

REPORTS AND FINANCIAL STATEMENTS
For the Year Ended 31st December 2006



Touch Maldives

DHIVEHI RAAJJEYGE GULHUN PRIVATE LIMITED

19, Medhuziyaaray Magu, P.O. Box 2082 Male'
Republic of Maldives



**DHIVEHI RAAJJEYGE GULHUN PRIVATE LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)**

Touch Maldives

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H.E Maumoon Abdul Gayoom, President of Republic of Maldives



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Dhiraagu Board Members & Officials 2006



Mr. Ibrahim Shaafiu
CHAIRMAN



Mr. Ahmed Hafiz



Mr. Mohamed Faiz



Mr. Hussein Mohamed



Mr. Richard Dodd



Mr. Usman Saadat



Mr. Ismail Waheed
Chief Executive Officer



Mr. Raouf Mohammed
Company Secretary



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**DHIVEHI RAAJJEYGE GULHUN PRIVATE LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)**

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CHAIRMAN'S STATEMENT

It is my privilege to present the Eighteenth Report and Financial Statements of Dhivehi Raajjeyge Gulhun Private Limited (trading as Dhiraagu) for the year ended 31 December 2006.

I am pleased to report that the Company closed the year once again on a positive note. Dhiraagu responded tremendously to a full challenging year and posted yet another strong performance. Profits of Rf 652.598 million were posted on a turnover of Rf 1,279.318 million. This has resulted in the Company's ability to declare a final dividend of Rf 15.270 per share, which coupled with the interim dividend of Rf 5.3383 per share, resulted in a total dividend payment of Rf 391.558 million.

The results achieved by the Company vindicates our continued investment in the development of our products and services, networks and people for the long-term benefit of our customers and shareholders.

Taking a closer look at 2006, our major milestones have been:

Fixed Lines

- Introduction of another enhancement to the missed call alert service with the inclusion of the caller notification service.

Mobile

- Reduction in MMS tariffs.
- Introduction of international SMS to over 666 operators in almost 200 countries.
- Introduction of Thaana SMS.
- Introduction of quick top up (QT) service.
- Introduction of quick recharge (QR) service.
- Introduction of new mobile prepaid Rf 50 recharge vouchers.

Internet

- Introduction of Internet based vehicle tracking service.
- Introduction of Residential broadband Internet to 10 new Islands.
- Introduction of Rf249 Broadband home user package.
- Introduction of ADSL home user unlimited.

Others

- Signing a construction and maintenance agreement with Sri Lanka Telecom for operating the international cable system between Sri Lanka and Maldives.
- Reduction in international call rates by up to 47%.
- Introduction of content download service.
- Dhiraagu submarine cable network reaches Maldives.
- Dhiraagu lays first inter-atoll submarine cable in the Maldives.
- Inauguration of the Maldives-Sri Lanka fibre optic submarine cable.

We entered the 2006 financial year, against a back drop of heightened competition, aggressive pricing, continued commodization and new technological developments - despite these challenges Dhiraagu has continued to deliver profitable growth and achieve unprecedented increases in customer numbers, with mobile services leading the pack. We have continued to increase our mobile coverage footprint, widened customer choice and experience by launching a stream of new product offerings and services across all product lines. Further we have deployed Wifi/Wi-max technology (wireless broadband access) to new



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islands, and with the momentous investment in the fibre cable provide a whole new dimension to our international connectivity.

Carrying forward the virtues of the past, Dhiraagu on the outlook of 2007 will continue to intensify its efforts to reinforce its position as the Maldives most preferred ICT provider and maintain its market leading status. Our pledge is constant: we will continue to excel standards on quality of service and customer care. This unwavering customer centric focus, coupled with Dhiraagu's ability to meet and lead customers rapidly evolving demands via our innovative product offerings, will help us to retain our existing customers and drive forward new acquisitions. Dhiraagu will continually pursue commercial opportunities on broadband, by improving current take up rates, strive to extend service coverage through various delivery platforms and offer exciting value added products. Our growth will continue to be led by mobile, data and broadband.

On behalf of the Board of Directors, I am honoured to recognize and thank employees across all ranks and file of the Company. Their untiring efforts, dynamism and dedication have been the driving force, which have taken the Company to great heights.

I thank my colleagues on the Board for their advice and guidance in steering the fortunes of the Company towards success.

I am confident in Dhiraagu's future of continued success, and I look forward to another exciting year of challenges and achievements.

Finally, there have been a number of changes amongst the members of the Board during the year as a result of Board members either changing positions within their organizations or moving on to new opportunities.

The Board welcomed to its ranks:-

Mr. Ibrahim Shafiu (Chairman)
Mr. Hussein Mohamed
Mr. Ahmed Hafiz
Mr. Mohamed Faiz
Mr. Usman Saadat

Departing the Board, after having made significant contributions, towards Dhiraagu's success were: -

Mr. Mohamed Farook
Mr. Abdul Haris
Ms. Mazeena Jameel
Mr. Tony Hart

I welcome Mr. Ahmed Hafiz, Mr. Mohamed Faiz and Mr. Usman Saadat to the Board and have every confidence that they will also serve the Company well.

Mr. Ibrahim Shafiu
Chairman



Dhiraagu CEO, Mr Ismail Waheed giving a speech during the inauguration of Maldives-Sri Lanka International Fiber Optic Submarine Cable



Launching Broadband Internet Service in Addu Atoll



Signing Ceremony C & M Agreement between Dhiraagu and SLT and Supply Agreement between Dhiraagu, SLT and NEC Sri Lanka and Maldives



Dhiraagu Stall at Maldives Hotel and Trade Exhibition 2006



World Record Dive Event Celebrations at Kuda bandos



Celebrating Dhiraga Customer Service Week 2006



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REPORT OF THE DIRECTORS

Introduction

Dhivehi Raajjeyge Gulhun Private Limited (trading as Dhiraagu) is a private shareholding company which was incorporated in Male' in the Republic of Maldives on 16th May 1988, and began operation on 1st October 1988.

