



Touch Maldives

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

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



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Dhiraagu Board Members & Officials



Mr. Ibrahim Shaafiu
CHAIRMAN



Mr. Ahmed Hafiz



Mr. Mohamed Faiz



Mr. Hussein Mohamed



Mr. Richard Dodd



Mr. Usman Saadat



Mr. Ismail Waheed



Mr. Ismail Rasheed
Chief Executive



Mr. Thomas Melchior
Company Secretary



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

CHAIRMAN'S STATEMENT

It is my privilege to present the Nineteenth Report and Financial Statements of Dhivehi Raajjeyge Gulhun Private Limited (trading as Dhiraagu) for the year ended 31 December 2007.

I am pleased to report that the Company has enjoyed another successful year and achieved its business and strategic objectives for the year with profits increasing to Rf 685.207 million on a turnover of Rf 1,483.950 million.

The year has been one of continued expansion with good growth being achieved in the mobile and broadband sector of the business. In particular the major achievements of 2007 have been:

Fixed Lines

- Reduction in Fixed to mobile line call tariffs
- Major reduction in IDD call tariffs

Mobile

- Reduction in Prepaid call tariffs
- Launching of 'MyTones' service
- Upgrading of Dhiraagu 'call me back' service
- Reduction in price of prepaid nice numbers
- Introduction of a new prepaid connection kit
- Implementation of an automatic mobile phone configuration system
- Reduction in MMS rates
- Introduction of international MMS
- Introduction of international mobile prepaid roaming service
- Introduction of unlimited free calls and more free minutes to postpaid customers.

Internet

- Inauguration of broadband internet service to all atolls with the launch of 15 wireless zone service in 15 atoll capitals.
- Introduction of new broadband ADSL internet packages with greater speed and allowance
- Extension of wireless zone service to additional 27 islands
- Establishment of high speed connection with Telecom Italia Sparkle to double international internet connectivity.
- Major enhancements to the ADSL broadband service were brought thereby providing increased speed and more value to the broadband customers.

Others

- Inauguration of international fibre link between Telecom Italia Sparkle and Dhiraagu
- Inauguration of international fibre link between Deutsche Telecom and Dhiraagu
- Establishment of service on Maldives first national inter atoll submarine cable.
- Official inauguration of provision of service on atoll fibre optic submarine cable connecting Laamu atoll and Gaafu Dhaalu Atoll
- Signing a sponsorship agreement with Football Association of Maldives granting Dhiraagu the main sponsor rights for Dhivehi League 2007/2008 and titling the tournament as "Dhiraagu Dhivehi League".
- Further enhancements to the Dhiraagu flight information service
- Signing a contract with Maldives Airports Company Ltd to establish and operate wireless internet service at Male' International Airport
- Introduction of island communication participation programme.

As competition in the Maldives telecommunications market intensifies, there is increased pressure on pricing. Mobile call prices have been more than halved in a short time. Prepaid customers have mainly



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based their decision to switch operators on price. Despite increasingly intense competition, the 2007 financial year was extremely successful for Dhiraagu, and the Company achieved its goal of continuing to grow profitably.

Looking ahead, rapid development of the Maldivian economy and technological advances in the information communication industry are expected to bring to the Company both opportunities and challenges. The information communications sector is undergoing a global transformation. Given the dominant trend, it is essential for the Company to leverage opportunities presented by technological development and improve its capacity for innovation and lead the information communications market through excellence in quality, value and customer service. Given the growing trend of mobile substitution, mobile business has inevitably become a key strategic focus of the Company. In 2008, the Company would expand the current portfolio of product and services to position Dhiraagu as the first QUAD-play company, putting together fixed, mobile, internet and TV and develop flexible and innovative tariff plans and bundled services.

As a communications company in a competitive market, Dhiraagu's goal has always been to add value, differentiate our services, and improve customer care. The Company's mission will continue to build upon providing competitive values and ensuring state-of-the art service for our customers while remaining a total provider of quality services and innovative solutions. The company will continue to build on its solid business foundations, and strengthen its national presence as Maldives most preferred info-communications service provider.

