



Touch Maldives

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

CONTENTS OF REPORT AND FINANCIAL STATEMENTS

| | Page |
|---|---------|
| Contents of the Report and Financial Statements | 1 |
| Chairperson's Statement | 2 - 3 |
| Report of the Directors | 4 - 10 |
| Auditor's report | 11 |
| Income Statement | 12 |
| Balance Sheet | 13 |
| Cash Flow Statement | 14 |
| Changes in Equity Statement | 15 |
| Notes to the Financial Statements | 16 - 30 |



Touch Maldives

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

CHAIRPERSON'S STATEMENT

It is my privilege to present the Twentieth Report and Financial Statements of Dhivehi Raajjeyge Gulhun Private Limited (trading as Dhiraagu) for the year ended 31 December 2008.

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 736.912 million on a turnover of Rf 1,722.569 million. This has resulted in the Company being able to declare a dividend of Rf 32.0638 per share, resulting in a total dividend payment of Rf 609.212 million.

In 2008, the Company's mobile business, fixed-line broadband and data communications businesses maintained sound growth, while the traditional fixed-line business continued to decline. The capacity and quality of the mobile network and the fixed-line broadband network were continuously improved.

In 2008, Dhiraagu announced new products, services and initiatives, and significant milestones achieved during the year include:

Fixed Lines

- Introduction of IDD019 service.

Mobile

- Reduction in Mobile prepaid connection kits
- Introduction of colour SMS for the first time in Maldives
- Announcement of 275,000th mobile customers and completion of mobile coverage to all inhabited islands.
- Introduction of Reload service.
- Introduction of a new post-paid promotion for Dhiraagu mobile post-paid customers; referred to as post-paid Mega Prizes Promotion. This new promotion was launched in partnership with top two global brands Singapore Airlines and Yamaha and top local retail brand Le Cute.
- Introduction of SAFF SMS quiz
- Launching of SAFF championship updates for mobile customers.
- Introduction of IGMH Doctor's duty via Dhiraagu SMS service.
- Introduction of an enhancement, Copy MyTones.
- Introduction of MMS Jadhoo

Internet

- Launching of high speed broadband and WIFI Internet service (Dhiraagu Wireless Zones) at Male International Airport.
- Introduction of enhanced Dhiraagu Broadband packages for its customers

Others

- Introduction and of an Apprentice Program for the work-age youth of the Maldives.
- Completion of the converged billing system project.
- Launching of satellite phone service.
- The Telecommunication Authority of Maldives (TAM) renewed the Telecommunication license provided to Dhiraagu for a further period of 15 years.
- Signing of an exclusive contract with Thuraya to offer satellite phone service in the Maldives.
- Introduction of an amazing Roadha Hadhiya promotion.
- Dhiraagu celebrated its 20th anniversary by offering its customer's with a special treat.



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

Touch Maldives

Dhiraagu continued to deliver profitable growth and achieve increases in customer numbers despite the challenges and intense competition faced by the Company. The strong performance and progress reported by the Company indicates the underlying strength of the Company and the commitment of our employees. The future looks highly promising for Dhiraagu, and our strategy for success in a competitive environment is to lead the information communications market through excellence in quality, value and customer service. Our growth will continue to be led by mobile, data and broadband.

Our challenge going forward will be to maintain the focus and leadership in our core business, and keeping the Company at the number one position in all parts of the converging communications market and continue to be a key contributor to the development of our economy, whilst bringing equitable profit to our shareholders and improved working conditions and a good working environment for our employees. We will achieve this by providing a superior customer experience and delivering more value to our customers through motivated committed and engaged employees, whilst demonstrating high ethical and moral standards and a responsible corporate citizenship in our community.

Finally, there have been some 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. Denis Martin
Mr. Adam Dunlop

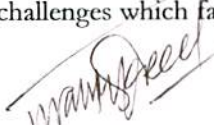
Departing the Board, after having made significant contributions, towards Dhiraagu's success were: -

Mr Ibrahim Shafiu (Chairman)
Mr. Hussein Mohamed

I welcome Mr. Denis Martin and Mr. Adam Dunlop and have every confidence that they will also serve the Company well.

On behalf of my colleagues on the Board, I would also like to acknowledge and record our appreciation for the invaluable contributions made by my predecessor, Mr. Ibrahim Shafiu. His leadership, commitment and diligent contributions to Dhiraagu over the last two years are reflected in the success of Dhiraagu. I am looking forward to carrying on this tradition of excellence as we work together to steer Dhiraagu to greater heights. Despite the current difficult conditions in the world economy, I am highly optimistic about Dhiraagu's future.