Dhiraagu is a joint venture company that is 55% owned by the Government of the Maldives, and 45% owned by Cable and Wireless plc, which is incorporated in the United Kingdom.

Dhiraagu's operating licence, granted by the Government of Maldives, gives the right to provide national and international communication services and this licence expires in the year 2008.

Review of Operations

The overall Maldivian economic landscape was lead by the Tourism sector, which rebounded post the 2005 depression, the upturn reflected strong growths in tourist arrivals, bed nights and planned resort expansions. Coupled with increases in fisheries and a buoyant construction industry; underpinned a commendable growth in the nation's economy. Increased construction activity also drove the rise in expatriate labour population.

2006 witnessed some key milestones in Dhiraagu's history and was truly a dynamic year for the company. Dhiraagu expanded its network infrastructure, by installing a second mobile switch, which provided redundancy for the mobile network, and successfully extended its nationwide coverage to 32 new inhabited islands. Also significant was the upgrade to the prepaid platform, performed during December 2006. Enabling capacity expansion and the basis to introduce a Mobile virtual private network (MVPN), closed user group (CUG) and calling circle (CC) functionalities, within the corporate domain.

Consistently throughout 2006, Dhiraagu launched an array of new value added services, proposals and package offerings across all of its products. With these new choices, customer user experience and mobility has improved substantially. Customers also enjoyed greater value with direct price reductions across the range. Dhiraagu remains focused on bringing value to its customers without the need to engage in a price war.

During our 2006 corporate calendar, was the official inauguration by H.E. President Maumoon Abdul Gayyoom on 12th December 2006, of our completed International Submarine Cable between Maldives and Sri Lanka. Apart from changing the way Maldivians communicate in the region, the cable will provide international connectivity to various destinations in the world, which previously was serviced via satellite infrastructure. The Company's vision for the new fibre-optic submarine cable network is to provide affordable world-class services to Dhiraagu customers and to thrust Maldives into the mainstream of the global information highway.

The following provides a summary of the major activities conducted during 2006:-

Mobile

Mobile continued to be the key revenue contributor driven by growth in customer base, usage per customer and by a recovery in the tourism market after the depressed 2005 following the tsunami of 26 December 2004. Significant investments were also made in the sector to improve the quality, launch new services and extend the service regionally. Numerous improvements were made on the service offered to customers. Highlights are:-

Enhancements to the missed call alert service was made on 29 January 2006, which allows all mobile postpaid customers to send a personalized SMS message to those who try to call them while their phones are switched off or out of the mobile coverage. This enhancement offers an unprecedented reachability and peace of mind to our mobile postpaid customers as they can communicate a meaningful message to their callers even when their phone is switched off.



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Mobile International SMS service was enabled to over 666 operators in almost 200 countries during February 2006. In addition this enables Mobile customers to send international SMS to operators in these new destinations who use various mobile technologies such as GSM 1900, CDMA, satellite mobiles and TDMA.

During March 2006 Dhiraagu introduced e-TRACK services to its customers. This service allows customers real time tracking of vehicles via an innovative combination of the Internet and GPRS mobile data network and worldwide GPS network. This is the first time such a service been introduced in the Maldives and is an ideal service for those who own or manage a transport fleet, particularly sea going vessels.

The following promotions for Mobile prepaid customers were offered from 23 April- 7 May 2006. During this period each time a prepaid customer recharges his or her account, a certain number of free minutes was awarded depending upon the value of the recharge. The free minutes could be used for any NATIONAL voice call (includes calls to Wataniya and Fixed-line numbers), but not International and premium service calls. The free minutes ranged from 10-150, for recharges of Rf 50 – Rf 500 respectively.

During June and July 2006 as part of Dhiraagu's World Cup offer the Company increased the 20 free SMS currently offered to 40 free SMS with every prepaid recharge between 9th June and 9th July 2006. At a given time the maximum any customer could accumulate was 200 SMS. The free SMS could be used for mobile to mobile SMS to Dhiraagu mobiles only. International SMS and other premium rate SMS were charged separately.

Mobile Thaana SMS was introduced in June 2006. With this new service, customers wishing to send SMS in Dhivehi (Maldivian language) could easily write and send SMS in Thaana script to any phone which has the Thaana SMS software downloaded.

Mobile quick top up (QT) service was introduced on 2 August 2006. This service allows Dhiraagu mobile prepaid customers to top-up balances of other Dhiraagu prepaid customer accounts by simply sending an SMS to 144.

Mobile quick recharge (QR) service was introduced on 28 August 2006. This service allows Mobile postpaid customers to recharge a Mobile prepaid account balance by simply sending an SMS to 144 and the recharge amount being automatically applied to the monthly postpaid bill. Similar to QT service customers can select a specified date for the prepaid to be recharged.

Mobile content download service was introduced on 16 September 2006. This service allows customers to download latest western and Bollywood content such as ring tones, wall papers, movie and audio clips right on to the customer's mobile phones.

The following promotions for Dhiraagu mobile customers (Dhiraagu Roadha Hadhiya) were offered during the holy month of Ramazan. Dhiraagu Roadha Hadhiya promotion started on 17 September and continued till the end of October.

- 50% discount on MMS and International SMS from any mobile, double free SMS with every prepaid recharge.
- National Friends and Family discount increased from 15% to 50%
- For every Rf50 worth of usage from a mobile prepaid Rf20 worth credit was awarded
- Double free SMS and 50% additional free minutes on all mobile postpaid packages
- International calls to any destination for just Rf5 between 11pm to 4pm the next day



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Fixed Services

The following new services were introduced for fixed lines during 2006:

- Dhiraagu launched One to One (121) service, which allows fixed line customers to dedicate a song to their friends and dear ones.
- Enhanced fixed line services in Mar 2006 in Kaafu atoll Vilingili and Baa atoll Eydhafushi by introducing more value added services like Caller ID and ISDN services.