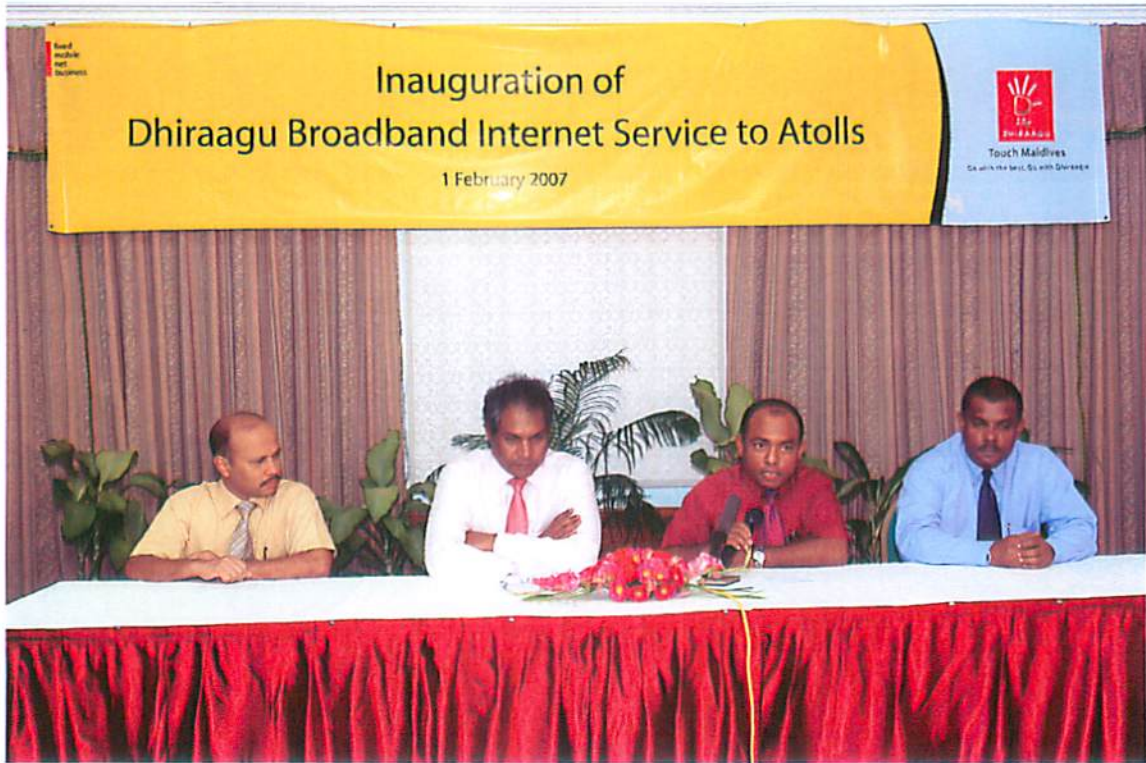
On behalf of the board of directors, I would like to thank our shareholders for the loyalty they have shown. Your continued confidence, coupled with the loyalty of our customers and suppliers and the imagination and commitment of our employees is fundamental to our transformation for growth. At a time when the Company is growing fast, the challenges to the employees are considerable. They have shown what an excellent team they are in delivering the successes reported in this Annual Report and Financial Statements. I am confident in our future and with the continued commitment of management and staff, we will be able to deliver better services to customers and create more value for the shareholders.

Finally, Mr Ismail Waheed, the Chief Executive Officer of Dhiraagu stepped down from his post on 31 March 2007 after completing a five year term and moved to a new position with Cable & Wireless International. I would like to place on record my personal thanks and those of my fellow Directors for all that Ismail has achieved in his time with Dhiraagu and his contribution to the development of the Company which has been invaluable. He leaves a Company that is financially sound and strongly positioned. I wish him all the best in his new post and at the same time would like to welcome his successor, Mr Ismail Rasheed, who comes to us with substantial experience in senior positions in Dhiraagu and wish him every success during his tenure.

I am also pleased to announce that the Board was further strengthened by the appointment of Mr. Ismail Waheed as a Director on 22nd May 2007. I welcome Mr. Ismail Waheed to the Board and have every confidence that with his extensive technical/commercial experience within Dhiraagu he will serve the Company well as we address the exciting challenges that face us in the years ahead.

Dhiraagu faces an increasingly exciting future, with many challenges ahead. I am confident that we will meet those challenges, continue to grow and prosper, whilst at the same time contributing to the overall development of the Maldives.

Mr. Ibrahim Shafiu
Chairman



Inauguration of Dhiraagu Broadband Internet Service to Atolls
by former Chief Executive Officer of Telecommunication Authority of Maldives Mr. Mohamed Amir



Official Inauguration of Dhiraagu Fibre Optic Submarine Cable connecting
Laamu Atoll and Gaafu Dhaalu Atoll



Male' International Airport Wireless Internet Project
 Signing Ceremony of Dhiraagu and Maldives Airports Company Limited



Inauguration of Dhiraagu Island Communication Partnership Program



Dhiraagu Annual Broadband Road Race
2007



Dhiraagu Staff planting trees on Environment Day 2007



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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 lead by the Tourism sector coupled with a buoyant construction industry; underpinned a commendable growth in the nation's economy.

2007 witnessed some key milestones in Dhiraagu's history and was truly a dynamic year for the company. Dhiraagu expanded its network infrastructure, by successfully extending its nationwide coverage to 35 new inhabited islands and 20 new resorts. Also significant were the extension of EDGE service to 30% of resorts and atoll capitals. In addition several new mobile value added services were introduced in 2007. Major new services include Mobile VPN service, Prepaid outbound roaming, E-topup and automatic handset configuration for GPRS.

During 2007 Dhiraagu completed and commissioned its three domestic cable systems (Dhiraagu National Links DNL), HulhuMale' ⇔ Male' Cable, Male' ⇔ Villingili Cable and the Cable across One and Half Degree channel. With the commissioning of these systems all the barriers on the international bandwidth and capacity were cleared, and huge capacity upgrades were made on the internet bandwidth.

Consistently throughout 2007, 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.