In conclusion, I would like to record my appreciation for the contribution and energies of my fellow directors, customers, business partners, the Chief Executive and, of course, to all the employees of Dhiraagu who have made 2008 such a successful and fruitful year. I also take this opportunity, on behalf of the Board, to thank both the Government of Maldives and Cable and Wireless plc for their valuable guidance and support, and to assure them – as shareholders – of our commitment to rise to the challenges which face us now and in the future



Ms. Juwairiya Saeed
Chairperson



Touch Maldives

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

REPORT OF THE DIRECTORS

Introduction

Dhivehi Raaajjeyge 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. Upon expiry of the existing licence in December 2008, the license was renewed in January 2009, for a further period of 15 years.

Review of Operations

2008 witnessed some key milestones in Dhiraagu's history and was another dynamic year for the company. Dhiraagu expanded its network infrastructure, by successfully completed extending its nationwide coverage to all inhabited islands and all resorts. Also significant were the extension of EDGE service to all resorts and atoll capitals. In addition several new mobile value added services were introduced in 2008. Major new services include Mobile Reload service, Satellite Phone service and Color SMS service.

Consistently throughout 2008, Dhiraagu launched an array of new value added services, promotions 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 brief summary of the major activities conducted during 2008:

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:-

January 08: With the start of the year, Dhiraagu Mobile Prepaid connection price was reduced from Rf 199 to Rf 99, as part of lowering the entry barrier to appeal new customers. This price reduction was welcomed by customers and sold over 7500 kits in Jan 08 alone.

February 08: Prepaid promotion targeted for the expatriate segment was carried out on 8th Feb 08, at 3 locations in Male', 22 kits were sold within 2 hours.

Dhiraagu launched 'Reload' service on 22th February 2008. Reload is an attractive electronic recharge solution for customers and using this service, customers can recharge their Pre-Paid as low as Rf8. This new service was launched with a 2 week promotion and was well received by customers, making the service more popular than the competitor offer.

April 08: Prepaid promotion was carried out on 4th April 08, at the Sinhalese New Year Function and was very much appreciated by the Sinhalese community in Maldives.

Dhiraagu signed an Exclusive deal with Thuraya on 27th April to provide Thuraya Satellite Phones in the Maldives.



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

Touch Maldives

Dhiraagu connected the 275,000th customer and a special ceremony was held to celebrate this important milestone.

May 08: A prepaid promotion targeting the expatriates was held in one location in Male' and sold over 300 pre-paid connection kits in 2 hours.

Dhiraagu launched COLOR SMS service for the first time in Maldives on 8th May 08. This is part of the initiatives to make Dhiraagu Mobile Service more appealing to the youth segment.

SMS SAFF Quiz was launched on 7th May, customers who got all answers correct were entered into a lucky draw and 3 main prizes were awarded.

Postpaid Mega promotion was launched on 19th May offering free connections during the promotional period. The promotion was launched in partnership with three leading brands, Singapore Airlines, Yamaha and Le Cute. A lucky draw was held among the existing Post-Paid customers and new customers who joined our mobile network during the promotion period. Three prizes were awarded to the lucky winners and it includes two-return ticket on SQ A380 to Sydney on Singapore Airlines, RF 50,000 worth of perfumes, jewellery and cosmetics from Lecute, and any Motor-cycle from Yamaha showroom operated by Alia Investments.

June 08: A one month prepaid promotion offering a pre-paid connection for Rf50 with Rf50 worth of talk time was run for one month. A total of 15,000 kits were sold, which is the highest recorded kit sales during the year.

EURO SMS Quiz was launched on 15th June and customers who got all answers correct were entered into a lucky draw and the lucky winner was awarded with RF 50,000. This promotion was launched to create euphoria among Dhiraagu customers and to reinforce our commitment to sports and entertainment services.

July 08: Dhiraagu launched an SMS based service to check doctor's duty and availability with partnership with the largest hospital in the country. The service was well received by the public and is available exclusively to Dhiraagu customers.

August 08: Dhiraagu Mobile Prepaid connection price was reduced from Rf 99 to RF 50 to reduce the entry barrier. This price reduction was welcomed by customers and over 7500 kits in the same month.

September 08: Ramadan Special promotion was launched. Dhiraagu offered the best value to customers and it includes:

- New services
 - SMS based service to get local market price
 - SMS based service to get restaurant menus
 - Special recipes on mymobile.mv WAP portal
 - Exclusive Religious content downloads at mymobile.mv
- Promotional offer
 - Reload with 25% extra free credit on every Friday during the holly month
 - Recharge & Win promotion; recharge above RF 100 and enter into lucky draw. First prize RF 100,000, Second Prize 75,000.
 - Special IDD rates to India, Bangladesh and Saudi Arabia at RF 1.99 till 31st Oct 08.
 - Promotion for reload retailers from 1st September to 31st October, those who sold reload worth of RF1000 were entered into a lucky. 10 luck winners were selected and each winner was awarded with Rf 10,000 per winner).