In addition to new services, major tariff reductions and special tariff packages were introduced to make our services more affordable to our customers. Specifically:

- International call charges were permanently reduced by up to 47% in May 2006.
- International call charges were reduced as a promotion to a flat charge of Rf 5 to any where in the world in Sep 2006
- A fixed line national call promotion was conducted just before Ramazan for a period of 3 months, with national calls at nationwide flat rate of Rf0.65/minute.
- Fixed line discount scheme for resort customers was introduced in Sep 2006, which offers bundled national calls worth 50% the value of total PSTN rental charges paid by the customer plus an additional discount of 5% - 10% on IDD usage.
- A special promotion was carried out in Ramazan for fixed line calls. Talk 5 get 5, which allows fixed line customers to make a call of chargeable 5 minutes and get another 5 minutes free of charge.

Internet

During 2006, the key objective was to emphasize focus on residential market using broadband ADSL and further penetrate small business market. Hence, broadband ADSL network was expanded to further 12 off-Male islands. Specific tasks carried out towards this goal were;

- New ADSL package for home user (Rf 249) was introduced as an entry package.
- ADSL unlimited package was introduced during Oct 2006.
- Celebrated broadband blowout in May 2006 by launching the service in 10 off-Male islands.
- Dedicated Internet Access tariff reduction of about 20% during August 2006
- National Leased Line Tariff restructured during August 2006, which leads to a reduction of up to 40% on national leased line tariff.

Customer Services, Marcoms and Public Relations

Skill-based Call-routing introduced for customers calling Call Centre. This enhancement advises customers of their expected waiting time in the Call queue for Mobiles Service, Telephony, Fixed Lines, and Multimedia Messaging Services.

The Online-fault reporting introduced in 2005 was enhanced in 2006 with fault logging via Voice-Form method. The On-line Application Service was enhanced in 2006 to allow Prepaid Services in addition to Post-paid and Fixed line which was introduced in 2005.

During 2006 the e-directory search was revised for more user friendly options. Drop-box service introduced at Mobile Shop.

Switch activation by Technical areas now enhanced to Customer Front Office to minimise service provisioning time for Fixed Line VAS services.

Customer Satisfaction Survey was introduced for Post-paid Customers. This survey introduced in 2005 for Fixed Line and Broadband Customers. 'Welcome letter' sent to all new customers effective August 2006.



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Customer Care improvement program 'WE CARE' conducted, to further enhance the service level offered to customers visiting Front Offices and Sales Outlets.

Voice of Customer (VOC) 2006 Survey conducted with record results for customer satisfaction.

Subsequent to the successful launch of the new logo in 2005 that gained public recognition within a few weeks, the next step followed by Marcoms & PR was putting a face to the brand. The "Touch campaign" was established to give the look and feel of the new Dhiraagu and in particular the new style of communications of Dhiraagu. The Touch campaign become very successful and was driven mainly through TV, bill boards and other outdoor media. All marketing materials continued to carry the tag line 'Touch Maldives', since only Dhiraagu offers fixed, mobile, Internet and business solutions across all 20 atolls in the Maldives, only we can deliver on this.

One of the major PR initiatives during 2006 was the World Record Dive that put Maldives into the Book of Guinness World Records, which was an initiative taken by Dhiraagu and conducted in partnership with Maldives Tourism Promotion Board. Dhiraagu's presence was highly visible during this event.

Continuous high visibility of Dhiraagu was ensured throughout 2006, mainly through PR, signage and selective sponsorships. A number of strategic sponsorships were signed during the year, including, Basketball championships, Netball, Volleyball and Athletics tournaments. Dhiraagu was also the main sponsor of the Maldives Hotel and Trade Exhibition 2006, the largest such event to be held in the Maldives. Dhiraagu continues to play an active role in the local community by contributing and supporting the various activities organized by the Government and island communities at a national, regional and island level. These generated wide media coverage and public goodwill for the Company.

Staff and Staff Development

The total staff strength as at end of December 2006 was 537 full time staff and 21 part time staff. Dhiraagu's business success is achieved mainly through the commitment, dedication and skills of the people who work in the Company. Having recognised this, Dhiraagu has given significance to staff welfare, key staff retention and human resource development.

The year commenced with many challenges for Dhiraagu. The initial analysis of the organisational review conducted towards the end of 2005 had emphasised the need for Dhiraagu to become an even more 'market and customer' led organisation to succeed in a competitive environment. This led to a series of activities during the year, beginning with an evaluation of the Marketing function to assess and address this very critical area identified in the organisational review. An important step that was taken during mid year as part of this exercise was the strengthening of the Marketing Communications and Public Relations function of the Company along with a dedicated Manager for this role.

The sudden increase in job opportunities in the country resulting from post-tsunami activities and competition needing to buy talent was another major challenge Dhiraagu had to combat during the year 2006. The likely decline in the attractiveness of Dhiraagu's remuneration and employment package was addressed strategically by first assessing the best prevailing market conditions of employment in the Maldives and then developing a salary structure that took into account the changing market conditions and also acknowledge individual competencies. This re-alignment of Dhiraagu compensation practices and the revision of the remuneration package were essential to remain truly competitive by attracting and retaining the best talent.

During 2006 the Company spent over Rf 8 million on human resource development and training. Training plays an important role in development of staff, staff retention and meeting the skill requirement of the Company. Dhiraagu continued to invest in its future by providing a mix of long term academic, and short-term training programmes for staff in both technical and non-technical areas.



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Additional Staff Benefit Schemes were introduced during the year which contributed to staff motivation, satisfaction and retention - crucial elements for a performing organisation.

Network & Operations

A fully digital microwave network across the country provides the backbone for distributing telecommunication services to all the 200 inhabited islands and other industrial islands including all resorts. A satellite link connects the backbone to the islands south of the One and Half Degree Channel. Low capacity digital radios are used to extend telephone service to the outlying islands from the backbone node sites.

The fixed switch S3 in Male' was upgraded to provide more capacity and enable interconnectivity with other vendors systems. ADSL service was expanded to 12 islands with residential service, including Hulhule (Male' International Airport).

