenue is recognised from customers depend on the individual customer contract. Therefore, there is a potential risk that revenue is subject to overstate to meet the expectation of the management.</p>	<ul style="list-style-type: none"> - Performing detailed analysis of revenue testing the timing of revenue through substantive audit procedures. These audit procedures were 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, ▪ Deferred revenue and cost on installation which is considered as a part of the overall performance obligation of the respective service and; - Evaluating the appropriateness of the allocation of the transaction price, including variable consideration to performance obligations and obtaining an understanding and the operating effectiveness of related controls. - Assessing the appropriateness of the Company's accounting policies set out in notes 3.12 and 4(c), and adequacy of the disclosures for compliance with the revenue recognition requirements of the International Financial Reporting Standards.

Key Audit Matters (Continued)

Capitalization of Assets including useful lives, depreciation and impairment

(Refer to the accounting policies and critical accounting estimates, assumptions and judgments in notes 3.3, 4 (b) and 4(g) of the financial statements)

Risk Description	Our response
<p>The Company continues to incur a significant level of capital expenditure in connection with the expansion of its network coverage and improvements to network quality. The carrying value of Property and Equipment as at 31st December 2021 was MVR 1,750 million.</p> <p>There are number of areas where management judgment impacts the carrying value of Property and Equipment, and the related depreciation profiles.</p> <p>The complex nature of the assets may result in inappropriate capitalization of the costs and inappropriate determination of the date and the values transferred from construction in progress to property and equipment.</p> <p>Telecommunication industry is evolving continually due to changes in the technology. Further, the Company has significant number of physical assets related to telecommunication subject to the technological update. Therefore, technology changes would create obsolescence of Property and Equipment, which might require an impairment provision. We consider this area as key audit matter because determination of recoverable amount of Property and Equipment involves significant judgments and estimates. Therefore, an error in such estimates could result in material misstatements in the financial statements.</p>	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none"> - Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls over the capitalization of property and equipment, including the key internal controls over the estimation of useful economic lives of assets; - Evaluating the appropriateness of capitalization policy and testing on a sample basis whether the cost capitalized meets the relevant criteria for capitalization and the depreciation is correctly calculated; - Challenging the date of transferring construction-in-progress to Property and Equipment by examining the inspection reports and/or project progress reports, on a sample basis; - Evaluating management's estimation of useful economic lives by considering our knowledge of the business; - Inquiring the networks and the other relevant teams in order to assess on technological updates and actual replacements of assets, if any, with latest technology to identify any potential impairment indicators for the existing assets; - Assessing whether there were impairment triggers giving rise to a need to perform a comprehensive impairment review of Property and Equipment based on the internal and external information assessed; - Challenging the management's positions of the impairment assessment as to whether or not a reasonable possible change to key operating assumptions could result in impairment; - Assessing the adequacy of the financial statement disclosures included in notes 3.3, 4 (b) and 4 (g).

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

In preparing 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.

The Board of Directors are responsible for overseeing the Company's financial reporting processes.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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, action taken to eliminate threats or safeguards applied.

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 auditor's report is R.W.M.O.W. Duminda B. Rathnadiwakara.



Chartered Accountants

For and on behalf of KPMG Maldives

2nd February 2022

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DHIVEHI RAAJJEYGE GULHUN PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2021 MVR "000"	2020 MVR "000"
Revenue	7	2,527,171	2,483,159
Operating costs	8	(1,131,948)	(1,159,845)
Depreciation, amortization and impairment	13, 14 & 15	(396,391)	(386,654)
Impairment loss on trade receivables and contract assets	17.1	(22,842)	(43,951)
Other income	9	<u>3,374</u>	<u>1,022</u>
Results from operating activities		979,364	893,731
Finance income		14,656	8,732
Finance costs		(37,314)	(41,100)
Net finance costs	10	<u>(22,658)</u>	<u>(32,368)</u>
Profit before tax		956,706	861,363
Tax expense	11	(143,646)	(128,911)
Profit and other Comprehensive Income for the year		<u><u>813,060</u></u>	<u><u>732,452</u></u>
Earnings per share			
Basic and diluted earnings per share (MVR)	12	10.70	9.64

Figures in brackets indicate deductions.

These financial statements are to be read in conjunction with the related notes which form an integral part of these financial statements of the Company set out on pages 10 to 47. The Report of the Independent Auditors is given on pages 1 to 5.


DHIVEHI RAAJJEYGE GULHUN PLC
STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER

	Note	2021 MVR "000"	2020 MVR "000"
ASSETS			
Non-current assets			
Property and equipment	13	1,749,828	1,811,154
Right-of-use assets	14	287,645	245,206
Intangible assets	15	325,485	306,550
Deferred tax assets	11.2	3,709	7,943
Total non-current assets		<u>2,366,667</u>	<u>2,370,853</u>
Current assets			
Inventories	16	37,607	49,643
Trade and other receivables	17	625,675	709,323
Cash and cash equivalents	18	1,756,726	975,477
Total current assets		<u>2,420,008</u>	<u>1,734,443</u>
Total assets		<u>4,786,675</u>	<u>4,105,296</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	19	190,000	190,000
Retained earnings		2,556,114	2,292,534
Total equity		<u>2,746,114</u>	<u>2,482,534</u>
Non-current liabilities			
Provisions	20	139,791	136,925
Loans and Borrowings	21.1	69,050	-
Lease liabilities	22.2	270,189	231,780
Total non-current liabilities		<u>479,030</u>	<u>368,705</u>
Current liabilities			
Trade and other payables	23	759,726	850,049
Loans and Borrowings	21.1	152,775	-
Lease liabilities	22.2	32,928	30,403
Amounts due to a related party	24	538,405	307,443
Current tax payable		77,697	66,162
Total current liabilities		<u>1,561,531</u>	<u>1,254,057</u>
Total liabilities		<u>2,040,561</u>	<u>1,622,762</u>
Total equity and liabilities		<u>4,786,675</u>	<u>4,105,296</u>

These financial statements are to be read in conjunction with the related notes which form an integral part of these financial statements of the Company set out on pages 10 to 47. The Report of the Independent Auditors is given on pages 1 to 5.

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


.....
Mr. Ahmed Abdulrahman
Chairperson of Audit Committee
and Deputy Chairperson of Board


.....
Mr. Ismail Rasheed
Chief Executive Officer and
Managing Director


.....
Mr. Robin Wall
Chief Financial Officer

2nd February 2022

DHIVEHI RAAJJEYGE GULHUN PLC
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2021

	Note	Share capital MVR "000"	Retained earnings MVR "000"	Total MVR "000"
As at 1 st January 2020		190,000	2,314,762	2,504,762
Profit and Other Comprehensive Income for the year		-	732,452	732,452
Transactions with Owners of the Company				
Distributions				
Dividends declared	19.2	-	(754,680)	(754,680)
As at 31 st December 2020		<u>190,000</u>	<u>2,292,534</u>	<u>2,482,534</u>
As at 1 st January 2021		190,000	2,292,534	2,482,534
Profit and Other Comprehensive Income for the year		-	813,060	813,060
Transactions with Owners of the Company				
Distributions				
Dividends declared	19.2	-	(549,480)	(549,480)
As at 31 st December 2021		<u>190,000</u>	<u>2,556,114</u>	<u>2,746,114</u>

Figures in brackets indicate deductions.

These financial statements are to be read in conjunction with the related notes which form an integral part of these financial statements of the Company set out on pages 10 to 47. The Report of the Independent Auditors is given on pages 1 to 5.