October 08: Dhiraagu 20th Anniversary was promotion was launched with the following offers.

- 20 FREE local minutes to all mobile customers
- FREE MMS for all mobile customers till end of the month.



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

Touch Maldives

Dhiraagu also carried out a joint promotion with no.1 brand in the world, Coca-Cola: **Dhiraagu Mobile Coke Mania**. All customers who buy coke bottles were required to SMS a hidden number under the cap to enter into the lucky draw.

A total of 30 Nokia N95 mobiles and free Dhiraagu Pre-Paid connections were awarded to the 30 lucky winners.

November 08: As part of the initiative to introduce new and innovative products to the youth segment “Copy MyTones” was launched on Nov 08. This created a more convenient channel to purchase ring back tones. This enhancement was quite popular among customers and recorded 14,000 downloads in Dec 08. Dhiraagu was the first operator to launch this service.

Dhiraagu Satellite Phone Service was officially launched on 30th Nov 08. Dhiraagu is the exclusive service provider in Maldives and this service gives a competitive edge to Dhiraagu by providing coverage to 1/3rd of the globe.

December 08: As part of introducing new and innovative products to the youth segment another exciting new service “MMS Jaadhoo” was launched on 30th Dec 08. This created hype in the market and more and more customers started using MMS. Dhiraagu was the first operator to launch this service to local market.

Fixed & IDD Services

- Budget IDD service named IDD019 was introduced in May 2008 providing cheaper call rates to most popular 10 destinations.
- IDD revenue has increased by 16% despite the aggressive competition and promotional rates made during the year 2008. The promotions have resulted in increased usage and revenue proving elasticity in the service.
- 2% annual growth in fixed line customers.

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

- IDD019 Asia Promo 10th July 10th August
- Ramadan IDD Special Offer 10th August to 10th Oct 2008
- Coolest IDD offers 1st Sept to 10th Oct 2008
- Bangladesh IDD Promot 1st Nov to 30th Nov
- Special IDD rates for Hajj 20th Nov to 10th Dec
- Special IDD rates for Eid & New Year 1st Dec 2009 to 15th Jan 2009
- Anniversary promotion on fixed line local and national calls, where FREE local calls between fixed lines, 6pm to 6am every day, and for 24 hours on Fridays and 50% discount on national calls between fixed lines, 6pm to 6am every day, and for 24 hours on Fridays were offered.

Internet

During 2008, the key objective was to penetrate broadband ADSL service, enhance the Wireless Zones provided in the islands and find alternative access technology for providing broadband to the islands. Specific tasks carried out to achieve this goal were;

- A free installation promotion of Broadband ADSL was conducted from April to May 2008, which helped to increase the customer base, the year ended with a customer number in excess of 10,000, which demonstrates a 50% growth in 2007.
- During July 2008, enhancement to ADSL broadband packages was done. The main change was introduction of a 4Mb home package and increasing monthly allowance of the existing packages and reduction in price on selected packages.
- Celebrated broadband new packages with a RoadRace on 4th July 2008.



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

Touch Maldives

- Leased Line tariff reduction of about 30% done during August 2008 to make to more affordable for the customers nation-wide.
- Additional islands and zones added to the Wireless Zone Service. In total Wireless Zone service is implemented in 59 inhabited islands, 13 resorts and 32 sites in Male' by end of the year.
- A wireless broadband service based on WiMAX was designed for 100 islands and the project was initiated before end of the year 2008. Actual implementation of the project will happen in 2009.
- Ramazan Promotion Wifi (Sep/Oct 06) Free WiFi Account (One half hour account for each Dhiraagu mobile number, by SMS, per day)

Customer Services, Marcoms and Public Relations

In line with Dhiraagu's mission to be the market leader through excellent customer service, various important initiatives were carried out during the year.

To enhance senior management focus on matters that impact customer service, a Customer Experience Board was established in January 2008. The Board is chaired by the Chief Executive and meets fortnightly to discuss on customer service improvement initiatives.

A new set of Performance Metrics that measure service level extended to the residential customers were established. These metrics reflect key operational performance indicators as well as customer satisfaction level through regular surveys. These measures are reported monthly and relevant actions taken to improve the score.

Other key initiatives carried out during the year were the expansion of Dhiraagu Customer Front Office; the expansion of Dhiraagu Call Centre; and implementation of IVR and Voice Logger in the Call Centre. The Customer Front Office was enlarged to create more space for customers and add more service counters. Additional staff were employed at the Front Office and Call centre, to cater to the increased demand from customers. An enhanced IVR with a Voice Logger was implemented in the Call Centre. This had significantly reduced customer waiting time on hold and many calls are now served and closed through the IVR system.