Major expansion work was carried out on National Microwave Trunk network. Six of the nine PDH (Plesiochronous Digital Hierarchy) microwave links were replaced with high capacity SDH (Synchronous Digital Hierarchy) links. In the process all 2GHz radio equipment installed has been replaced with 7GHz radio links to be in line with the Regulatory requirement and all temporary links installed following the tsunami of December 2004 has been replaced with carrier grade permanent radio links.

National submarine optical fibre cables were installed across the One and Half Degree channel (between L. Gan and GDH Gadhdhoo), and between Male' - Hulhumale' and Male' - Villingilli as part of the Submarine Cable Projects. These links are planned to be commissioned in early 2007.

During the year, satellite Internet capacity was increased from 24Mbps (downlink) to 40Mbps (down link) with further upgrades limited by limitations on available satellite capacity. Internet core network was upgraded from 100mbps to a GiGE (Gigabit Ethernet Network) with further improvements made on security and network resilience, and making the network ready for connecting to Internet POP's using the International Submarine Cable.

Results and Dividends

The profit for the year amounted to Rf 652,598 million. The Board of Directors recommends that this be distributed as follows:

	Rf k
Retained profit	261,040
Interim dividend paid (Rf 5.3383 per share)	101,428
Final dividend payable (Rf 15.2700 per share)	290,130
Total profit	652,598

The Directors recommend a final dividend of Rf 15.2700 per share, payable on or after 30 June 2007, making an annual dividend per share for 2006 of Rf 20.6083.

Auditors

The auditors, KPMG Ford, Rhodes, and Thornton have expressed their willingness to continue in office and a resolution proposing their re-appointment and authorising the Directors to agree their remuneration will be put to the Annual General Meeting.



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Directors

The following served as Directors during the year:

Mr. Mohamed Farook (Chairman)	(resigned 31 August 2006)
Mr Ibrahim Shafiu (Chairman)	(appointed 31 August 2006)
Mr. Hussein Mohamed	(appointed 26 October 2005)
Mr. Abdul Haris	(resigned 31 August 2006)
Ms. Mazeena Jameel	(resigned 31 August 2006)
Mr. Ahmed Hafiz	(appointed 31 August 2006)
Mr. Mohamed Faiz	(appointed 4 September 2006)
Mr. Richard Dodd	(appointed 2005)
Mr. Usman Saadat	(appointed 2 May 2006)
Mr. Tony Hart	(resigned 2 May 2006)

This report, set out on pages 9 to 14 herein, was approved by the Board on 30 April 2007, and signed on its behalf by:

M. Faiz
Director

R. Dodd
Director

R. Mohammed
Company Secretary



KPMG Ford, Rhodes, Thornton & Co.
- Maldives
(Chartered Accountants)
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Watheenigasdhosuge,
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**Report of the Auditors
To the shareholders of
Dhivehi Raajjeyge Gulhun Private Limited**

Report on the financial statements

We have audited the accompanying financial statements of Dhivehi Raajjeyge Gulhun Private Limited, which comprise the balance sheet as at 31st December 2006, and the statements of income, changes in equity and cash flows for the year then ended and related notes exhibited in pages 16 to 33.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31st December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

[Handwritten signature]
KPMG Ford, Rhodes, Thornton & Co. - Maldives
Chartered Accountants

30th April 2007
Male'



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**DHIVEHI RAAJJEYGE GULHUN PRIVATE LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)**


**INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2006**

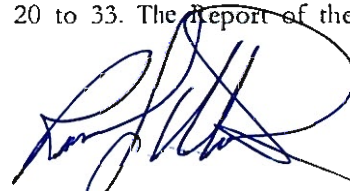
	Note	2006 RF000	2005 RF000
Revenue	1	1,279,318	1,199,827
Cost of Sales	2	(205,961)	(157,450)
Gross profit		1,073,357	1,042,377
Other operating income	3	4,615	110,080
Operating costs	4	(355,277)	(317,761)
Other Operating costs	5	(127,750)	(131,744)
Operating profit before net financing income		594,945	702,952
Financing income		57,653	28,706
Financing costs		-	(5,655)
Net financing income	6	57,653	23,051
Profit before taxation		652,598	726,003
Taxation	7	-	-
Net profit for the year		652,598	726,003
Basic earnings per share (Rufiyaa)	8	34.3	38.2

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the accounting policies and notes to and forming part of the financial statements of the company set on pages 20 to 33. The Report of the Auditors is given on page 15.


M. Faiz
Director


R. Dodd
Director


R. Mohammed
Company Secretary



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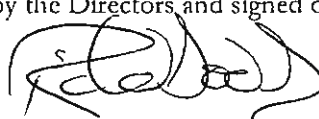
**BALANCE SHEET
AS AT 31ST DECEMBER 2006**


		31 st Dec 06 Rf 000	31 st Dec 05 Rf 000
	Note		
ASSETS			
Non Current Assets			
Property, plant and equipment	9	1,442,806	1,159,101
Current Assets			
Inventories	10	30,206	30,856
Investments – HDFC Bonds	11	5,000	20,000
Trade and other receivables	12	150,424	142,629
Cash and cash equivalents	13	930,596	1,025,044
Total Current Assets		1,116,226	1,218,529
Total Assets		2,559,032	2,377,630
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	14	190,000	190,000
Retained earnings		2,030,933	1,897,468
Total Equity		2,220,933	2,087,468
Current Liabilities			
Loans and borrowings	15	-	-
Trade and other payables	16	326,170	282,019
Amounts due to the Government of the Maldives	17	5,074	5,190
Amounts due to Cable and Wireless Plc	18	6,855	2,953
Total Current Liabilities		338,099	290,162
Total Equity and Liabilities		2,559,032	2,377,630

The financial statements are to be read in conjunction with the accounting policies and notes to and forming part of the financial statements of the company set on pages 20 to 33. The Report of the Auditors is given on page 15.