The following provides a summary of the major activities conducted during 2007:-

Mobile

Mobile continued to be the key revenue contributor driven by growth in customer base, usage per customer and growth in the tourism industry. 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:-

With the start of the year, a Recharge and Win promotion was launched for Dhiraagu Mobile Prepaid customers and it was proved to be a huge success. The prizes offered ranged from laptops and mobile phone to t-shirts, mugs, caps, umbrellas and pens.

Dhiraagu launched 'MyTones' service on 28th February 2007 exclusively for Dhiraagu mobile customers. MyTones is a personalized ring back tone service which allows users to replace the typical ring back tone with a sound or music clip. There are no monthly charges for this service and calls to 155 are charged at Rf 1.50 per minute and Rf 4 is charged for any song selected. Selections are valid for 30 days. MyTones offers a wide variety of popular local and international musical content, some of which are available to Dhiraagu MyTones exclusively.



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Enhancements to Dhiraagu Call Me Back service was made with effect from 05 April 2007. This included a new feature that allows customers to send Call Me Back requests informing the recipient to call them on a different mobile number than the one used to send the initial request. This service was upgraded to facilitate the different needs of our customers and to improve their experience with Dhiraagu.

A Major reduction of 20% in prepaid call tariffs during peak and off-peak hours was implemented with effect from 1st May 2007. This was a strategic move to strengthen Dhiraagu's competitive position and to create a perception that our call rates are lower. This was achieved through competitive off-peak rates and a lower late night tariff for calls after midnight.

On 28th June 2007, Pre-Paid nice number prices were reduced to Rf499 to encourage more customers to buy nice numbers.

Dhiraagu Flight Info was enhanced with the launch of SMS based updates on 16th August 2007. With this enhancement, customers can send an SMS to 4144 to get the latest flight updates including arrival and departure schedules. This enhancement was made in collaboration with Maldives Airports Company Ltd.

A new packaging was also introduced during the year for Pre-Paid connection kit. The new package comes in the size of a CD cover; it takes less space in storage and is trendy in design.

A major promotion for the Holly month of Ramazan was launched under the theme "Dhiraagu Roadha Hadhiya", giving Dhiraagu customers extra special benefits during this special month. The Roadha Hadhiya promotion was a huge success with very positive customer feedback.

At the end of the Ramazan promotion, a special promotion was launched targeting the PrePaid segment, which increased usage and revenue during the promotion period.

As part of a continuous effort to improve customer experience, Dhiraagu implemented a system to automatically configure customer's mobile handset for Dhiraagu MMS, WAP and Mobile Internet Services. This new system automatically sends the settings to customer's handset when a new customer logs in to Dhiraagu network or when an existing customer changes the handset. The new system is also designed to automatically provide Dhiraagu MMS service to new customers. All new customers will receive a welcome MMS from Dhiraagu if the mobile handset supports this service.

With effect from 10th Oct 2007 Dhiraagu permanently reduced MMS rates to 50 Laari. This change was made to drive MMS usage and revenue, which still remains to be a challenge for Dhiraagu and other mobile operators.

As part of innovations, Dhiraagu was the first to launch the following services to Maldives.

- International MMS
- Pre-Paid outbound Roaming
- Radio Streaming via Mobile Phones

During the year, ring tones, ring back tones and video clips from Spiderman 3 and popular Hindhi movie, OM Shanti Om was made available to Dhiraagu customers on exclusive basis.

Mobile Post-Paid packages were re-launched on 30th November with major enhancements including unlimited free calls to friends and family. This was a huge success and subscriptions to the packages remains at record high.



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Fixed Services

The following new services were introduced for fixed lines during 2007:

- Inaugurated the international fiber link between Telecom Italia Sparkle and Dhiraagu – Jan 07.
- Inaugurated the international fiber link between Deutsche Telekom and Dhiraagu – Feb 07.
- Service established on Maldives first inter-atoll submarine cable – April 07.
- Introduced Island Communication Partnership Program – Nov 07
- IDD revenue has increased by 21% despite the huge tariff reductions made earlier in the year 2007. The promotions have resulted in increased usage and revenue proving elasticity in the service.
- 4% annual growth in fixed line customers.

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

- Major tariff reduction on Fixed to Mobile calls – Jan 07
- Major Tariff reduction on IDD tariffs – Feb 07
- IDD promotion to popular destinations – May 07
- Roadha Hadhiya Promotion (Ramazan Promotion), which included IDD promotion and 3 minute call promotion – Sep 07
- Special IDD rates for Hajj – Nov 07
- Special IDD rates for Al'haa Eid and New Year – Dec 07

Internet

During 2007, the key objective was to penetrate broadband ADSL service and roll-out Wireless Zones to islands with population exceeding 1500. Specific tasks carried out to achieve this goal were;

- Two waves of enhancement to ADSL broadband packages were done. The final revision done on 1st Dec 2007 simplified the packages to 4 home and 4 business packages. This included introduction of 2Mbps home premier package. The home starter package (Rf 120) was introduced on 1st of June to penetrate low markets. Unlimited package speed was doubled to 512kbps to improve the performance on 1st of June 2007.
- Celebrated broadband new packages with a RoadRace on 1st June and SpeedShow on 6th Dec 2007.
- Dedicated Internet Access tariff reduction of about 30% done on 1st June 2007 and enhanced the performance of Corporate Standard package.
- Wireless Zone Service implemented in all atoll capitals by 1st Feb 2007 and the service was extended to further 46 islands by 1st August 2007.
- Following the successful Broadband ADSL promotions and attractive offering, the year ended with a customer number of 6388, which demonstrates a 50% growth in 2007.
- The DIA and leased line revenue has increased by 44% and 60% respectively. This was despite the major reductions of DIA tariff early in the year.