Dhiraagu continues to remain as the market leader and the No.1 brand in the Maldives. High brand awareness and leadership position was retained through heavy advertising, strategic IMC & PR campaigns and conducting stimulating events during 2008. One of the main themes promoted during 2008 was 'Touch Maldives' and this was carried out through 2008 calendar. The basis of the theme 'Touch Maldives' was to promote the message that Dhiraagu touches the Maldives and the lives of Maldivians – Dhiraagu is the only mobile service provider that offers 100% mobile coverage to all inhabited islands and resorts. IMC Campaigns conducted for major service and promotion launches such as introduction of Reload Service, Postpaid Mega Promotion, Broadband Free Connection promo and campaigns such as Way Ahead campaign that highlighted the value proposition of Dhiraagu mobile service compared to that of competitor were highly effective.

Several PR and CSR events were conducted in 2008, some of the events to be noted during the year are the sponsorship of SAFF Championship hosted in Maldives/Sri Lanka where Dhiraagu was the only local brand to sponsor and support the tournament and the national team, which gained very high recognition and praise for Dhiraagu. Other major events carried out were Dhiraagu Broadband Road Race, reopening of the Cyber Fun donated to the National Thalasemia Centre, introducing local news in sign language for the deaf community in Maldives, assigning a full time teacher at the Kudakudhinge Hiya to assist the children, sponsorship of Dhiraagu Dhivehi League and sponsoring various sports and music events in Male' and the islands that gained high brand exposure and the goodwill of the community.

Staff and Staff Development

The total staff strength as at end of December 2008 was 590 full time staff and 30 temporary staff. Dhiraagu's business success is achieved mainly through the commitment, dedication and skills of the



Touch Maldives

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

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. Implementation of the activities identified during the Efficiency Improvement Project was a priority in 2008; as such, a concerted effort was put to ensure the successful roll-out of the initiatives by establishing a combined task force comprising of Dhiraagu staff and members from the partnering Consultancy Firm. Given the increased economic activities in the outer atolls outside Male', strengthening of Dhiraagu's Regional Centres technically as well as commercially was also a priority during the year.

The increase in job opportunities for highly skilled, experienced and trained technical staff members from local competitors in the Maldives as well as international competitors, especially the Middle East continued to be a major challenge Dhiraagu had to combat during the year 2008 as well. The likely impact of this challenge was addressed strategically by first assessing and 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 and costly to replace. Additionally, a talent mapping exercise of the Management Team was also carried out with the development and successful implementation of a revised succession plan across all disciplines to ensure that staff members with the potential to be groomed into the high skill critical roles were identified and their competencies developed appropriately. Dhiraagu also introduced a new component into the Personal Development Planning of its Management team during 2008, an independent web-based 360-degree formal feedback tool.

As part of Dhiraagu's continued efforts to maintain a remuneration and employment package that attracts and retains best talent, the Company's salary structure was revised during 2008. The revised structure which came into effect during the second quarter of the year ensured that Dhiraagu's salaries were market competitive and consistent with prevailing national remuneration packages.

During 2008 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.

As part of Dhiraagu's Corporate Social Responsibility, Dhiraagu for the first time established and successfully initiated a formal Apprentice Programme for the Maldivian youth. Given the need for such a programme to improve the youth employability in the Maldives, this new initiative was very well received by the Government Authorities and other major stakeholders alike.

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.

Capacity demands for internet and mobile services led to major upgrades to the Transmission/ Trunk Network. More than 98% the microwave trunk network are now SDH links. The core parts are upgraded to high capacity links of 4+1 and 6+1 STMI's.

Further, to increase the network availability and efficiency, diversity routes were create on the south trunk network giving additional protection to customer from Male up to Laamu Gan. Selected services to customers beyond Laamu Gan are protected and redundancy is provided through the satellite systems.



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

Touch Maldives

To meet the high capacity demands of customers and to optimize the network usage, a GEAPON (Gig-Ethernet Passive Optical Network) and with an IP Metro network, were deployed within the capital Male, and HulhuMale. To meet the same customer demands outside Male, an IP MPLS network with 8 IP nodes were also deployed within the network. A nation-wide Wimax deployment was planned and initiated in Q4 2008, to provide internet and broadband services to the rural, suburban areas.

To effectively manage the internet backbone bandwidth and customer needs, the Internet border routers were upgraded in 2008. The upgrade increasing core routing capacities and introduces capabilities to do intelligent routing decisions based on the shortest network path to any Internet destination worldwide. This also addresses the capacity requirement that was needed to meet the growing Broadband and high speed Internet subscribers.