The Balance Sheet set out above together with the Income statement on Page 16, cash flow statement on page 18, statements of changes in equity on page 19 and the accompanying notes set out on pages 20 to 33 was approved on 30 April 2007 by the Directors and signed on their behalf by:


M. Faiz
Director


R. Dodd
Director


R. Mohammed
Company Secretary



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**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2006**

	2006	2005
	RF000	RF000
Cash Flows from Operating Activities – (Note A)	579,213	788,777
Interest paid	-	(163)
Net cash flow from operating activities	579,213	788,614
Cash Flows from Investing Activities		
Acquisition and construction of property, plant and equipment	(213,799)	(318,997)
Proceeds from disposals of property, plant and equipment	89	626
Redemption of/ (Investments) in HDFC Bonds	15,000	(5,000)
Interest received	44,182	28,706
Net cash used in investing activities	(154,528)	(294,665)
Net cash inflow before financing activities	424,685	493,949
Cash Flows from Financing Activities		
Loan repayments	-	(3,670)
Dividends paid	(519,133)	(432,144)
Net cash outflow from financing activities	(519,133)	(435,814)
Net Increase in Cash and Cash Equivalents	(94,448)	58,135
Cash and Cash Equivalents at Beginning of the Year	1,025,044	966,909
Cash and Cash Equivalents at End of the Year (Note 13)	930,596	1,025,044
A. Cash Generated from Operating Activities		
Operating profits before net financing income	652,598	726,003
Depreciation	172,890	162,090
Interest Received	(44,182)	(28,706)
Interest Paid	-	163
Profit from disposals of property, plant and equipment	(84)	(338)
Provision for impairment loss on Trade Receivables	10,848	9,627
Provision for impairment loss on Property, Plant and Equipment	238	-
Provision for stock obsolescence	221	2,333
Decrease/(increase) in inventories	429	(10,924)
Decrease/(increase) in trade and other receivables	(18,643)	(7,357)
Increase / (decrease) in trade and other payables	(198,888)	(65,036)
Increase/(decrease) in balance with Government of Maldives	(116)	(1,426)
Increase/(decrease) in balance with Cable and Wireless Plc	3,902	2,348
	579,213	788,777

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the accounting policies and notes to and forming part of the financial statements of the company set on pages 20 to 33. The Report of the Auditors is given on page 15.



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**DHIVEHI RAAJJEYGE GULHUN PRIVATE LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2006**

	Share Capital	Retained Earnings	Total
	RF000	RF000	RF000
As at 31st December 2004	190,000	1,603,609	1,793,609
Dividends paid since declared		(339,247)	(339,247)
Net profit for the year	-	726,003	726,003
Dividends paid	-	(92,897)	(92,897)
As at 31st December 2005	190,000	1,897,468	2,087,468
Dividends paid since declared		(342,705)	(342,705)
Net profit for the year	-	652,598	652,598
Dividends paid	-	(176,428)	(176,428)
As at 31st December 2006	190,000	2,030,933	2,220,933

Figures in brackets indicate deduction.

The financial statements are to be read in conjunction with the accounting policies and notes to and forming part of the financial statements of the company set on pages 20 to 33. The Report of Auditors is given in page 15.



**DHIVEHI RAAJJEYGE GULHUN PRIVATE LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2006
SIGNIFICANT ACCOUNTING POLICIES**

a) Reporting entity

Dhivehi Raajjeyge Gulhun Private Limited was incorporated under the Decree on Limited Liability Companies Decree No. 1988/123, presently operating under the Companies Act No 10 of 1996 as a limited liability company in the Republic of Maldives. The company's objective is to provide the telecommunication facilities in the Maldives. The registered office of the Company is at 19, Medhuziyaraiy Magu, Male' 20-03, Republic of Maldives.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

b) Basis of preparation

The financial statements are prepared in Maldivian Rufiyaa, rounded to the nearest thousand. They are prepared on historical cost basis except assets and liabilities that are stated at fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may defer from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies have been consistently applied by the Company and are consistent with those used in previous year.

Previous year figures and phrases have been rearranged and reclassified wherever necessary to conform to the current presentation.

c) Transactions in Foreign Currencies

Transactions in foreign currencies are translated to Maldivian Rufiyaa at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Maldivian Rufiyaa at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.



**DHIVEHI RAAJJEYGE GULHUN PRIVATE LIMITED
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

d) Financial Assets and Financial Liabilities

Financial Assets

Financial assets include cash, trade and other receivables. The accounting policies for each financial asset are stated separately. Financial income is accounted for on an accrual basis.

Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include trade and other payables and borrowings. The accounting policies for each financial liability are stated separately. Finance costs are accounted for on an accrual basis.

e) Property, plant and equipment and depreciation

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (refer accounting policy 'k'). The cost of self-constructed assets includes the cost of material, direct labour and the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and appropriate portion of overheads. The cost of acquisition includes purchase cost and incidental expenses incurred in bringing the assets to its working condition for the intended use.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Expenditure on repairs or maintenance of property, plant and equipment made to restore or maintain future economic benefits expected from the assets has been recognised as an expense when incurred.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.



**DHIVEHI RAAJJEYGE GULHUN PRIVATE LIMITED
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Property, plant and equipment and depreciation (Continued)

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of an item of property, plant and equipment, and major components that are accounted for separately. Land is not depreciated. The estimated useful lives are as follows:-

Freehold buildings (technical and domestic)	25 years
Plant and equipment includes switches & PC equipment	2 to 40 years
Motor vehicles, launches and office equipment	4 to 10 years
Dismantling and removing costs	20 years

f) Investments

Investment in debt securities, where the Company has positive intent and ability to hold to maturity, are stated at amortised cost less impairment losses (refer accounting policy "k").

g) Inventories

Inventories of equipment held for use in the maintenance and expansion of the Company's telecommunications system are included as inventories and are stated at cost, including appropriate overheads, less provision for deterioration and obsolescence.

Inventories held for resale are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Cost of inventories is based on weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

h) Trade and other receivables

Trade and other receivables are stated at their costs less impairment losses (refer accounting policy "k").

At the balance sheet date, the trade receivables have been reviewed and provisions made against specific bad debts identified.

i) Cash and cash equivalents

Cash and cash equivalent comprises cash in hand, balances with bank and call deposits.

j) Cash flow statement

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

k) Impairment

The carrying value of the Company's assets other than inventories (See Accounting Policy "g") are reviewed at each balance sheet date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying value of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. For the assets that have indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.