DHIVEHI RAAJJEYGE GULHUN PLC
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2021 MVR "000"	2020 MVR "000"
Cash flows from operating activities			
Profit before Tax		956,706	861,363
Adjustments for:			
Net gain on disposal of property and equipment	9	(2,680)	(484)
Interest on loans	10	4,613	-
Facility fee amortization	10	1,767	-
Interest on lease liabilities	10	25,471	23,479
Interest income	10	(14,656)	(8,732)
Depreciation	13	288,175	287,009
Impairment losses on property and equipment	13	193	557
Depreciation of right-of-use assets	14	43,573	39,530
Amortization of intangible assets	15	64,451	58,878
Written off of Intangible Assets	15	-	589
Impairment losses on intangible assets	15	-	90
Provision for slow-moving / obsolete inventories	16	786	1,311
Provision for impairment loss on trade and other receivables	17	22,842	43,951
Net change on network and asset retirement obligation	20	4,673	4,765
Operating profit before working capital changes		<u>1,395,914</u>	<u>1,312,305</u>
Changes in:			
Inventories		11,250	7,282
Trade and other receivables		73,795	(72,680)
Trade and other payables		(4,931)	33,324
Amounts due to a related party		43,667	21,563
Cash generated from operations		<u>1,519,695</u>	<u>1,301,794</u>
Tax paid		(127,877)	(137,939)
Interest paid		(4,080)	-
Net cash generated from operating activities		<u>1,387,738</u>	<u>1,163,855</u>
Cash flows from investing activities			
Purchase and construction of property and equipment	13	(299,332)	(216,986)
Purchase of intangible assets	15	(83,386)	(30,301)
Net proceeds from disposal of property and equipment	13	(1,137)	500
Interest received		14,067	8,513
Net changed in short term Investments	18.2	8,296	(1,204)
Net cash used in investing activities		<u>(361,492)</u>	<u>(239,478)</u>
Cash flows from financing activities			
Borrowings during the year	21	224,150	-
Loan facility fee paid	21	(4,626)	-
Payment of lease liabilities	22	(70,549)	(55,285)
Dividend paid during the year		(385,677)	(380,504)
Net cash used in financing activities		<u>(236,702)</u>	<u>(435,789)</u>
Net increase in cash and cash equivalents		789,545	488,588
Cash and cash equivalents at beginning of the year		959,888	471,300
Cash and cash equivalents at end of the year	18	<u>1,749,433</u>	<u>959,888</u>

Figures in bracket indicate deductions.

These financial statements are to be read in conjunction with the related notes which form an integral part of these financial statements of the Company set out on pages 10 to 47. The Report of the Independent Auditors is given on pages 1 to 5.

DHIVEHI RAAJJEYGE GULHUN PLC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

1. Reporting entity

Dhivehi Raajjeyge Gulhun PLC (the “Company”) was originally incorporated under the Limited Liability Companies Decree No. 1988/123 and presently governed under the Companies’ Act No. 10 of 1996 as a limited liability Company in the Republic of Maldives. The Company provides telecommunication services in the Maldives. The registered office of the Company is situated at Dhiraagu Head Office, Ameenee 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 with effect from 29th September 2011.

2. Basis of preparation

(a) Statement of Compliance

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

(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) Going Concern basis of Accounting

The financial statements have been prepared on a going concern basis.

(c) Use of Estimates and Judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are discussed in Note 4 to the financial statements.

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. A number of new standards are effective from 1st January 2021, but they do not have a material effect on the Company’s financial statements.

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.

DHIVEHI RAAJJEYGE GULHUN PLC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2021

3. Significant accounting policies (Continued)

3.1 Transactions in foreign currencies (Continued)

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)

Recognition and initial measurement

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.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and Subsequent Measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

DHIVEHI RAAJJEYGE GULHUN PLC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2021

3. Significant accounting policies (Continued)

3.2 Financial Instruments (Continued)

(i) Financial Assets (Non-derivative) (Continued)

Business model assessment (Continued)

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- Contingent events that would change the amount or timing of cash flows.
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss. Financial assets at amortized cost comprise trade and other receivables, Bank deposits and Investment in fixed deposits.

(ii) Financial liabilities (Non-derivative)

Classification, subsequent measurement and gain and losses

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.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

DHIVEHI RAAJJEYGE GULHUN PLC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2021

3. Significant accounting policies (Continued)

3.2 Financial Instruments (Continued)

(ii) Financial liabilities (Non-derivative) (Continued)

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

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.

De-recognition

Financial Assets

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 Liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting

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.

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

DHIVEHI RAAJJEYGE GULHUN PLC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2021

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 recognised as a provision. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

(ii) Subsequent Costs

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

(iii) Depreciation

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

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

The estimated useful lives are as follows:

Buildings		5 to 40 years
Plant and equipment	- Civil works, cables and ducting	5 to 40 years
	- Network and electronic equipment	5 to 40 years
Vehicle 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.

DHIVEHI RAAJJEYGE GULHUN PLC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2021

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

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

Software	3 to 10 Years
Licences	10 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 have not commenced 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.

3.6 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, bank demand deposits and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

DHIVEHI RAAJJEYGE GULHUN PLC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2021

3. Significant accounting policies (Continued)

3.7 Contract assets related to the Enterprise Sales Projects

Contract assets related to the sales project represents the gross unbilled amount expected to be collected from customers for performance obligations satisfied to date. It is measured at the consideration allocated to the performance obligations completed as at the reporting date recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred.

If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred income in the statement of financial position.

3.8 Impairment

(i) Non-derivative financial assets

Financial instruments and contract assets

The Company recognises loss allowances for ECLs on:

- Financial assets measured at amortised cost; and
- Contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs for trade and other receivables.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due for the residential segment.
- The financial asset is more than 150 days past due for the Government segment.
- The financial asset is more than 120 days past due for the corporate segment.

The Company has rebutted the presumption of 90 days past due for the Government and corporate segment as the Company has assessed the previous years' collections and the historic collections at a considerable levels after 3 months period.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

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

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

DHIVEHI RAAJJEYGE GULHUN PLC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2021

3. Significant accounting policies (Continued)

3.8 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Credit-impaired financial assets

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

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

- A breach of contract such as a default or being more than 180 days past due of the significant government customers who exceed MVR 100,000/-;
- A breach of contract such as a default or being more than 180 days past due of the significant corporate customers who exceed MVR 100,000/-;
- A breach of contract such as a default or being more than 365 days past due of the wholesale customers;
- It is probable that the contractual party will enter bankruptcy or other financial reorganisation;

Presentation of allowance for ECL in the statement of financial position

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

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off based on historical experience of recoveries of similar assets and based on the assessment carried out by the Company. For wholesale segment customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3.9 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.

DHIVEHI RAAJJEYGE GULHUN PLC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2021

3. Significant accounting policies (Continued)

3.9 Employee Benefits (Continued)

(b) Short-term benefits

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

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

3.10 Provisions

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

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

Network and asset retirement obligation provision has been 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.

3.11 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

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

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

DHIVEHI RAAJJEYGE GULHUN PLC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2021

3. Significant accounting policies (Continued)

3.11 Leases (Continued)

(i) As a lessee (Continued)

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is re measured when there is a change in future lease payments arising from a change in an index or rate. if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in "Right-of-use assets" and lease liabilities in "Lease liabilities" in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases with contract term less than one year considered as low-value assets or short-term leases, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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 Revenue from contracts with customers

Revenue is measured based on the consideration specified in the contract with a customer. The Company recognise revenue when it transfers control over a good or service to a customer.

(a) Sale of equipment

Revenue from handset and other equipment sales is recognised when the product is delivered to the customer. In revenue arrangements from bundled contracts include more than one Performance Obligation (PO), the arrangement consideration is allocated to each performance obligation based on their relative standalone selling price (SSP).

DHIVEHI RAAJJEYGE GULHUN PLC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2021

3. Significant accounting policies (Continued)

3.13 Revenue from contracts with customers (Continued)

(b) Provision of services

Revenue for access charges, airtime usage and messaging by contract customers is recognised as services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred.

Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires. Deferred revenue related to unused airtime is recognised when utilised by the customer. Upon termination of the customer contract, all deferred revenue for unused airtime is recognised in the profit or loss.