Customer Services, Marcoms and Public Relations

In order to effectively manage customer experience, Customer Relationship Management (CRM) software was commissioned in 2007. The annual Customer Service week was marked in November 2007, which recognises the important role of the front line staff and those who support them.

In October 2007, Meet the Customer Program was launched. This was an initiative to improve customer experience, by providing all company staff the opportunity to provide feedback on key customer contact points. Customer Experience Program was also launched in 2007, to continuously monitor operational metrics and customer satisfaction.



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Dhiraagu continues to be the market leader and the number one brand in Maldives. This top brand position is retained by no coincidence but with strategic planning and continued efforts such as the Marcoms & PR, which ensures the brand is positioned and strongly retained at the top through integrated marketing communication campaigns, strategic branding exercises and high exposure through participation in various community related and national level activities across the nation throughout the year. Further to the Touch campaign in 2006 a campaign under the theme 'No one knows the Maldives like we do' was carried out through the 2007 calendar. This was to emphasize Dhiraagu as a truly local company that is familiar with Maldives and knows the local culture and people better than any other new comer into the market. Similar to the previous year all marketing communication materials continued to carry the tag line 'Touch Maldives' as this has become very strong and the public well associates the tag line with the brand.

Out of the several PR events conducted in 2007, some of the key events to be noted are the sponsorship of Youth-Ship during Youth Day celebrations, association with National Narcotic Control Bureau and UNICEF in conducting the largest anti-drug awareness campaign known as 'WakeUp', Dhiraagu Broadband Road Race, Dhiraagu Dhivehi League that is the largest football tournament in the nation and Dhiraagu Broadband SPEED show held during end of the year, which was considered as the best musical events held recently.

High visibility of Dhiraagu continued to be ensured throughout 2007, through PR, signage and selective sponsorships. Several backlit sign boards were fixed in retail shops across Male' and the nearby islands that sells Dhiraagu vouchers, connection kits, and at locations that were identified as Dhiraagu Wireless Zones. These backlit signboards together with signage stickers have further enhanced brand visibility in the nation. Other focused brand exposure activities included the placing of Dhiraagu billboards to strengthen presence in major islands in the atolls.

A number of strategic sponsorships were signed during the year, including, Football, Basketball, Netball, Volleyball and Athletics tournaments. Dhiraagu was also the main sponsor of the Maldives Hotel and Trade Exhibition 2007, the largest trade event 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. Besides these as part of Dhiraagu's CSR activities, planting of trees and cleaning on environment day, voluntary blood donation by staff and supporting fundraising activities for children in need by facilitating to donate through Dhiraagu mobile by sending an SMS were some of the primary CSR activities conducted during the year. Media journalists were invited for all Dhiraagu activities and these brought wide media coverage and generated public goodwill for the Company's initiatives.

Staff and Staff Development

The total staff strength as at end of December 2007 was 546 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 organisational review exercise initiated during 2006 was continued during 2007 as well. The need for Dhiraagu to become an even more 'market and customer' led organisation to succeed in a competitive environment still existed and this led to a series of activities during the year. Strengthening of the Marketing function was a priority and a Head of Marketing was employed to give better direction and leadership to the team.

The increase in job opportunities for highly skilled, experienced and trained technical staff members from competitors in the region, especially the Middle East was a major challenge Dhiraagu had to combat during the year 2007. The likely impact of this challenge was addressed strategically by first assessing and



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strengthening the Company's existing retention scheme. This exercise was considered a high priority with a view to retain the talent that is most difficult to replace. Additionally, a concerted effort was made to develop and implement a structured succession plan across all disciplines to ensure that staff members with the potential to be groomed into the high skill critical roles were being identified and their competencies developed appropriately.

As part of Dhiraagu's continued efforts to maintain a remuneration and employment package that attracts and retains best talent, the Company's health assistance scheme was improved during 2007. The revised policy which came into effect during the second quarter of the year ensured that Dhiraagu's health assistance scheme was market competitive and consistent with prevailing national reimbursement practices.

During 2007 the Company spent over Rf 9 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.

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 SDH network across the country provides the backbone for distributing telecommunication services to all the 200 inhabited islands and other industrial islands including all resorts. Services to Southern atolls (Gaafu, Gnaviyani and Addu) are provided via submarine cable system on 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.