**DHIVEHI RAAJJEYGE GULHUN PRIVATE LIMITED
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Impairment (Continued)

Calculation of recoverable amount

The recoverable amount of asset is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of Impairment

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

l) Share capital

i) Dividends

Dividends to ordinary shareholders are recognised as a liability in the period in which they are declared. Dividends proposed as at the balance sheet date have been disclosed in Note 14.1 to the financial statements.

m) Liabilities

All known liabilities have been accounted for in preparing the financial statements.

The materiality of the events occurring after the balance sheet date has been considered and appropriate adjustments and provisions have been made in the financial statements where necessary.

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

n) Trade and other payables

Trade and other payables are stated at their costs.

o) Capital commitments and contingencies

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

p) Interest bearing borrowings

Interest bearing borrowings are recognised initially at costs, net of any transaction costs incurred. Subsequent to initial recognition, interest bearing borrowings are stated at amortised costs with any difference between cost and redemption value being recognised in the income statements over the period of borrowings.

When borrowings are repurchased or settled before maturity, any difference between the amount repaid and the carrying amount is recognised immediately in the income statements.



**DHIVEHI RAAJJEYGE GULHUN PRIVATE LIMITED
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred except to the extent that they are eligible for capitalization under IAS 23 on Borrowing Costs.

r) Policy for employee benefits plan

The Dhiraagu Retirement Benefit Plan (DRBP) is funded externally and considered as a defined contribution plan. The Company's contribution of 5% on basic salary of employees who join the plan is recognised as an expense in the income statement as and when it is incurred.

s) Revenue recognition

Revenue from telecommunication services is recognised on accrual basis, and in relation to the equipment sales, the revenue has been recognised by reference to the time of sale.

Further the company has deferred the following income on the following basis.

Line rentals - 100% (billed monthly in advance)

t) Expenditure

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

Expenditure 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 expenditure.

Gains or losses of a revenue nature on the disposal of property, plant and equipment have been accounted for in the income statement.

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method except to the extent that can be capitalised under IAS 23 on Borrowing Costs (See accounting policy 'q'), and interest receivable on funds invested that are recognised in the income statement.

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.



**DHIVEHI RAAJJEYGE GULHUN PRIVATE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 Revenue

Revenue is shown gross and before out-payments to other telecommunications administrations and licence payments.

	2006 RF000	2005 RF000
Revenue comprises:		
Telephony services	1,137,351	1,076,558
Internet services	85,967	63,249
Other services	56,000	60,020
Total revenue	<u>1,279,318</u>	<u>1,199,827</u>

2 Cost of sales

	2006 RF000	2005 RF000
Out-payment charges to other administrators	117,046	74,587
Cost of equipments sold	88,915	82,863
Total cost of sales	<u>205,961</u>	<u>157,450</u>

3 Other Operating Income

	2006 RF000	2005 RF000
Proceeds received for Tsunami damage or insurance claims received	-	115,385
Less : Costs incurred due to Tsunami	-	(5,643)
Net gain on proceeds received for Tsunami damage and insurance claims	-	109,742
Other income – insurance refund	4,531	-
Profit on disposal of Property, Plant & Equipment	84	338
	<u>4,615</u>	<u>110,080</u>

4 Operating Costs

	2006 RF000	2005 RF000
Licence payments	58,113	56,262
Employee costs	68,980	57,133
Dhiraagu retirement benefit costs	1,208	1,067
Training	8,496	6,383
Rental of transmission facilities	24,643	16,401
Depreciation	172,890	162,090
Rental of Government of Maldives assets	9,358	6,286
Auditors remuneration	282	179
Provision for obsolete inventories & stock adjustments	221	2,333
Provision for impairment loss on property, plant and equipment	238	-
Provision for impairment loss of trade receivable	10,848	9,627
Total operating costs	<u>355,277</u>	<u>317,761</u>



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Other Operating Costs

	2006 Rf000	2005 Rf000
Utilities	34,581	41,442
Supplies	10,374	7,236
Rentals	3,555	2,753
Fees and Insurance	9,745	20,145
Travel and Entertainment	9,429	8,204
Repairs and Maintenance	30,050	26,229
Assets not Capitalised	2,656	7,008
Professional fees	9,342	4,288
Public Relations	18,018	14,439
Total Other Operating Costs	127,750	131,744

6 Net financing income

	2006 Rf000	2005 Rf000
Financing Income		
Interest income (Note 6.1)	44,182	28,706
Exchange gain	13,471	-
	57,653	28,706
Financing Costs		
Interest expense	-	(163)
Exchange loss	-	(5,492)
	-	(5,655)
Net financing income	57,653	23,051

6.1 Interest income

This represents interest earned from short-term deposits.

7 Taxation

All profit earned are free from income tax other than profit earned by commercial banks in the Republic of Maldives.

8 Basic earnings per share

The calculation of basic earnings per share is based on the net profit for the period attributable to ordinary shareholders of Rf 652,598,000 (2005 : Rf 726,003,000) and the weighted average number of ordinary shares outstanding during the period of 19,000,000 (2005 : 19,000,000).