Internet transit bandwidth capacity was also upgraded during year with an additional STM-1 circuit commissioned to Sri Lanka Telecom.

Deep packet inspection technology was installed on the Dhiraagu Broadband ADSL network. The DPI technology gives Dhiraagu visibility into the network, allowing Dhiraagu to implement flexible QOS for broadband packages.

The Male' International Airport WiFi network was completed and put in service during 2008. Under the project 14 WiFi hotspots were installed and activated. Also as a part of this project, online credit card payment acceptance was introduced and incorporated into the service.

In 2008, the number of mobile subscribers increased from 270K to 380K and the total usage was increased by 40%. This growth was driven by the increase in the number of subscribers as well as increase of usage per subscriber. The average traffic per subscriber increased from 36.34mEr per subscriber to 43mEr per subscriber.

The 2007/2008 Expansion Project was approved in May 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 48 islands. The coverage expansion was completed for 26 out of the 48 islands, was completed in 2007. The remaining islands 22 islands were completed in Q1 2008. The completion of this project achieved GSM and GPRS coverage to all inhabited and resort islands in the Maldives.

The 2008 Capacity Upgrade project was approved in March 2008. The scope of this project was to increase the capacity of the network by 45% to cater for the increase in usage. EDGE service enhancements were completed to 40% of resorts and all the atoll-capitals in 2008. Forecasted but undeveloped resorts from the past 2 projects have been transferred to the 2009 CAPRA, which is under approval. Several new mobile value added services were introduced in 2008. Major new services include: Prepaid outbound roaming, Reload, Colour SMS, Copy MyTones, MMS Jadhoo, Doctors Duty via SMS and SAFF Championship SMS updates.

The converged billing system project was completed in 2008. The existing prepaid system from Comverse was upgraded to support real-time rating for both postpaid and prepaid subscribers. The old postpaid billing system was replaced with CIS+. All existing postpaid customers were migrated to Comverse and CIS+ in October 2008.

All preliminary works for the introduction of 3G services was completed in 2008.

In Q4 2008 a Softswitch was installed in Male' & Hithadhoo to replace the two obsolete NEC switching systems. The Softswitch works with MSANs (Multiple Service Access Node) to provide PSTN services to existing customers without having to replace the old phones.



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

Touch Maldives

Financial performance

| | 2008 | 2007 |
|------------------------------------|----------------|-------------------------|
| | Rf000 | Rf000 |
| Revenue | 1,722,569 | 1,483,950 (Restated) |
| Costs | (766,169) | (645,896) |
| EBITDA | 956,400 | 838,054 |
| Net Profit | 736,912 | 685,089 |
| Basic earnings per share (Rufiyaa) | 38.8 | 36.1 |

The company achieved total revenue of Rf 1,722.6m for the year 2008, an increase of 16% over 2007. Costs have increased by 19% over the previous year achieving an Earnings Before Interest Tax and Depreciation & Amortisation (EBITDA) of Rf956.4m for the year ended 2008. This amounts to an increase of 14% on 2007 earnings. The Net Profit increased by 8% to Rf 736.9m

The company's Basic Earnings per Share has increased by 7% in 2008 to Rf 38.8 from Rf 36.1 in 2007.

Free Cashflow and Dividends

Dhiraagu's liquidity position continued to remain very strong. As at 31st December 2008 the Company had cash and cash equivalent of Rf 628.381m.

A dividend payment of Rf 609,212 (Rf. 32.0638 per share) was made during 2008 and this was calculated based on the new policy which was approved by the Board during its 48th Board Meeting which came effective January 2008.

Auditors

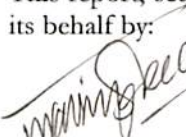
The auditors, KPMG Ford, Rhodes, and Thornton have expressed their willingness to continue in office and a resolution proposing their re-appointment and authorising the Directors to agree their remuneration will be put to the Annual General Meeting.

Directors

The following served as Directors during the year:

| | |
|------------------------------|------------------------------|
| Mr Ibrahim Shafiu (Chairman) | (resigned 10 November 2008) |
| Mr. Hussein Mohamed | (resigned 6 August 2008) |
| Mr. Ahmed Hafiz | (appointed 31 August 2006) |
| Mr. Mohamed Faiz | (appointed 4 September 2006) |
| Mr. Richard Dodd | (resigned 28 May 2008) |
| Mr. Usman Saadat | (resigned 13 August 2008) |
| Mr. Ismail Waheed | (appointed May 2007) |
| Mr. Denis Martin | (appointed 28 May 2008) |
| Mr. Adam Dunlop | (appointed 13 August 2008) |

This report, set out on pages 4 to 10 herein, was approved by the Board on 27 May 2009, and signed on its behalf by:


GOM Director


C&W Plc Director


Company Secretary



KPMG Ford, Rhodes, Thornton & Co.
- Maldives
(Chartered Accountants)
2nd Floor, H. Mialani,
Sosun Magu,
Male,
Republic of Maldives.