Revenue from interconnect fees is recognised at the time the services are performed. Revenue from data services is recognised when the Company has performed the related service and, depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Company as commission for facilitating the service.

(c) Installation revenue

Installation services are specific services and does not have a standalone value without the data/ internet services, it has not been considered as separate performance obligation.

The installation revenue is considered as part of the overall transaction price and is amortized over the expected tenure of the contracts with the customers.

(d) Sales projects

Installation, device sale and service provision are considered to be separate Performance Obligation as those are distinct goods/ services. The customer can obtain each of the said good/ service on a standalone basis from different vendors and each has a standalone value to the customer.

Standalone selling prices ("SSP") is determined for installation service, sale of device and provision of service. Accordingly, transaction price collected from the customers are allocated to each Performance Obligation based on relative SSP allocation and recognize revenue accordingly.

(e) Contract costs

Contract costs that are incremental in obtaining a contract with a customer are capitalized and amortised over the period of related revenues. Applying the practical expedient per IFRS 15, the Company recognises incremental cost of obtaining a contract as an expense when incurred if the amortisation period of the assets that the Company otherwise would have recognised is one year or less.

(f) 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.

3.14 Expenditure

(a) 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. Finance costs comprise, unwinding of discounts on provisions, unwinding of discount on lease liabilities and foreign exchange losses that are recognised in profit or loss. Foreign exchange gains and losses are reported on net basis.

DHIVEHI RAAJJEYGE GULHUN PLC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2021

3. Significant accounting policies (Continued)

3.14 Expenditure (Continued)

(a) Finance income and expense (Continued)

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(b) 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.

3.15 Tax Expenses

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss. The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of the income taxes, and therefore accounting for them under IAS 37, provision, contingent liabilities and contingent assets.

(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 or substantially enacted at the reporting date.

(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.

DHIVEHI RAAJJEYGE GULHUN PLC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2021

3. Significant accounting policies (Continued)

3.16 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. However, the Company has got short term receivables as at the reporting date.

(b) Financial liabilities (Non-derivative)

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

4. 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;

DHIVEHI RAAJJEYGE GULHUN PLC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2021

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

(b) Impairment of property, plant and equipment and intangible assets (Continued)

- 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.

(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. As per the requirements of IFRS 15 Identification of the performance obligations, allocation of the consideration over the performance obligations, determination of the key assumption such as customer expected retention period.

(d) Valuation of receivables

Note 3.7 – measurement of ECL allowance for trade receivables and contract assets: key assumptions in determining the weighted average loss rate.

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 individual assessment of the customers, lifetime expected credit loss of the trade and other receivables, 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 recognised when there is a present (legal or constructive) obligation in respect of a past event as explained in the accounting policy in Note 3.9 to the financial statements. Judgement is required to quantify such amounts.

(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.

DHIVEHI RAAJJEYGE GULHUN PLC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2021

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

(h) Lease Term

Some leases related to Land and buildings and Network assets contain extension options exercisable by the Company before the end of the contract period. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the option if there is a significant event or significant changes in circumstances within control.

5. Standards issued but not yet effective

A number of new standards are effective for annual period beginning after 1st January 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

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

- Annual Improvements to IFRS standards 2018-2020
- Cost of Fulfilling a Contract – Onerous Contracts (Amendments to IAS 37)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS practice statement 2)
- Definition of Accounting Estimates (IAS 8)
- Deferred tax related to assets and Liabilities arising from a single Transaction. (Amendments to IAS 12)

DHIVEHI RAAJJEYGE GULHUN PLC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

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 summary 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 individuals, business and government customers.

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

Information about Reportable Segments

Segment information disclosed for the year ended 31st December 2021 and 2020 are as follows :

	Mobile		Fixed, Broadband and Enterprise		Other		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	MVR "000"	MVR "000"	MVR "000"	MVR "000"	MVR "000"	MVR "000"	MVR "000"	MVR "000"
External Revenue	1,400,795	1,465,392	1,061,885	958,346	64,491	59,421	2,527,171	2,483,159
Total Revenue	1,400,795	1,465,392	1,061,885	958,346	64,491	59,421	2,527,171	2,483,159
Operating Costs	(554,959)	(594,493)	(546,039)	(539,471)	(30,950)	(25,881)	(1,131,948)	(1,159,845)
Depreciation and amortization	(226,029)	(223,809)	(122,280)	(116,456)	(48,083)	(46,389)	(396,392)	(386,654)
Impairment losses on trade and other Receivables	(12,659)	(25,933)	(9,599)	(16,966)	(584)	(1,052)	(22,842)	(43,951)
Net finance costs	(12,614)	(19,252)	(9,449)	(12,302)	(596)	(814)	(22,659)	(32,368)
Non-operating income	2,024	608	1,407	388	89	26	3,520	1,022
Reportable segment profit before tax	596,558	602,513	375,925	273,539	(15,633)	(14,689)	956,850	861,363
Segment assets and liabilities								
Non-current assets	1,074,857	1,087,809	877,012	888,852	411,089	386,249	2,362,958	2,362,910
Current assets	396,307	475,223	255,207	272,066	11,914	11,677	663,428	758,966
Total assets	1,471,164	1,563,032	1,132,219	1,160,918	423,003	397,926	3,026,386	3,121,876
Non-current liabilities	460,229	345,793	-	-	18,801	22,912	479,030	368,705
Current liabilities	812,389	686,788	604,180	441,830	144,962	125,439	1,561,531	1,254,057
Total liabilities	1,272,618	1,032,581	604,180	441,830	163,763	148,351	2,040,561	1,622,762

Other operations include the customer equipment maintenance services, bulk SMS services, domain and web hosting and other adjacent services. None of these segments met the quantitative threshold for reportable segments in 2021 or 2020.

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

DHIVEHI RAAJJEYGE GULHUN PLC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

6 SEGMENT INFORMATION (CONTINUED)

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

	2021		2020	
	Non-current MVR "000"	Current MVR "000"	Non-current MVR "000"	Current MVR "000"
Total assets for reportable segments	1,951,869	651,514	1,976,661	747,289
Total assets for other segments	411,089	11,914	386,249	11,677
Total assets for segments	2,362,958	663,428	2,362,910	758,966
Other unallocated amounts	3,709	1,756,726	7,943	975,477
Total assets as per the statement of financial position	2,366,667	2,420,154	2,370,853	1,734,443

7 REVENUE

A Revenue Streams

The Company generates revenue primarily from mobile and fixed, broadband and enterprise revenue. Other sources of revenue include customer equipment maintenance services and other adjacent services.

	2021 MVR "000"	2020 MVR "000"
Revenue from contracts with customers	2,527,171	2,483,159

B Disaggregation of revenue from contracts with customers

Disaggregation of revenue by major products and service lines has been disclosed in the segment information under mobile, fixed, broadband and enterprise and other revenue.

In the following table, revenue is disaggregated by timing of recognition. The table also includes a reconciliation of the disaggregated revenue with the Company's reportable segments. Revenue by major products and service lines are disclosed under segment information (See Note 6)

DHIVEHI RAAJJEYGE GULHUN PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

7 REVENUE (CONTINUED)

B Disaggregation of revenue from contracts with customers (Continued)

	Reportable Segments						Total	
	Mobile		Fixed, Broadband and Enterprise		Other			
	2021 MVR "000"	2020 MVR "000"	2021 MVR "000"	2020 MVR "000"	2021 MVR "000"	2020 MVR "000"	2021 MVR "000"	2020 MVR "000"
Revenue by timing of recognition								
Products transferred at a point in time	39,630	63,885	50,292	68,047	4,427	2,578	94,349	134,510
Products and services transferred over time	1,361,165	1,401,507	1,011,593	890,299	60,064	56,843	2,432,822	2,348,649
Revenue with contracts with customers	1,400,795	1,465,392	1,061,885	958,346	64,491	59,421	2,527,171	2,483,159
External Revenue as reported in Note 6	1,400,795	1,465,392	1,061,885	958,346	64,491	59,421	2,527,171	2,483,159

C Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	31/12/2021 MVR "000"	31/12/2020 MVR "000"
Receivables (included in trade and other receivables)	327,490	333,295
Contract assets (included in trade and other receivables)	303,120	365,611
Contract liabilities (included in trade and other payables)	<u>(106,361)</u>	<u>(98,107)</u>

The contract assets primarily relate to the Company's right to consideration for services performed and work completed, but not billed at the reporting date on customer contracts and costs that were deferred on installations and infrastructure projects. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer and over the period of customer tenure expected in respect of the deferred cost.