Dhiraagu International Submarine Cable System (Dhiraagu-SLT Submarine Cable System DSCS) was commissioned in December 2006, while three domestic cable systems (Dhiraagu National Links DNL), HulhuMale' ↔ Male' Cable, Male' ↔ Villingili Cable and the Cable across One and Half Degree channel were commissioned in early 2007. With the commissioning of these systems all the barriers on the international bandwidth and capacity were cleared, and huge capacity upgrades were made on the internet bandwidth. Currently approximately 5 x STM-1 capacity is activated for the internet usage.

Most of the traffic on Satellite was migrated to Submarine cable systems including all internet traffic, local GSM and voice traffic and most of the international voice and data traffic. Few international carriers and some standby carriers for the restoration traffic (Domestic) in case of a failure on the submarine system are left on the satellite.

Capacity demands for internet and mobile services led to major upgrades to the Transmission/ Trunk Network. All the PDH systems on the Northern Trunk Network were replaced with SDH system and parts of the network with high capacity requirements were upgraded to 2+1 or 3+1 systems.

Internet bandwidth via fibre cable was leased from international POPs. Over the year the bandwidth requirements grew from 48 Mbps to 320 Mbps. Diverse Internet feeds from two different continents are been used for diversity and redundancy.

The mobile network subscribers and usage grew by 30%. The number of subscribers increased from 210K subscribers to 270K subscribers. The network capacity expansion was completed to cater for this growth. In 2006/2007 Expansion Project GSM coverage was extended to 12 new inhabited islands, 2 picnic islands and 18 resorts.



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2007/2008 Expansion Project was approved in 2007. The scope of this project was to extend GSM coverage to 35 inhabited islands and 20 new resorts. New cost saving measures were drafted and the scope of the project was increased to complete the remaining 13 inhabited islands. During 2007 coverage expansion was completed in 26 out of the 48 islands. The remaining islands were completed in Q1 2008.

EDGE service was extended to 30% of resorts and atoll capitals. EDGE will be extended to all resorts in 2008. Several new mobile value added services were introduced in 2007. Major new services include

Mobile VPN service, Prepaid outbound roaming, E-topup and automatic handset configuration for GPRS.

Financial performance

	2007 Rf000	2006 Rf000
Revenue	1,483,950	1,279,318
Costs	(645,777)	(511,483)
EBITDA	838,173	767,835
Net Profit	685,207	652,598
Basic earnings per share (Rufiyaa)	36.1	34.3

The company achieved total revenue of Rf 1,483.9m for the year 2007, an increase of 16% over 2006. Costs have increased by 26% over the previous year achieving an Earnings Before Interest Tax and Depreciation & Amortisation (EBITDA) of Rf838.17m for the year ended 2007. This amounts to an increase of 9% on 2006 earnings.

The company's Basic Earnings per Share has increased by 5% in 2007 to Rf 36.1 from Rf 34.3 in 2006.

Free Cashflow and Dividends

Dhiraagu's liquidity position continued to remain very strong. As at 31st December 2007 the Company had cash and cash equivalent of Rf 791.761m.

An interim dividend payment for 2007 of Rf 104,449 (Rf. 5.4973 per share) was made during December 2007 and this was calculated based on the old policy. In addition a special dividend payment for 2006 of Rf 253,865 (Rf 13.3613 per share) was made to the shareholders during October 2007.

A revised dividend policy was tabled at the November 2007 board meeting and was approved during its 48th Board Meeting. The new policy came effective January 2008 and states, **Implied for Articles clause 91 on Dividend:** Shareholders agree to procure any excess cash, after reimbursement by Dhiraagu of any loan granted by the parties (withholding a minimum cash balance of USD \$25 million) which will not be necessary to the company in order to face projected financing requirements for the ongoing Dhiraagu financial year and the following, shall be distributed to the shareholders in the form of dividends, as shall be reasonably estimated and approved by the board of directors.



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As per the new dividend policy approved at its 48th Board Meeting in November 2007, the Board of Directors recommends that following dividends to be distributed:

	Rf k
Forecasted Cashflow at the end of June 2008	938,361
Dividend (based on free cashflow)	609,212
Forecasted Cashflow after dividend	329,149

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.

Directors

The following served as Directors during the year:

Mr Ibrahim Shafiu (Chairman)	(appointed 31 August 2006)
Mr. Hussein Mohamed	(appointed 26 October 2005)
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. Ismail Waheed	(appointed May 2007)

This report, set out on pages 9 to 15 herein, was approved by the Board on 28 May 2008, and signed on its behalf by:


GOM Director


C&W Plc Director


T. Melchior
Company Secretary



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(Chartered Accountants)
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**Report of the Auditors
To the Shareholders of
Dhivehi Raajjeyge Gulhun Private Limited**

We have audited the accompanying financial statements of Dhivehi Raajjeyge Gulhun Private Limited, which comprise the balance sheet as at 31st December 2007, and the statements of income, changes in equity and cash flows for the year then ended and related notes exhibited in pages 17 to 34.