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

**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 2008, and the Statements of Income, Changes in Equity and Cash Flows for the year then ended and related notes exhibited in pages 12 to 30.

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 2008, 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

27th May 2009
Male'



Touch Maldives

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

**INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2008**

| | Note | 2008 Rf000 | 2007 Rf000 (Restated) |
|---|------|------------------|-----------------------------|
| Revenue | 4 | 1,722,569 | 1,483,950 |
| Cost of Sales | 5 | (375,625) | (301,651) |
| Gross profit | | 1,346,944 | 1,182,299 |
| Other operating income | 6 | 105 | 2 |
| Operating costs | 7 | (445,483) | (409,399) |
| Other Operating costs | 8 | (169,554) | (140,807) |
| Operating profit before net financing income | | 732,012 | 632,095 |
| Financing income | 9 | 22,620 | 52,994 |
| Financing costs | 9 | (17,720) | - |
| Net financing income | | 4,900 | 52,994 |
| Profit before taxation | | 736,912 | 685,089 |
| Taxation | 10 | - | - |
| Profit for the year | | 736,912 | 685,089 |
| Basic earnings per share (Rufiyaa) | 11 | 38.8 | 36.1 |

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form part of the financial statements of the Company set out on pages 16 to 30. The Report of the Auditors is given on page 11.

GOM Director

C&W Plc Director

**T. Melchior
Company Secretary**



Touch Maldives

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

**BALANCE SHEET
AS AT 31ST DECEMBER 2008**

| | | 31 st Dec 08 Rf 000 | 31 st Dec 07 Rf 000 (Restated) |
|---|------|-----------------------------------|---|
| | Note | | |
| ASSETS | | | |
| Non Current Assets | | | |
| Property, plant and equipment | 12 | 1,933,622 | 1,661,242 |
| Current Assets | | | |
| Inventories | 13 | 48,012 | 39,798 |
| Trade and other receivables | 14 | 249,738 | 164,347 |
| Cash and cash equivalents | 15 | 628,381 | 791,761 |
| Total Current Assets | | 926,131 | 995,906 |
| Total Assets | | 2,859,753 | 2,657,148 |
| EQUITY AND LIABILITIES | | | |
| Capital and Reserves | | | |
| Share capital | 16 | 190,000 | 190,000 |
| Retained earnings | | 2,185,159 | 2,057,459 |
| Total Equity | | 2,375,159 | 2,247,459 |
| Current Liabilities | | | |
| Trade and other payables | 17 | 476,857 | 394,311 |
| Amounts due to the Government of the Maldives | 18 | 7,585 | 5,895 |
| Amounts due to Cable and Wireless Plc | 19 | 152 | 9,483 |
| Total Current Liabilities | | 484,594 | 409,689 |
| Total Equity and Liabilities | | 2,859,753 | 2,657,148 |

The financial statements are to be read in conjunction with the related notes, which form part of the financial statements of the Company set out on pages 16 to 30. The Report of the Auditors is given on pages 11.

The Balance Sheet set out above together with the Income statement on Page 12, cash flow statement on page 14, statements of changes in equity on page 15 and the accompanying notes set out on pages 16 to 30 was approved on 27 May 2009 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)**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2008**

| | Share Capital | Retained Earnings | Total |
|---|----------------|-------------------|------------------|
| | Rf000 | Rf000 | Rf000 |
| Balance as at 31st December 2006 as previously reported | 190,000 | 2,030,933 | 2,220,933 |
| Prior year adjustment (Note A) | - | (10,119) | (10,119) |
| Balance as at 31st December 2006 as restated | 190,000 | 2,020,814 | 2,210,814 |
| Dividends paid since declared | | (543,995) | (543,995) |
| Restated Profit for the year (Note B) | - | 685,089 | 685,089 |
| Dividends paid | - | (104,449) | (104,449) |
| As at 31st December 2007 | 190,000 | 2,057,459 | 2,247,459 |
| Profit for the year | - | 736,912 | 736,912 |
| Dividends paid | - | (609,212) | (609,212) |
| As at 31st December 2008 | 190,000 | 2,185,159 | 2,375,159 |

Note A : Prior Year Adjustment

The Company has recognised the employee bonus expense on cash basis in the previous financial statements. This error has been corrected and appropriate adjustments have been made in the financial statements to recognise the liability for employee bonus expense in the financial statements for the relevant financial year.