The contract liabilities primarily relate to the advance consideration received from customers for contracts, for which revenue is recognized over time as the related performance obligations are fulfilled and to the unredeemed customer loyalty points.

DHIVEHI RAAJJEYGE GULHUN PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

8 OPERATING COSTS	2021	2020
	MVR "000"	MVR "000"
Direct cost of services	410,842	470,300
Personnel costs (Note 8.1)	227,395	207,198
License fees	113,394	106,644
Support services	48,050	48,050
External publicity	23,353	20,877
Network costs	116,811	113,715
Property and utility costs	93,780	105,033
Professional fees	11,424	10,930
Other administrative expenses	86,899	77,098
	<u>1,131,948</u>	<u>1,159,845</u>
8.1 Personnel Costs	2021	2020
	MVR "000"	MVR "000"
Wages, salaries and performance reward scheme	189,665	170,201
Defined contribution expense	13,631	12,972
Other personnel costs	24,099	24,025
	<u>227,395</u>	<u>207,198</u>
9 OTHER INCOME	2021	2020
	MVR "000"	MVR "000"
Net Gain on disposal of Property, Plant and Equipment	2,680	484
Miscellaneous income	694	538
	<u>3,374</u>	<u>1,022</u>
10 NET FINANCE COSTS	2021	2020
	MVR "000"	MVR "000"
Finance Income		
Interest income on Bank Deposits	9,368	3,471
Interest income on Short Term Investments	5,288	5,261
	<u>14,656</u>	<u>8,732</u>
Finance Costs		
Interest expenses on loans	(4,613)	-
Facility fee amortization	(1,767)	-
Unwinding of discount on provisions	(4,673)	(4,765)
Interest on lease liabilities	(25,471)	(23,479)
Foreign exchange loss	(790)	(12,856)
	<u>(37,314)</u>	<u>(41,100)</u>
Net Finance Costs	<u>(22,658)</u>	<u>(32,368)</u>

DHIVEHI RAAJJEYGE GULHUN PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

11 TAX EXPENSE	2021	2020
	MVR "000"	MVR "000"
Income tax expense (Note 11.1)	141,744	130,482
Adjustment in respect of previous year	(2,332)	227
Deferred tax asset reversed / (recognized) during the year (Note 11.2)	4,234	(1,798)
	<u>143,646</u>	<u>128,911</u>

11.1 Reconciliation between accounting profit and taxable income:	2021	2020
	MVR "000"	MVR "000"
Accounting profit before tax	956,706	861,363
Disallowable expenses	398,695	477,233
Allowable expenses	(409,940)	(468,214)
Tax free allowance	(500)	(500)
Total taxable income	<u>944,961</u>	<u>869,882</u>
Income tax @ 15%	<u>141,744</u>	<u>130,482</u>

In accordance with the provisions of the Income Tax Act No. 25 of 2019 and subsequent amendments, the Company is liable for Business Profit Tax at the rate of 15% on its taxable profits.

11.2 Deferred Tax Asset	2021	2020
	MVR "000"	MVR "000"
Opening balance	7,943	6,144
Deferred tax asset (reversed) / recognized on temporary differences	(4,234)	1,798
Closing balance	<u>3,709</u>	<u>7,943</u>

11.3 Deferred Tax Asset is attributable for following:

	2021		2020	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	MVR "000"	MVR "000"	MVR "000"	MVR "000"
Property and equipment	(87,960)	(13,194)	(93,027)	(13,954)
Intangible assets	(120,477)	(18,072)	(78,454)	(11,768)
Leases	-	-	16,977	2,547
Net provisions	<u>233,165</u>	<u>34,975</u>	<u>207,454</u>	<u>31,118</u>
	<u>24,728</u>	<u>3,709</u>	<u>52,950</u>	<u>7,943</u>

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% (2020: 15%).

DHIVEHI RAAJJEYGE GULHUN PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

11 TAX EXPENSE (CONTINUED)

11.4 Movement in Deferred Tax Balances

	Balance as at 1st January 2021	Recognized in profit or loss	Deferred Tax asset/ (liability) as at 31st December 2021
Property and equipment	(13,954)	760	(13,194)
Intangible assets	(11,768)	(6,304)	(18,072)
Leases	2,547	(2,547)	-
Provisions	31,118	3,857	34,975
	<u>7,943</u>	<u>(4,234)</u>	<u>3,709</u>

12 EARNINGS PER SHARE

Basic and diluted earnings per share

Basic and diluted 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	
	2021	2020
Profit for the year attributable to the ordinary shareholders (MVR "000")	813,060	732,452
Weighted average number of ordinary shares outstanding ("000")	76,000	76,000
Basic and diluted earnings per share (MVR)	<u>10.70</u>	<u>9.64</u>

DHIVEHI RAAJJEYGE GULHUN PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

13 PROPERTY AND EQUIPMENT

31 st December 2021	Buildings	Equipment	Vehicles and launches	Furniture and fittings	Capital Work-In Progress	Total
	MVR "000"	MVR "000"	MVR "000"	MVR "000"	MVR "000"	MVR "000"
Cost						
As at 1 st January 2021	428,877	3,918,667	10,588	19,732	245,807	4,623,671
Additions during the year	-	-	-	-	227,273	227,273
Provision for Impairment loss	-	-	-	-	(193)	(193)
Capitalizations during the year	4,491	280,000	-	847	(285,338)	-
Disposals during the year	-	(8,691)	-	-	-	(8,691)
As at 31st December 2021	433,368	4,189,976	10,588	20,579	187,549	4,842,060
Accumulated Depreciation						
As at 1 st January 2020	204,630	2,584,343	9,038	14,506	-	2,812,517
Charge for the year	17,926	267,174	895	2,180	-	288,175
Disposals during the year	-	(8,460)	-	-	-	(8,460)
As at 31st December 2021	222,556	2,843,057	9,934	16,685	-	3,092,232
Carrying amount as at 31st December 2021	210,812	1,346,919	654	3,894	187,549	1,749,828

13.1 Capital work in progress represents the costs incurred mainly on the projects such as Network expansion to new islands and resort which were in progress as at 31st December 2021.

31 st December 2020	Buildings	Equipment	Vehicles	Furniture and fittings	Capital Work-In Progress	Total
	MVR "000"	MVR "000"	MVR "000"	MVR "000"	MVR "000"	MVR "000"
Cost						
As at 1 st January 2020	426,914	3,725,465	11,498	18,866	178,519	4,361,262
Additions during the year	-	-	-	-	280,983	280,983
Transferred from intangible assets (Note 15.2)	-	-	-	-	26,615	26,615
Provision for Impairment loss	-	-	-	-	(557)	(557)
Capitalizations during the year	2,140	236,746	-	866	(239,753)	-
Disposals during the year	(177)	(43,544)	(910)	-	-	(44,631)
As at 31st December 2020	428,877	3,918,667	10,588	19,732	245,807	4,623,671
Accumulated Depreciation						
As at 1 st January 2020	186,450	2,362,615	9,052	12,006	-	2,570,123
Charge for the year	18,347	265,266	896	2,500	-	287,009
Disposals during the year	(167)	(43,538)	(910)	-	-	(44,615)
As at 31st December 2020	204,630	2,584,343	9,038	14,506	-	2,812,517
Carrying amount as at 31st December 2020	224,247	1,334,324	1,550	5,226	245,807	1,811,154

13.2 Capital work in progress represents the costs incurred mainly on the projects such as Submarine Cable, network expansion which were in progress as at 31st December 2020.