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 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Ford, Rhodes, Thornton & Co. - Maldives
Chartered Accountants

28th May 2008



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**INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2007**

	Note	2007 Rf000	2006 Rf000
Revenue	1	1,483,950	1,279,318
Cost of Sales	2	(301,651)	(205,961)
Gross profit		1,182,299	1,073,357
Other operating income	3	2	4,615
Operating costs	4	(409,281)	(355,277)
Other Operating costs	5	(140,807)	(127,750)
Operating profit before net financing income		632,213	594,945
Financing income		52,994	57,653
Net financing income	6	52,994	57,653
Profit before taxation		685,207	652,598
Taxation	7	-	-
Profit for the year		685,207	652,598
Basic earnings per share (Rufiyaa)	8	36.1	34.3

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 21 to 34. The Report of the Auditors is given on page 16.


Ibalen Skaf
GOM Director


C&W Plc Director


T. Melchior
Company Secretary



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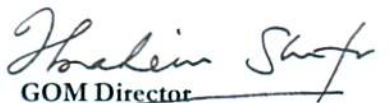
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**BALANCE SHEET
AS AT 31ST DECEMBER 2007**

		31 st Dec 07 RF 000	31 st Dec 06 RF 000
	Note		
ASSETS			
Non Current Assets			
Property, plant and equipment	9	1,661,242	1,442,806
Current Assets			
Inventories	10	39,799	30,206
Investments – HDFC Bonds	11	-	5,000
Trade and other receivables	12	164,347	150,424
Cash and cash equivalents	13	791,761	930,596
Total Current Assets		995,907	1,116,226
Total Assets		2,657,149	2,559,032
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	14	190,000	190,000
Retained earnings		2,067,697	2,030,933
Total Equity		2,257,697	2,220,933
Current Liabilities			
Trade and other payables	15	384,074	326,170
Amounts due to the Government of the Maldives	16	5,895	5,074
Amounts due to Cable and Wireless Plc	17	9,483	6,855
Total Current Liabilities		399,452	338,099
Total Equity and Liabilities		2,657,149	2,559,032

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 21 to 34. The Report of the Auditors is given on page 16.

The Balance Sheet set out above together with the Income statement on Page 17, cash flow statement on page 19, statements of changes in equity on page 20 and the accompanying notes set out on pages 21 to 34 was approved on 28 May 2008 by the Directors and signed on their behalf by:


GOM Director


C&W Plc Director


T. Melchior
Company Secretary



Touch Maldives

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

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2007**

	2007 Rf'000	2006 Rf'000
Cash Flows from Operating Activities		
Cash generated from Operations (Note A)	879,183	579,213
Net cash flow from operating activities	879,183	579,213
Cash Flows from Investing Activities		
Acquisition and construction of property, plant and equipment	(416,553)	(213,799)
Proceeds from disposals of property, plant and equipment	171	89
Redemption of Investments in HDFC Bonds	5,000	15,000
Interest received	41,808	44,182
Net cash used in investing activities	(369,574)	(154,528)
Net cash inflow before financing activities	509,609	424,685
Cash Flows from Financing Activities		
Loan repayments	-	-
Dividends paid	(648,444)	(519,133)
Net cash outflow from financing activities	(648,444)	(519,133)
Net Decrease in Cash and Cash Equivalents	(138,835)	(94,448)
Cash and Cash Equivalents at Beginning of the Year	930,596	1,025,044
Cash and Cash Equivalents at End of the Year (Note 13)	791,761	930,596
A. Cash Generated from Operations		
Operating profits before taxation	685,207	652,598
Depreciation	205,959	172,890
Interest Income	(41,808)	(44,182)
Interest Paid	-	-
Profit from disposals of property, plant and equipment	(2)	(84)
Provision for impairment loss on Trade Receivables	6,951	10,848
Provision for / (reversal of) impairment loss on Property, Plant and Equipment	(3,261)	238
Provision for stock obsolescence	77	221
Decrease/(increase) in inventories	(9,670)	429
Decrease/(increase) in trade and other receivables	(20,874)	(18,643)
Increase / (decrease) in trade and other payables	53,155	(198,888)
Increase/(decrease) in balance with Government of Maldives	821	(116)
Increase/(decrease) in balance with Cable and Wireless Plc	2,628	3,902
	879,183	579,213

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 21 to 34. The Report of the Auditors is given on page 16.



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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2007**

	Share Capital Rf000	Retained Earnings Rf000	Total Rf000
As at 31st December 2005	190,000	1,897,468	2,087,468
Dividends paid since declared		(342,705)	(342,705)
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
Dividends paid since declared		(543,994)	(543,994)
Profit for the year	-	685,207	685,207
Dividends paid	-	(104,449)	(104,449)
As at 31st December 2007	190,000	2,067,697	2,257,697

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 21 to 34. The Report of Auditors is given in page 16.



Touch Maldives

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

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2007
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, Medhuziyaaraay 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.



Touch Maldives

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

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.



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

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 for impairment have been 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.



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

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) 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.

q) 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)



**DHIVEHI RAAJJEYGE GULHUN PRIVATE LIMITED
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Touch Maldives

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) 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 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.