Note B : Restated Profit for the year

Rf 000

| | |
|---|---------|
| Profit for the year ended 31 st December 2007 as previously reported | 685,207 |
| Less : Adjustment for understated employee bonus expense for the year | (118) |
| Restated Profit for the year ended 31 st December 2007 | 685,089 |

Figures in brackets indicate deduction.

The financial statements are to be read in conjunction with the related notes, which form part of the financial statements of the Company set out on pages 16 to 30. The Report of the Auditors is given on pages 11.



Touch Maldives

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2008

1. Reporting entity

Dhivehi Raajjeyge Gulhun Private Limited was incorporated under the 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, Medhuziyaaraaiy Magu, Male' 20-03, Republic of Maldives.

2. Basis of preparation

(i) Statement of Compliance

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

(ii) Basis of Measurement

The financial statements have been prepared on the historical cost except assets and liabilities which are stated as their fair value.

(iii) Functional and Presentation Currency

These financial statements are presented in Maldivian Rufiyaa, which is the Company's functional currency. All financial information presented in Maldivian Rufiyaa has been rounded to the nearest rufiyaa.

(iv) Use of Estimates and Judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 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)**

NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2008

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Transactions in Foreign Currencies (Continued)

Non-monetary assets and liabilities which are stated at historical cost, denominated in foreign currencies are translated to Maldivian Rufiyaa at the 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.

3.2 Financial Assets and Financial Liabilities

Financial Assets

Financial assets include cash and cash equivalents and 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. The accounting policies for each financial liability are stated separately. Finance costs are accounted for on an accrual basis.

3.3 Property, Plant and Equipment

Owned assets

Items of property, plant and equipment are measured at cost or revalued amount less accumulated depreciation and accumulated impairment losses (refer accounting policy 3.8).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

Subsequent Costs

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



Touch Maldives

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2008

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, Plant and Equipment (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 years |
| Submarine Cable | 40 years |
| Motor vehicles, launches and office equipment | 4 to 10 years |
| Dismantling and removing costs | 20 years |

A full month's depreciation is provided in the month of intended use. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Capital Work In Progress

The capital work in progress as at the year end represents the costs incurred for the projects which are not commissioned for commercial operation as at the year end.

3.4 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 realizable value. Net realizable 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.

3.5 Trade and other receivables

Trade and other receivables are stated at their costs less impairment losses (refer accounting policy 3.8).

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

3.6 Cash and cash equivalents

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



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

Touch Maldives

NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2008

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Cash flow statement

Cash flow statement has been prepared using “Indirect Method.”

3.8 Impairment

(a) Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(b) Non-financial Assets

The carrying amounts of the Company’s non-financial assets, other than inventories (Refer Note 3.4), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.



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

Touch Maldives

NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2008

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Events Occurring After the Balance sheet Date

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 wherever necessary.

3.10 Share capital

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 16.1 to the financial statements.

3.11 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.

3.12 Trade and other payables

Trade and other payables are stated at their costs.

3.13 Commitments and contingencies

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

3.14 Employee Benefits

a. Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they fall due.

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.



Touch Maldives

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2008

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Employee Benefits

b. Short-term Benefits

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

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

3.16 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)

3.17 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.

Finance Income and Expense

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Financing costs comprise interest payable on borrowings and foreign exchange losses that are recognized in the income statement.

Foreign currency gains and losses are reported on a net basis.



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

Touch Maldives

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Revenue

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

| | 2008 Rf000 | 2007 Rf000 |
|----------------------|-------------------------|-------------------------|
| Revenue comprises: | | |
| Telephony services | 1,475,676 | 1,280,779 |
| Internet services | 133,050 | 103,222 |
| Other services | 113,843 | 99,949 |
| Total revenue | <u>1,722,569</u> | <u>1,483,950</u> |

5 Cost of sales

| | 2008 Rf000 | 2007 Rf000 |
|---|-----------------------|-----------------------|
| Out-payment charges to other administrators | 253,806 | 193,094 |
| Cost of equipment sold | 121,819 | 108,557 |
| Total cost of sales | <u>375,625</u> | <u>301,651</u> |

6 Other Operating Income

| | 2008 Rf000 | 2007 Rf000 |
|---|-------------------|-----------------|
| Other income | 23 | - |
| Profit on disposal of Property, Plant and Equipment | 82 | 2 |
| | <u>105</u> | <u>2</u> |