DHIVEHI RAAJJEYGE GULHUN PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

14 RIGHT-OF-USE ASSETS

Right-of-Use assets related to leased properties that do not meet the definition of investment property are presented as Right-of-Use asset (See note 3.10).

31st December	2021	2020
	MVR "000"	MVR "000"
As at 1 st January	322,836	287,099
Additions during the year	86,012	35,737
As at 31 st December	<u>408,848</u>	<u>322,836</u>
Accumulated depreciation		
As at 1 st January	77,630	38,100
Charge for the year	43,573	39,530
As at 31 st December	<u>121,203</u>	<u>77,630</u>
Carrying amount as at 31st December	<u><u>287,645</u></u>	<u><u>245,206</u></u>

14.1 Right-of-use assets will be depreciated over 1 year to 35 years based on their lease period.

15 INTANGIBLE ASSETS

31st December 2021	Indefeasible Rights of Use	Licenses	Softwares	Work-in- progress	Total
	MVR "000"	MVR "000"	MVR "000"	MVR "000"	MVR "000"
Cost					
As at 1 st January 2021	77,425	103,865	363,584	37,704	582,578
Additions during the year	-	-	-	83,386	83,386
Capitalizations during the year	30,640	32,923	11,750	(75,313)	-
Written-off during the year	-	-	(50)	-	(50)
As at 31 st December 2021	<u>108,065</u>	<u>136,787</u>	<u>375,286</u>	<u>45,776</u>	<u>665,914</u>
Accumulated Amortization and impairment loss					
As at 1 st January 2021	21,684	44,445	209,899	-	276,028
Amortization for the year	6,040	18,814	39,597	-	64,451
Write-off during the year	-	-	(50)	-	(50)
As at 31 st December 2021	<u>27,724</u>	<u>63,258</u>	<u>249,447</u>	<u>-</u>	<u>340,429</u>
Carrying amount as at 31st December 2021	<u><u>80,341</u></u>	<u><u>73,529</u></u>	<u><u>125,839</u></u>	<u><u>45,776</u></u>	<u><u>325,485</u></u>

15.1 Capital work in progress represents mainly the costs incurred IP Capacity BBG and implementation of new CRM platform which were in progress of development as at 31st December 2021.

DHIVEHI RAAJJEYGE GULHUN PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

15 INTANGIBLE ASSETS (CONTINUED)

31st December 2020	Indefeasible Rights of Use MVR "000"	Licenses MVR "000"	Softwares MVR "000"	Work-in- progress MVR "000"	Total MVR "000"
Cost					
As at 1 st January 2020	79,078	96,406	297,755	91,875	565,114
Additions during the year	-	-	-	56,916	56,916
Transferred to property and equipment (Note 15.2)	-	-	-	(26,615)	(26,615)
Reclassification	(1,653)	-	-	1,653	-
Capitalizations during the year	-	7,459	77,987	(85,446)	-
Written-off during the year	-	-	-	(589)	(589)
Provision for Impairment	-	-	-	(90)	(90)
Disposals during the year	-	-	(12,158)	-	(12,158)
As at 31 st December 2020	<u>77,425</u>	<u>103,865</u>	<u>363,584</u>	<u>37,704</u>	<u>582,578</u>
Accumulated Amortization					
As at 1 st January 2020	16,881	32,177	180,250	-	229,308
Amortization for the year	4,803	12,268	41,807	-	58,878
Disposals during the year	-	-	(12,158)	-	(12,158)
As at 31 st December 2020	<u>21,684</u>	<u>44,445</u>	<u>209,899</u>	<u>-</u>	<u>276,028</u>
Carrying amount as at 31st December 2020	<u>55,741</u>	<u>59,420</u>	<u>153,685</u>	<u>37,704</u>	<u>306,550</u>

15.1 Capital work in progress represents mainly the costs incurred Network licenses, billing system enhancements and implementation of new FBB PCRF solution which were in progress of development as at 31st December 2020.

15.2 The Company has reclassified intangible assets amounting to MVR 26,614,616/- to property and equipment During the year.

16 INVENTORIES

	2021 MVR "000"	2020 MVR "000"
Cost of inventories	52,364	64,185
Provision for slow moving / obsolete inventories (Note 16.1)	(14,757)	(14,542)
	<u>37,607</u>	<u>49,643</u>

16.1 Provision for Slow-Moving / Obsolete Inventories

Opening Balance	14,542	13,239
Inventory written-off during the year	(571)	(8)
Provision made during the year	786	1,311
Closing Balance	<u>14,757</u>	<u>14,542</u>

17 TRADE AND OTHER RECEIVABLES

	2021 MVR "000"	2020 MVR "000"
Trade receivables	327,490	333,295
Contract Assets	303,120	365,611
	630,610	698,906
Provision for impairment loss on trade receivables (Note 17.1)	(100,183)	(77,341)
	<u>530,427</u>	<u>621,565</u>
Prepayments	73,134	58,444
Other receivables	22,748	29,948
	95,882	88,392
Allowance for impairment loss on other receivables (Note 17.1)	(634)	(634)
	<u>95,248</u>	<u>87,758</u>
	<u>625,675</u>	<u>709,323</u>

The receivables are considered to be held within held to collect business model consistent with the Company's continuing recognition of receivables.

17.1 Allowance for Impairment Loss on Trade and Other Receivables

Movements in the allowance for impairment in respect of trade receivables and contract assets

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year and movement of the impairment of other receivables are as follows.

DHIVEHI RAAJJEYGE GULHUN PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

17.1 Allowance for Impairment Loss on Trade and Other Receivables (Continued)

	Trade Receivables and contract assets		Other Receivables	
	2021	2020	2021	2020
	MVR "000"	MVR "000"	MVR "000"	MVR "000"
Opening Balance	77,341	57,645	634	879
Change in measurement of loss allowance for the year	22,842	44,196	-	(245)
Bad debt written-off during the year	-	(24,500)	-	-
Closing Balance	<u>100,183</u>	<u>77,341</u>	<u>634</u>	<u>634</u>

18 CASH AND CASH EQUIVALENTS

	2021	2020
	MVR "000"	MVR "000"
Cash in hand	3,845	1,224
Balances with banks	732,000	619,164
Short term Investments (Note 18.1)	1,020,881	355,089
Cash and bank balance in the statement of financial position	<u>1,756,726</u>	<u>975,477</u>
Short-term Investments with maturities exceeding three months (Note 18.2)	(7,293)	(15,589)
Cash and cash equivalents in the statement of cash flows	<u>1,749,433</u>	<u>959,888</u>

18.1 Short Term Investments

Investment Type	Invested Currency	Maturity	Indicative Rate	31/12/2021	31/12/2020
				MVR "000"	MVR"000"
Investment in Treasury Bills	MVR	3-6 Months	3.50%	153,588	153,588
Investment in Fixed Deposits	MVR	3-6 Months	1.5%-2.8%	862,500	157,572
	USD		1.50% -3.75%	4,793	43,929
				<u>1,020,881</u>	<u>355,089</u>

18.2 Short-term Investments maturities not exceeding three months

Short term deposits - amortized cost	<u>7,293</u>	<u>15,589</u>
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Short term deposits are classified as amortized cost at the interest rates of 1.5% to 2.5% and mature within 6 months to 7 months.

19 SHARE CAPITAL

	2021	2020
	MVR "000"	MVR "000"
19.1 Share Capital		
Authorized share capital		
80,000,000 ordinary shares of MVR 2.5 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid share capital		
76,000,000 ordinary shares of MVR 2.5 each	<u>190,000</u>	<u>190,000</u>

19.2 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.