NOTES TO THE FINANCIAL STATEMENTS

1 Revenue

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

	2007 RF000	2006 RF000
Revenue comprises:		
Telephony services	1,280,779	1,137,351
Internet services	103,222	85,967
Other services	99,949	56,000
Total revenue	1,483,950	1,279,318

2 Cost of sales

	2007 RF000	2006 RF000
Out-payment charges to other administrators	193,094	117,046
Cost of equipments sold	108,557	88,915
Total cost of sales	301,651	205,961

3 Other Operating Income

	2007 RF000	2006 RF000
Other income – insurance refund	-	4,531
Profit on disposal of Property, Plant & Equipment	2	84
	2	4,615



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

4 Operating Costs

	2007 Rf000	2006 Rf000
Licence payments	64,543	58,113
Employee costs	80,307	68,980
Dhiraagu retirement benefit costs	1,338	1,208
Training	9,009	8,496
Rental of transmission facilities	33,198	24,643
Depreciation	205,959	172,890
Rental of Government of Maldives assets	9,358	9,358
Auditors remuneration including reimbursement	303	282
Written off of inventories	1,499	-
Provision for obsolete inventories	77	221
Provision for / (reversal of) impairment loss on property, plant and equipment	(3,261)	238
Provision for impairment loss of trade receivable	6,951	10,848
Total operating costs	409,281	355,277

5 Other Operating Costs

	2007 Rf000	2006 Rf000
Utilities	46,514	34,581
Supplies	9,780	10,374
Rentals	4,866	3,555
Fees and Insurance	3,314	9,745
Travel and Entertainment	7,790	9,429
Repairs and Maintenance	38,141	30,050
Assets not Capitalised	1,719	2,656
Professional fees	10,341	9,342
Public Relations	18,342	18,018
Total Other Operating Costs	140,807	127,750

6 Net financing income

	2007 Rf000	2006 Rf000
Financing Income		
Interest income (Note 6.1)	41,808	44,182
Exchange gain	11,186	13,471
	52,994	57,653
Net financing income	52,994	57,653

6.1 Interest income

This represents interest earned from short-term deposits.

7 Taxation

All profit earned are free from income tax.



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

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 685,207,000 (2006 : Rf 652,598,000) and the weighted average number of ordinary shares outstanding during the period of 19,000,000 (2006 : 19,000,000).

9 Property, plant and equipment

	Total 31 Dec 07	Land and Buildings	Plant and Equipment	Vehicles, Launches, Furniture and Fittings	Work in Progress	Total 31Dec06
	Rf000	Rf000	Rf000	Rf000	Rf000	Rf000
Cost:						
At 1 st January 2007	2,711,868	103,761	2,082,895	28,744	496,468	2,255,908
Additions	416,553	-	-	-	416,553	392,963
Transfers	-	10,122	447,880	2,546	(460,548)	-
Disposals	(4,959)	-	(4,690)	(269)	-	(878)
Asset retirement obligation	4,750	250	4,500	-	-	63,875
At 31 st December 2007	<u>3,128,212</u>	<u>114,133</u>	<u>2,530,585</u>	<u>31,021</u>	<u>452,473</u>	<u>2,711,868</u>
Depreciation						
At 1 st January 2007	1,269,062	31,124	1,212,924	25,014	-	1,096,807
Charge for the year	202,489	4,926	195,630	1,933	-	169,846
Disposals	(4,790)	-	(4,521)	(269)	-	(873)
Adjustments-Impairment	(3,261)	-	(3,261)	-	-	238
Asset retirement obligation	3,470	167	3,303	-	-	3,044
At 31 st December 2007	<u>1,466,970</u>	<u>36,217</u>	<u>1,404,075</u>	<u>26,678</u>	<u>-</u>	<u>1,269,062</u>
Net Book Value						
At 31 st December 2007	<u>1,661,242</u>	<u>77,916</u>	<u>1,126,510</u>	<u>4,343</u>	<u>452,473</u>	
At 31 st December 2006		<u>72,637</u>	<u>869,971</u>	<u>3,730</u>	<u>496,468</u>	<u>1,442,806</u>

10 Inventories

	31 st Dec 07 Rf000	31 st Dec 06 Rf000
Inventories for expansion	12,216	11,297
Inventories for sale	28,242	24,281
Phone cards	970	862
SIM cards	5,354	1,745
Prepaid recharge vouchers/cards/connection kits	1,446	373
Provision for stock obsolescence (Note 10.1)	(8,429)	(8,352)
	<u>39,799</u>	<u>30,206</u>



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10.1 Provision for stock obsolescence

	31st Dec 07	31st Dec 06
	Rf000	Rf000
As at 1 st January	(8,352)	(8,131)
Provisions made during the year	(77)	(221)
As at 31 st December	<u>(8,429)</u>	<u>(8,352)</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 - matured on 26 September 2007-withdrew the invested amount upon maturity

12 Trade and other receivables

	31 st Dec 07	31 st Dec 06
	Rf000	Rf000
Local customer accounts	91,194	69,168
Provision for Impairment Loss (Note 12.1)	<u>(25,317)</u>	<u>(30,496)</u>
	65,877	38,672
Amounts due from other telecommunications administrations	61,263	50,670
Receivables from Sri Lanka Telecom(SLT) for share in the DS Cable system	-	27,331
Other receivables	37,207	33,751
	<u>164,347</u>	<u>150,424</u>