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Property, plant and equipment

	Total 31 Dec 06	Land and Buildings	Plant and Equipment	Vehicles, Launches Furniture and Fittings	Work in Progress	Total 31Dec05
	Rf000	Rf000	Rf000	Rf000	Rf000	Rf000
Cost:						
At 1 st January 2006	2,255,908	86,442	1,771,183	25,024	373,259	1,756,152
Additions	392,963	-	-	-	392,963	500,894
Transfers	-	14,593	251,175	3,986	(269,754)	-
Disposals	(878)	-	(612)	(266)		(1,917)
Asset retirement obligation	63,875	2,726	61,149			779
At 31 st December 2006	<u>2,711,868</u>	<u>103,761</u>	<u>2,082,895</u>	<u>28,744</u>	<u>496,468</u>	<u>2,255,908</u>
Depreciation						
At 1 st January 2006	1,096,807	26,562	1,046,672	23,573	-	936,346
Charge for the year	172,890	4,562	166,626	1,702		162,090
Disposals	(873)	-	(612)	(261)		(1,629)
Adjustments-Impairment	238		238			-
At 31 st December 2006	<u>1,269,062</u>	<u>31,124</u>	<u>1,212,924</u>	<u>25,014</u>	<u>-</u>	<u>1,096,807</u>
Net Book Value						
At 31 st December 2006	<u>1,442,806</u>	<u>72,637</u>	<u>869,971</u>	<u>3,730</u>	<u>496,468</u>	<u>1,159,101</u>
At 31 st December 2005	<u>1,159,101</u>	<u>59,880</u>	<u>724,511</u>	<u>1,451</u>	<u>373,259</u>	<u>819,806</u>

10 Inventories

	31 st Dec 06 Rf000	31 st Dec 05 Rf000
Inventories for expansion	11,297	9,112
Inventories for sale	24,281	20,553
Phone cards	862	1,346
SIM cards	1,745	2,159
Prepaid recharge vouchers/cards	373	5,817
Provision for stock obsolescence (Note 10.1)	(8,352)	(8,131)
	<u>30,206</u>	<u>30,856</u>



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Inventories (Continued)

10.1 Provision for stock obsolescence

	31st Dec 06	31st Dec 05
	Rf000	Rf000
As at 1 st January	(8,131)	(6,132)
Provisions made during the year	(221)	(2,333)
Written off during the year	-	-
Adjustments	-	334
As at 31 st December	<u>(8,352)</u>	<u>(8,131)</u>

11 Investments – HDFC Bonds

Housing Development Finance Corporation Ltd. (HDFC) was incorporated on 28 Jan 2004 by a presidential Decree under the Companies Act. No. 10/96. Currently all shares are held by the Government of Maldives. Bonds would be purchased back by HDFC at the end of the maturity period. The annual interest rates (coupon rate) would be at a fixed rate of 5% p.a. Interest would be paid annually at the end of every 12-month period from the date of issue. The bonds are guaranteed by the Government of Maldives and would be transferable and tradable.

Details of bonds purchase:-

- 1st Tranche - Rf 10M - matured on 21st April 2005 – withdrew the invested amount upon maturity
- 2nd Tranche - Rf5M - matured on 29th September 2005-withdrew the invested amount upon maturity
- 4th Tranche - Rf 20M - matured on 12th March 2006-withdrew the invested amount upon maturity.
- 5th Tranche – Rf 5m – matures on 26 September 2007.

12 Trade and other receivables

	31 st Dec 06	31 st Dec 05
	Rf000	Rf000
Local customer accounts	69,168	83,974
Provision for Impairment Loss (Note 12.1)	<u>(30,496)</u>	<u>(30,739)</u>
	38,672	53,235
Amounts due from other telecommunications administrations	50,670	51,201
Receivables from Sri Lanka Telecom(SLT) for share in the DS Cable system	27,331	-
Other receivables	33,751	38,192
	<u>150,424</u>	<u>142,629</u>

12.1 Provision for Impairment Loss

	31st Dec 06	31st Dec 05
	Rf000	Rf000
As at 1 st January	(30,739)	(21,112)
Provisions made during the year	(10,848)	(9,627)
Write off during the year	11,091	-
As at 31 st December	<u>(30,496)</u>	<u>(30,739)</u>



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Cash and cash equivalents

	31 st Dec 06	31 st Dec 05
	Rf000	Rf000
Cash in hand	15,004	9,581
Balance with bank	69,213	71,549
Short term deposits	846,379	943,914
	<u>930,596</u>	<u>1,025,044</u>

14 Share capital

	31 st Dec 06	31 st Dec 05
	Rf000	Rf000
Authorised share capital comprises of 20 (2005:20) million ordinary shares of Rf 10.00 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid share capital comprises of 19 (2005:19) million ordinary shares of Rf 10.00 each	<u>190,000</u>	<u>190,000</u>

14.1 Dividends

	31 st Dec 06	31 st Dec 05
	Rf000	Rf000
Interim dividend Rf 5.3383 per share (2005: Rf 4.8893)	101,428	92,897
Final dividend payment Rf 18.0371 per share (2005 : 17.8551)	342,705	339,247
Special dividend payment Rf 3.9474 per share	75,000	-
Total dividend payment	<u>519,133</u>	<u>432,144</u>

Subsequent to the balance sheet date the directors of the Company have proposed the following dividends, which have not been provided for in the financial statements. The dividends proposed are subject to the approval of the shareholders at the Annual General Meeting.

	31 st Dec 06	31 st Dec 05
	Rf000	Rf000
Special dividend payment NIL per share (2005 : 3.9474)	-	75,000
Final dividend payment Rf 15.2700 per share (2005: Rf 18.0371)	<u>290,130</u>	<u>342,705</u>
Total dividend payment	<u>290,130</u>	<u>417,705</u>

15 Loans and borrowings

	31 st Dec 06	31 st Dec 05
	Rf000	Rf000
At beginning of the year	-	3,670
Loans obtained during the year	-	-
Loans repaid during the year	-	(3,670)
At end of the year	<u>-</u>	<u>-</u>



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 Trade and other payables

	31 st Dec 06 Rf000	31 st Dec 05 Rf000
Accruals and deferred income	78,321	94,848
Accruals on property, plant and equipment	179,164	181,118
Amounts due to other telecommunications administrations	4,031	5,273
	<u>261,516</u>	<u>281,240</u>
Provision for asset retirement obligation (16.1)	64,654	779
	<u>326,170</u>	<u>282,019</u>

16.1 Provision for asset retirement obligation

	31 st Dec 06 Rf000	31 st Dec 05 Rf000
At the beginning of the year	779	-
Additions during the year	63,875	779
At the end of the year	<u>64,654</u>	<u>779</u>

The provision for asset retirement obligation represents the provision made for the present value of the future cost of dismantling and removing the items of Property, Plant and Equipment and restoring the site on which they are located.