	2021		2020	
	Per share	Dividend	Per share	Dividend
	MVR "000"	MVR "000"	MVR "000"	MVR "000"
Dividend declared - 1 st tranche	5.16	392,160	7.86	597,360
Dividend declared - 2 nd tranche	2.07	157,320	2.07	157,320
		<u>549,480</u>		<u>754,680</u>

DHIVEHI RAAJJEYGE GULHUN PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

20 PROVISIONS	2021	2020
	MVR "000"	MVR "000"
Network and asset retirement obligation (Note 20.1)	<u>139,791</u>	<u>136,925</u>
Movement during the year		
Opening Balance	136,925	130,157
Provision made during the year	2,241	2,003
Unwinding of discounts on provisions	4,673	4,765
Disposals made during the year	(4,048)	-
Impact due to the changes in assumptions	-	-
Closing Balance	<u>139,791</u>	<u>136,925</u>

20.1 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 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 as at reporting date.

	2021	2020
Useful life (years)	15.00	15.00
Expected rate of increase of the dismantling cost	3.50%	3.50%
Discount rate	<u>10.00%</u>	<u>10.00%</u>

Sensitivity Analysis

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

	Effect to Profit or Loss	
	<u>Increase</u>	<u>Decrease</u>
Expected rate of increase of the dismantle cost (Change 1%)	<u>(4,644,999)</u>	<u>(4,644,999)</u>
Discount rate (Change by 1%)	<u>4,006,546</u>	<u>4,006,546</u>

21 LOANS AND BORROWINGS

	2021	2020
	MVR "000"	MVR "000"
Opening balance	-	-
Obtained during the year	224,150	-
Interest for the period	4,613	-
Interest paid during the year	<u>(4,080)</u>	<u>-</u>
Unamortized facility fee (Note 21.2)	<u>(2,859)</u>	<u>-</u>
Closing balance	<u>221,825</u>	<u>-</u>

21.1 Maturity analysis

Non current liability

Term loan	69,904	
Unamortized facility fees	<u>(854)</u>	
	<u>69,050</u>	<u>-</u>

Current liabilities

Term loan	54,603	
Import loan	99,644	
Interest Payable	533	
Unamortized facility fees	<u>(2,005)</u>	
	<u>152,775</u>	<u>-</u>

21.2 Facility fee amortization

Opening balance	-	-
Facility fees paid during the year	4,626	-
Amortization during the year	<u>(1,767)</u>	<u>-</u>
Closing balance	<u>2,859</u>	<u>-</u>

21.3 As per the term loan facility letter dated 9th April 2021, the Company has obtained a loan of US\$ 8000,000/- from HSBC Bank at rate of 3 months Libor plus 4.75% per annum. The loan is repayable in 30 equal monthly installment of US\$.266,666.67/- (excluding interest) with 6 months grace period.

21.4 As per the letter dated 3rd June 2021, the Company has obtained a import loan facility of US\$ 12,000,000/- from HSBC Bank at rate of 3 months Libor plus 4.75% per annum.

DHIVEHI RAAJJEYGE GULHUN PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

22 LEASE LIABILITIES

Leases as lessee

The Company leases land and buildings and network assets. The leases typically run for a period of 1 to 35 years, with an option to renew the lease after non-cancellable period.

Information about leases for which the Company a lessee is presented below.

	2021	2020
	MVR "000"	MVR "000"
Opening Balance	262,183	258,252
Additions during the year	86,012	35,737
Interest on lease liabilities	25,471	23,479
Payments of lease liabilities	<u>(70,549)</u>	<u>(55,285)</u>
Closing balance	<u>303,117</u>	<u>262,183</u>

22.1 Maturity analysis - Contractual undiscounted cash flows

Less than one year	49,663	48,354
One to five years	175,731	160,712
More than five years	<u>215,480</u>	<u>172,582</u>
Total undiscounted lease liabilities	<u>440,874</u>	<u>381,648</u>

22.2 Lease liabilities included in the statement of financial position

Current	32,928	30,403
Non-current	<u>270,189</u>	<u>231,780</u>
	<u>303,117</u>	<u>262,183</u>

Extension Options

Some land and buildings and network assets related to Land and buildings and Network assets contain extension options exercisable by the Company before the end of the contract period. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether is reasonably certain to exercise the option if there is a significant event or significant changes in circumstances within control.

Amounts recognized in profit or loss in relation to leases

	2021	2020
	MVR "000"	MVR "000"
Interest on lease liabilities	25,471	23,479
Depreciation of ROU assets	43,573	39,530
	<u>69,044</u>	<u>63,009</u>

Amounts recognized in cash flow

	2021	2020
	MVR "000"	MVR "000"
Total cash outflow for leases	<u>70,549</u>	<u>55,285</u>

23 TRADE AND OTHER PAYABLES

	2021	2020
	MVR "000"	MVR "000"
Trade payables	86,110	150,911
Contract Liabilities	106,361	98,107
Accruals and payables	442,897	455,867
Dividend payable	67,825	91,318
Refundable deposits from customers	26,114	25,241
Customer loyalty points	1,601	1,601
Other Payables	<u>28,818</u>	<u>27,004</u>
	<u>759,726</u>	<u>850,049</u>

24 AMOUNTS DUE TO A RELATED PARTY

	2021	2020
	MVR "000"	MVR "000"
BTC Islands Limited - Immediate Parent	<u>538,405</u>	<u>307,443</u>

DHIVEHI RAAJJEYGE GULHUN PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

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.

DHIVEHI RAAJJEYGE GULHUN PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial 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.

Impairment Losses on financial assets and contract assets recognized in profit or loss were as follows;

	2021	2020
	MVR "000"	MVR "000"
Impairment loss on trade receivables and contract assets arising from contracts with customers	22,842	43,951

Trade and other receivables and contract assets

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 expected credit losses in respect of trade and other receivables. The allowance for impairment represents the specific loss component that relates to individually significant exposures.

The maximum exposure to credit risk of trade receivable at the reporting date for each segment was:

	Carrying Amount	
	2021	2020
	MVR "000"	MVR "000"
Consumer Segment	87,091	113,959
Corporate Segment	174,050	193,406
Government Segment	76,114	93,532
Wholesale Segment	206,384	235,545
	543,639	636,442

DHIVEHI RAAJJEYGE GULHUN PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial Risk Management (Continued)

(i) Credit Risk (Continued)

Trade and other receivables and contract assets (Continued)

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

	Carrying Amount	
	2021	2020
	MVR "000"	MVR "000"
Trade receivables and contract assets	530,427	621,565
Other receivables	22,114	29,314
Cash at banks	732,000	619,164
Short term Investments	1,020,881	355,089
	2,305,422	1,625,132

Expected credit loss assessment for the customers as at 31st December 2021 and 31st December 2020

Exposures within each credit risk grades are segmented by the type of the customers.

The Company uses an allowance Matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small customers except for its wholesale segment.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the type of the customer.

Consumer Segment

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for consumer customers segment as at 31st Decemer 2021 and 31st December 2020.

31st December 2021	Weighted average loss rate	Gross carrying amount*	Loss allowance
		MVR "000"	MVR "000"
0 - 30 days past due	2%	44,162	1,016
31 - 60 days past due	48%	2,061	992
61 - 90 days past due	69%	1,583	1,085
More than 90 days past due	99%	39,285	38,892
		87,091	41,985
31st December 2020	Weighted average loss rate	Gross carrying amount*	Loss allowance
		MVR "000"	MVR "000"
0 - 30 days past due	1%	70,228	777
31 - 60 days past due	7%	4,584	305
61 - 90 days past due	15%	3,492	513
More than 90 days past due	90%	35,655	32,032
		113,959	33,627

* Gross carrying amount exclude of GST

Loss rates are based on actual credit loss experience over past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

The Company has assessed individual consumer customers and recognized a specific provision of MVR 300,291/- as at 31st December 2021 (31st December 2020 : NIL).