12.1 Provision for Impairment Loss

	31st Dec 07	31st Dec 06
	Rf000	Rf000
As at 1 st January	(30,496)	(30,739)
Provisions made during the year	(6,951)	(10,848)
Write off during the year	12,130	11,091
As at 31 st December	<u>(25,317)</u>	<u>(30,496)</u>

13 Cash and cash equivalents

	31 st Dec 07	31 st Dec 06
	Rf000	Rf000
Cash in hand	10,183	15,004
Balance with bank	107,004	69,213
Short term deposits	<u>674,574</u>	<u>846,379</u>
	<u>791,761</u>	<u>930,596</u>



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

14 Share capital

	31 st Dec 07 Rf000	31 st Dec 06 Rf000
Authorised share capital comprises of 20 (2006:20) 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 (2006:19) million ordinary shares of Rf 10.00 each	<u>190,000</u>	<u>190,000</u>

14.1 Dividends

	31 st Dec 07 Rf000	31 st Dec 06 Rf000
Interim dividend Rf 5.4973 per share (2006: Rf 5.3383)	104,449	101,428
Final dividend payment Rf 15.2700 per share (2006 : 18.0371)	290,130	342,705
Special dividend payment Rf 13.3613 per share (2006: 3.9474)	<u>253,865</u>	<u>75,000</u>
Total dividend payment	<u>648,444</u>	<u>519,133</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 07 Rf000	31 st Dec 06 Rf000
Special dividend payment NIL per share (2006 : 13.3613)	-	253,865
Final dividend payment NIL per share (2006: Rf 15.2700)	<u>-</u>	<u>290,130</u>
Total dividend payment	<u>-</u>	<u>543,995</u>

15 Trade and other payables

	31 st Dec 07 Rf000	31 st Dec 06 Rf000
Accruals and deferred income	112,064	78,321
Accruals on property, plant and equipment	150,469	179,164
Amounts due to other telecommunications administrations	<u>52,137</u>	<u>4,031</u>
	314,670	261,516
Provision for asset retirement obligation (15.1)	<u>69,404</u>	<u>64,654</u>
	<u>384,074</u>	<u>326,170</u>

15.1 Provision for asset retirement obligation

	31 st Dec 07 Rf000	31 st Dec 06 Rf000
At the beginning of the year	64,654	779
Additions during the year	<u>4,750</u>	<u>63,875</u>
At the end of the year	<u>69,404</u>	<u>64,654</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.



Touch Maldives

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

16 Amounts due to the Government of Maldives

	31 st Dec 07 Rf000	31 st Dec 06 Rf000
This balance represents amounts payable in respect of the licence payments	<u>5,895</u>	<u>5,074</u>

17 Amounts due to the Cable and Wireless Group

	31 st Dec 07 Rf000	31 st Dec 06 Rf000
This balance represents amounts payable in respect of goods and services	<u>9,483</u>	<u>6,855</u>

18 Capital commitments

	31 st Dec 07 Rf000	31 st Dec 06 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	<u>117,470</u>	<u>119,842</u>
	<u>117,470</u>	<u>119,842</u>

19 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.

20 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, such as insurance policies and 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.



**DHIVEHI RAAJJEYGE GULHUN PRIVATE LIMITED
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Touch Maldives

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Financial instruments and risk management (continued)

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 2007)

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	13	N/A	107,004	107,004	-	-	-
Short term deposits	13	4.3%	674,574	674,574	-	-	-
Investments							
Investment in HDFC Bond	11		-	-	-	-	-

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	13	N/A	69,213	69,213	-	-	-
Short term deposits	13	5.15%	846,379	846,379	-	-	-
Investments							
Investment in HDFC Bond	11	5.3%	5,000	5,000	-	-	-



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

21 Related Party Transactions
a) For the year 31st December 2007

Name of related party	Name of directors	Relationship	Transactions	Amount (Rf000) 2007	Balance due (to)/from As at 31-12-2007 (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	64,543	(5,895)
			Rental of Government of Maldives assets	9,358	-
Cable & Wireless Plc - UK	Mr. Richard Dodd, Mr. Usman Saadat, Mr. Ismail Waheed	45% shareholder	Provides technical services in addition to acting as a payment bureau for certain supplier invoices.	11,203	(9,483)
			In-payments	5,033	
			Out payments	7,988	
			Cable and Wireless PLC - support fee	4,154	



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Related Party Transactions (Continued)

a) For the year ended 31st December 2006

Name of related party	Name of directors	Relationship	Transactions	Amount (Rf000) 2006	Balance due (to)/from As at 31-12-2006 (Rf000)
The Government of Maldives	Mr. Ibrahim Shaafu, 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	

b) Transactions with key management personals

The key management personal includes the board of directors of the company and the Senior executive members. The company has paid Rf 11,737M as emoluments and other benefits to the key management during the year.

22 Employees

The average number of employees during 2007 was 567 (2006:526).

23 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.



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 Directors responsibilities

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

25 Parent Enterprise

The Company is an associate of Cable and Wireless Plc., a company incorporated in United Kingdom.