17 Amounts due to the Government of Maldives

	31 st Dec 06 Rf000	31 st Dec 05 Rf000
This balance represents amounts payable in respect of the licence payments	<u>5,074</u>	<u>5,190</u>

18 Amounts due to the Cable and Wireless Group

	31 st Dec 06 Rf000	31 st Dec 05 Rf000
This balance represents amounts payable/(receivable) in respect of goods and services	<u>6,855</u>	<u>2,953</u>

19 Capital commitments

	31 st Dec 06 Rf000	31 st Dec 05 Rf000
The capital commitments outstanding as at the balance sheet date in respect of capital projects are as follows:		
Committed but not accrued	-	-
Authorised but not committed	119,842	425,688
	<u>119,842</u>	<u>425,688</u>

20 Retirement benefit plan

The Dhiraagu Retirement Benefit Plan (DRBP) was established for Maldivian staff effective from 1st January 1992. Under the terms of the DRBP, each employee who joins contributes a minimum of 5% of their basic salary and the Company contributes 5% of the individual's basic salary. DRBP is funded externally.



**DHIVEHI RAAJJEYGE GULHUN PRIVATE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Financial instruments and risk management

The Company's treasury activities are designed to provide suitable, flexible funding arrangements to satisfy the Company's requirements. The Company uses financial instruments comprising borrowings, cash and liquid resources.

Financial risk management within the company is governed by policies approved by the senior management. These policies cover interest rate risk, credit risk and liquidity risk. Company policies also cover areas such as cash management, investment of excess funds and the raising of short- and long-term deposits. The treasury activities are subject to close supervision and regular reviews.

The Company also regularly reviews its asset management strategy and through internal financial controls and the use of appropriate risk limitation instruments, principally insurance policies, considers it has an adequate financial protection against potentially significant operating risks.

Credit risk

Credit risk arises from the possibility that the counter-party to a transaction may be unable or unwilling to meet their obligations causing a financial loss to the company.

Counter-party risk encompasses credit risk on cash and short-term deposits. The Company does not expect any losses from non-performance of these counter-parties.

Interest rate risk

The interest rates on the Company's debt instruments are fixed, which reduces the Company's exposure to changes in interest rates.

Currency risk

The Company incurs currency risk on purchases and payments to other administrators that are denominated in a currency other than Maldivian Rufiyaa. The management of the Company believes that the Company's currency risk is minimal as most of the receipts and payments are dealt in Maldivian Rufiyaa.

Liquidity risk

The Company actively manages its debt maturity profile, operating cash flows and availability of funding to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Company maintains sufficient level of cash and cash convertible investments to meet its working capital requirement.

Effective interest rates and re-pricing analysis (As at 31st December 2006)

In thousands of Maldivian Rufiyaa	Note	Effective interest rate	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Cash and cash equivalents							
Cash at banks		N/A	69,213	69,213	-	-	-
Short term deposits		5.15%	846,379	846,379	-	-	-
Investments							
Investment in HDFC Bond	11	5.3%	5,000	5,000	-	-	-



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Financial instruments (Continued)

Effective interest rates and re-pricing analysis (As at 31st December 2005)

In thousands of Maldivian Rufiyaa	Note	Effective interest rate	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Cash and cash equivalents							
Cash at banks		N/A	71,549	71,549	-	-	-
Short term deposits		3.11%	943,914	943,914	-	-	-
Investments							
Investment in HDFC Bond	11	5%	20,000	20,000	-	-	-
Secured loans							
Credit Agricole Indosuez-Term loan-2	15	-	-	-	-	-	-

22 Related Party Transactions

For the year 31st December 2006

Name of related party	Name of directors	Relationship	Transactions	Amount (Rf.000) 2006	Balance due (to)/from As at 31-12-2006 (Rf000)
The Government of Maldives	Mr. Ibrahim Shaafiu, Mr. Hussein Mohamed, Mr. Ahmed Hafiz, Mr. Mohamed Faiz	55% shareholder	License fee on gross revenue less out payment charges to other telecommunications administrations	58,113	(5,074)
			Rental of Government of Maldives assets	9,358	-
Cable & Wireless Plc - UK	Mr. Richard Dodd, Mr. Usman Saadat,	45% shareholder	Provides technical services in addition to acting as a payment bureau for certain supplier invoices.	33,181	(6,855)
			In-payments	17,886	
			Out payments	5,991	
			Cable and Wireless PLC - support fee	3,947	
			Cable and Wireless PLC –consultancy contract submarine cable project	10,152	



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**DHIVEHI RAAJJEYGE GULHUN PRIVATE LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Related Party Transactions (Continued)

b) For the year ended 31st December 2005

Name of related party	Name of directors	Relationship	Transactions	Amount (Rf,000) 2005	Balance due (to)/from As at 31-12-2005 (RP000)
The Government of Maldives	Mr. Mohamed Farook, Mr. Hussein Mohamed, Ms. Mazeena Jameel, Mr. Abdul Haris	55% shareholder	License fee on gross revenue less out payment charges to other telecommunications administrations	56,262	(5,190)
			Rental of Government of Maldives assets	6,286	-
Cable & Wireless Plc - UK	Mr. Richard Dodd, Mr. John Reynolds, Mr. Tony Hart	45% shareholder	Provides technical services in addition to acting as a payment bureau for certain supplier invoices.	21,450	(2,953)
			In-payments	14,090	
			Out payments	4,367	
			Proceeds received for Tsunami Damage	114,747	

23 Employees

The average number of employees during 2006 was 526 (2005:527).

24 Post balance sheet events

No circumstances have arisen since the balance sheet date, other than those disclosed under note 14.1 to the financial statements, which require adjustments to/or disclosure in the financial statements.

25 Directors responsibilities

Directors of the company are responsible for preparation and presentation of these financial statements.

26 Parent Enterprise

The Company is a joint venture between Cable and Wireless Plc., a company incorporated in United Kingdom and the Government of Republic of Maldives.