DHIVEHI RAAJJEYGE GULHUN PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial Risk Management (Continued)

(i) Credit Risk (Continued)

Expected Credit loss assessment for the customers as at 31st December 2021 and 31st December 2020 (Continued)

Corporate Segment

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for corporate customers segment as at 31st December 2021 and 31st December 2020.

31st December 2021	Weighted average loss rate	Gross carrying amount* MVR "000"	Loss allowance MVR "000"
1 - 30 days past due	2%	40,370	855
31 - 60 days past due	16%	6,513	1,058
61 - 90 days past due	21%	6,002	1,247
91 - 120 days past due	39%	5,757	2,227
More than 120 days past due	70%	47,899	33,529
		106,541	38,615
		106,541	38,615
31st December 2020	Weighted average loss rate	Gross carrying amount* MVR "000"	Loss allowance MVR "000"
1 - 30 days past due	2%	39,980	799
31 - 60 days past due	11%	3,737	409
61 - 90 days past due	20%	3,934	771
91 - 120 days past due	37%	4,194	1,531
More than 120 days past due	66%	34,807	22,986
		86,652	26,496
		86,652	26,496

* Gross carrying amount exclude of GST

Loss rates are based on actual credit loss experience over past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

Expected credit loss assessment for individual specific corporate customers as at 31st December 2021

All customers' receivables more than MVR 100,000/- which are aged for a period of more than 6 months are assessed for specific impairment based on the assessment, specific impairment is made for those customers.

The Company has assessed individual corporate customers amounting to MVR 67,508,530/- and recognized a specific provision of MVR 5,693,221/- as at 31st December 2021 (31st December 2020: MVR 4,493,078/-).

Government Segment

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for government customers segment as at 31st December 2021 and 31st December 2020.

31st December 2021	Weighted average loss rate	Gross carrying amount* MVR "000"	Loss allowance MVR "000"
1 - 30 days past due	3%	10,413	348
31 - 60 days past due	7%	3,844	281
61 - 90 days past due	13%	3,290	439
91 - 120 days past due	26%	3,135	808
121 - 150 days past due	33%	3,036	992
More than 150 days past due	45%	18,444	8,300
		42,161	11,167
		42,161	11,167

DHIVEHI RAAJJEYGE GULHUN PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial Risk Management (Continued)

(i) Credit Risk (Continued)

Government Segment (Continued)

31st December 2020	Weighted average loss rate	Gross carrying amount* MVR "000"	Loss allowance MVR "000"
1 - 30 days past due	3%	43,143	1,403
31 - 60 days past due	8%	110	9
61 - 90 days past due	16%	32	5
91 - 120 days past due	24%	494	120
121 - 150 days past due	36%	2,259	811
More than 150 days past due	42%	15,759	6,690
		<u>61,797</u>	<u>9,038</u>

* Gross carrying amount exclude of GST

Loss rates are based on actual credit loss experience over past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

Expected credit loss assessment for individual specific government customers as at 31st December 2021

All customers' receivable more than MVR 100,000/- which are aged for a period of more than 6 months are assessed for specific impairment based on the assessment, specific impairment is made for those customers.

The Company has assessed individual government customers amounting to MVR 33,953,271/- and recognized a specific provision of MVR 1,010,457/- as at 31st December 2021 (31st December 2020: MVR 873,929/-).

Wholesale segment

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for wholesale customers segment as at 31st December 2021 and 31st December 2020.

31st December 2021	External credit rating	Weighted average loss rate	Gross carrying amount MVR "000"	Impairment loss allowance MVR "000"
Grades 1 - 6: Low risk	BBB- to AAA	0.04%	143,673	54
Grades 7 - 9: Fair risk	BB- to BB+	0.00%	5,622	-
Unrated customers			57,089	1,359
			<u>206,384</u>	<u>1,413</u>
31st December 2020	External credit rating	Weighted average loss rate	Gross carrying amount MVR "000"	Impairment loss allowance MVR "000"
Grades 1 - 6: Low risk	BBB- to AAA	0.01%	178,567	16
Grades 7 - 9: Fair risk	BB- to BB+	0.01%	9,403	1
Unrated customers			47,575	-
			<u>235,545</u>	<u>17</u>

DHIVEHI RAAJJEYGE GULHUN PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial Risk Management (Continued)

(i) Credit Risk (Continued)

Wholesale segment (Continued)

Expected credit loss assessment for individual specific wholesale customers as at 31st December 2021

Specific provision would be made for any of the following indicators;

- If the customer (roaming or carrier partners) declare bankruptcy, the full amount receivable should be provided, unless there is a high probability of recovering the debt.
- If the customer is having known financial problems, it would considered for specific provision.
- If there are on-going disputes for the receivable amounts from a customer, the amount receivable shall be assessed for the possible risk and management would decide on the provision required on case-by case basis.
- If the debt from any roaming partner is aged more than 12 months, the amount which is aged more than 12 months, after netting off any payables from respective operator will be assessed for impairment.

The Company has recognized a specific impairment of MVR 1,359,408/- as at 31st December 2021 (31st December 2020: incremental impairment of MVR 2,795,017/-).

Short term Investments

The Company limits its exposure to credit risk by investing in short term deposits with selected banks and investing in treasury bills. In respect of the short term investments, the Company has not recognized any allowance for impairment based on the materiality ground.

Cash and Cash Equivalents

The Company held cash and cash equivalents of MVR.1,756,726/- as at 31st December 2021 (as at 31st December 2020: MVR. 975,477/-). The Company limits its exposure to credit risk by maintaining its cash balances in selected banks.

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

(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.

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

31st December 2021	Carrying Amount	Contractual Cash Flows	Within One Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	Over 4 Years
Financial Liabilities	MVR "000"	MVR "000"	MVR "000"	MVR "000"	MVR "000"	MVR "000"	MVR "000"
Trade and other payables	651,764	651,764	651,764	-	-	-	-
Amounts due to a related party	538,405	538,405	538,405	-	-	-	-
Lease liabilities	303,117	440,874	49,663	52,789	43,142	41,365	253,915
Loan and Borrowings*	221,825	238,891	165,481	52,321	21,088	-	-
Total	1,715,111	1,869,934	1,405,313	105,110	64,230	41,365	253,915
31st December 2020	Carrying Amount	Contractual Cash Flows	Within One Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	Over 4 Years
Financial Liabilities	MVR "000"	MVR "000"	MVR "000"	MVR "000"	MVR "000"	MVR "000"	MVR "000"
Trade and other payables	750,341	750,341	750,341	-	-	-	-
Amounts due to a related party	307,443	307,443	307,443	-	-	-	-
Lease liabilities	262,183	381,648	48,354	46,121	43,421	36,572	207,180
Total	1,319,967	1,439,432	1,106,138	46,121	43,421	36,572	207,180

* Loans and borrowings excludes unamortized facility fees & future interests.

DHIVEHI RAAJJEYGE GULHUN PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

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 utilization of current facilities is optimized that medium-term liquidity is maintained and for the purpose of identifying long-term strategic funding requirements. The Directors also regularly assess the balance of capital and debt funding of the Company.

(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.

Exposure to interest rate risk

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

	Carrying Amount	
	2021	2020
	MVR "000"	MVR "000"
Fixed Rate Instruments		
Financial Assets - Short term investments	1,020,881	355,089
Variable Rate Instruments		
Financial Liabilities - Loans	224,150	-
Sensitivity Analysis	100bp	100bp
	Increase	Decrease
Variable Rate Instruments	2,242	(2,242)

Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets at FVTPL. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

(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.

DHIVEHI RAAJJEYGE GULHUN PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iii) Market risk (Continued)

(b) Currency risk (Continued)

Exposure to currency risk (Continued)

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

	31/12/2021			
	US\$ "000"	Euro "000"	SGD "000"	GBP "000"
Cash and bank balances	4,775	1	25	154
Trade and other receivables	12,442	838	-	37
Amount due to related party	(34,916)	-	-	-
Trade and other payables	(18,101)	(181)	(441)	(13)
Net statement of financial position exposure	(35,800)	658	(416)	178
	31/12/2020			
	US\$ "000"	Euro "000"	SGD "000"	GBP "000"
Cash and bank balances	5,664	99	25	1
Trade and other receivables	15,738	39	-	-
Amount due to related party	(19,938)	-	-	-
Trade and other payables	(24,141)	(62)	(562)	(40)
Net statement of financial position exposure	(22,677)	76	(537)	(39)

The following significant exchange rates were applied during the year:

	Average Rate		Spot Rate	
	2021	2020	2021	2020
US\$ 1 : MVR	15.42	15.42	15.42	15.42
Euro 1: MVR	18.49	18.12	17.43	19.51
SGD 1: MVR	11.62	11.52	11.38	11.98
GBP 1: MVR	21.48	20.39	20.71	21.49

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.

	Year ended		Year ended	
	2021		2020	
	Strengthening MVR "000"	Weakening MVR "000"	Strengthening MVR "000"	Weakening MVR "000"
US\$ (10% Movement)	55,204	55,204	34,968	34,968
Euro (10% Movement)	(1,147)	(1,147)	(148)	(148)
SGD (10% Movement)	473	473	643	643
GBP (10% Movement)	(369)	(369)	84	84

(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.

DHIVEHI RAAJJEYGE GULHUN PLC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(v) Accounting classifications and fair values

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.

	Carrying Amount		
	Financial Assets at Amortized cost	Other financial liabilities	Total
	MVR "000"	MVR "000"	MVR "000"
31st December 2021			
Financial assets not measured at fair value			
Balance with banks	732,000	-	732,000
Short term investments	1,020,881	-	1,020,881
Trade and other receivables and contract assets	486,112	-	486,112
	<u>2,238,993</u>	<u>-</u>	<u>2,238,993</u>
Financial liabilities not measured at fair value			
Trade and other payables	-	651,764	651,764
Loans and Borrowings	-	221,825	221,825
Amounts due to related party	-	538,405	538,405
Lease liability	-	303,117	303,117
	<u>-</u>	<u>1,715,111</u>	<u>1,715,111</u>
31st December 2020			
Financial assets not measured at fair value			
Balance with banks	619,164	-	619,164
Short term investments	355,089	-	355,089
Trade and other receivables	587,816	-	587,816
	<u>1,562,069</u>	<u>-</u>	<u>1,562,069</u>
Financial liabilities not measured at fair value			
Trade and other payables	-	750,341	750,341
Amounts due to a related party	-	307,443	307,443
Lease liability	-	262,183	262,183
	<u>-</u>	<u>1,319,967</u>	<u>1,319,967</u>

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 BTC Islands Limited

Batelco Islands Limited had a 52% shareholding in the Company as at 31st December 2021 (31st December 2020: 52%). Transactions with BTC Islands Limited included support fees for technical services, and payments for outsourcing services for certain supplier invoices. Transactions with BTC Islands Limited during the years, and outstanding balances as at the year ends, are as follows:

Transactions	Year ended 2021 MVR "000"	Year ended 2020 MVR "000"
Dividends	285,730	392,434
Management fee	43,245	43,245
	<u>328,975</u>	<u>435,679</u>

DHIVEHI RAAJJEYGE GULHUN PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

26 RELATED PARTY TRANSACTIONS (CONTINUED)

26.2 Transactions with BTC Islands Limited (Continued)

Balances outstanding	2021	2020
	MVR "000"	MVR "000"
Amounts payable in respect of expenses incurred	66,615	22,949
Amount payable in respect of Dividend	471,790	284,494
	<u>538,405</u>	<u>307,443</u>

26.3 Transactions with key management personnel (Continued)

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	Year ended
	2021	2020
	MVR "000"	MVR "000"
Directors Fees	1,094	1,021
Salaries to Executives	15,664	16,441
Short term Benefits to Executives	3,477	4,933
	<u>20,235</u>	<u>22,395</u>

26.4 Transactions with the Government of Maldives

The Government of Maldives has a 41.8% shareholding in the Company as at 31st December 2021 (31st December 2020: 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	Year ended
	2021	2020
	MVR "000"	MVR "000"
License fees	113,398	106,644
Rentals on land space	9,590	10,011
Dividends	229,698	315,478
	<u>352,686</u>	<u>432,133</u>
Balances outstanding	2021	2020
	MVR "000"	MVR "000"
Amounts payable in respect of rentals on land space	5,454	5,454
Amounts payable in respect of license payments	9,924	9,562
Amounts payable in respect of Dividends	65,764	89,002
	<u>81,142</u>	<u>104,018</u>

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.

27 BOARD OF DIRECTORS' RESPONSIBILITY

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

DHIVEHI RAAJJEYGE GULHUN PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

28 SIGNIFICANT EVENT- COVID 19

During year, there has been an outbreak of the novel Coronavirus ("COVID-19"), which has rapidly evolved across the country and globally. The Government of Maldives has taken some actions such as travel restrictions, lockdown and quarantine measures which have had a direct impact on the Maldives' economy and the Company's operating results. These measures and policies have caused significant disruption in the operation of many companies in the Republic of Maldives and around the globe.

The Board of Directors has considered the potential impacts of the current economic downturn and challenges and uncertainty involved in the determination of the reported amounts of the Company's financial and non-financial assets and liabilities in the financial statements.

The impact of COVID-19 on the country's economy and how governments, businesses and consumers respond are uncertain. This uncertainty is reflected in the Company's assessment of expected credit losses which is subject to a number of management judgements and estimates. The judgements and associated assumptions have been made within the context of the impact of COVID-19 and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. Accordingly, the Company's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates. Further, the management has not noticed any triggering event of impairment of property and equipment, intangible assets and right-of-use assets and accordingly no material impairment losses were recognized in the financial statements. Carrying value of inventories has been recorded at the lower of cost and net realizable value.

The management and the Board of Directors ("BOD") have been closely monitoring the potential impact of the COVID 19 developments on the Company's operations and financial position including possible loss of revenue and impairment of property and equipment, intangible assets and right-of-use assets etc. The Company has also put in place contingency measures, which include, but are not limited to enhancing and testing of business continuity plans including its liquidity requirements. Based on their assessment, the BOD is of the view that the Company will continue as a going concern entity for the next 12 months from the date of these financial statements.

29 COMPARATIVE FIGURES

Comparative figures of the financial statements have been reclassified to confirm with current year classifications.

30 COMMITMENTS AND CONTINGENCIES

Capital Commitments

The Company had capital commitments at the end of the financial period relating to the purchase of property and equipment and acquisition and development of intangible assets of MVR 70,155,147/- (31st December 2020: MVR 50,571,966/-).

Contingencies

No contingencies as of reporting date which require adjustments to/ or disclosure in these financial statements.

31 EVENTS OCCORING AFTER THE REPORTING DATE

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

31.1 Subsequent to the communication received from the Maldives Inland Revenue Authority (MIRA) on 18th January 2022 of its intention to refund the excess Withholding Tax (WHT) expense paid by the Company, on 26th January 2022 the Company received an amount of MVR 51,415,098/- from MIRA. The amount refunded relates to the excess WHT, related penalties and interest, paid by the Company for disputed transactions primarily on interconnection for the period from 2012 to 2015. The refund was as a result of the legal case ruled in favor of the Company by the Tax Appeal Tribunal (TAT) which was subsequently appealed to the high Court by MIRA and got rejected. The financial effects of the refund have not been recognized in the financial statements as at 31st December 2021.

31.2 On 2nd February 2022, the Board of Directors of the Company has proposed a final dividend of MVR 4.13 per share (total: MVR 313,880,000/-) which is to be put forward for approval at the next Annual General Meeting of the shareholders.