7 Operating Costs

| | 2008 Rf000 | 2007 Rf000 (Restated) |
|--|-----------------------|-----------------------------|
| Licence payments | 73,438 | 64,543 |
| Employee costs | 98,903 | 80,425 |
| Dhiraagu retirement benefit costs | 1,674 | 1,338 |
| Training | 10,469 | 9,009 |
| Rental of transmission facilities | 21,008 | 33,198 |
| Depreciation | 224,388 | 205,959 |
| Rental of Government of Maldives assets | 9,735 | 9,358 |
| Auditors remuneration including reimbursement | 323 | 303 |
| Write off of Inventories | 904 | 1,499 |
| Provision for obsolete inventories | 1,618 | 77 |
| Reversal of provision for impairment loss on property, plant and equipment | (10,140) | (3,261) |
| Provision for impairment loss of trade receivables | 13,163 | 6,951 |
| Total operating costs | <u>445,483</u> | <u>409,399</u> |



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

Touch Maldives

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Other Operating Costs

| | 2008 Rf000 | 2007 Rf000 |
|------------------------------------|----------------|----------------|
| Utilities | 60,327 | 46,514 |
| Supplies | 12,313 | 9,780 |
| Rentals | 6,028 | 4,866 |
| Fees and Insurance | 3,786 | 3,314 |
| Travel and Entertainment | 6,742 | 7,790 |
| Repairs and Maintenance | 45,583 | 38,141 |
| Assets not Capitalised | 2,480 | 1,719 |
| Professional fees | 12,579 | 10,341 |
| Public Relations | 19,716 | 18,342 |
| Total Other Operating Costs | 169,554 | 140,807 |

9 Net financing income

| | 2008 Rf000 | 2007 Rf000 |
|-----------------------------|-----------------|---------------|
| Financing Income | | |
| Interest income (Note 9.1) | 22,620 | 41,808 |
| Exchange gain | - | 11,186 |
| | 22,620 | 52,994 |
| Financing Costs | | |
| Interest expense | - | - |
| Exchange loss | (17,720) | - |
| | (17,720) | - |
| Net financing income | 4,900 | 52,994 |

9.1 Interest income

This represents interest earned from short-term deposits.

10 Taxation

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

11 Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary shareholders of Rf 736,912,000 (2007 : Rf 685,089,000) and the weighted average number of ordinary shares outstanding during the year of 19,000,000 (2007 : 19,000,000).



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

Touch Maldives

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Property, plant and equipment

| | Total 31 Dec 08 | Land and Buildings | Plant and Equipment | Vehicles, Launches Furniture and Fittings | Work in Progress | Total 31Dec07 |
|--|--------------------|-----------------------|------------------------|--|---------------------|------------------|
| | Rf000 | Rf000 | Rf000 | Rf000 | Rf000 | Rf000 |
| Cost: | | | | | | |
| At 1 st January 2008 | 3,128,212 | 114,133 | 2,530,585 | 31,021 | 452,473 | 2,711,868 |
| Additions | 476,305 | - | - | - | 476,305 | 416,554 |
| Transfers | - | 29,793 | 487,348 | 3,910 | (521,051) | - |
| Disposals | (978) | - | (652) | (326) | - | (4,959) |
| Asset retirement obligation | 10,210 | 2,975 | 7,235 | - | - | 4,749 |
| At 31 st December 2008 | <u>3,613,749</u> | <u>146,901</u> | <u>3,024,516</u> | <u>34,605</u> | <u>407,727</u> | <u>3,128,212</u> |
| Depreciation | | | | | | |
| At 1 st January 2008 | 1,466,970 | 36,217 | 1,404,075 | 26,678 | - | 1,269,062 |
| Charge for the year | 224,262 | 6,528 | 216,166 | 1,568 | - | 205,959 |
| Disposals | (965) | - | (648) | (317) | - | (4,790) |
| Reversal of provision for Impairment loss | (10,140) | - | (10,140) | - | - | (3,261) |
| At 31 st December 2008 | <u>1,680,127</u> | <u>42,745</u> | <u>1,609,453</u> | <u>27,929</u> | <u>-</u> | <u>1,466,970</u> |
| Net Book Value | | | | | | |
| At 31 st December 2008 | <u>1,933,622</u> | <u>104,156</u> | <u>1,415,063</u> | <u>6,676</u> | <u>407,727</u> | |
| At 31 st December 2007 | | <u>77,916</u> | <u>1,126,510</u> | <u>4,343</u> | <u>452,473</u> | <u>1,661,242</u> |

13 Inventories

| | 31 st Dec 08 Rf000 | 31 st Dec 07 Rf000 |
|--|----------------------------------|----------------------------------|
| Inventories for expansion | 15,733 | 12,216 |
| Inventories for sale | 33,110 | 28,241 |
| Phone cards | 910 | 970 |
| SIM cards | 4,221 | 5,354 |
| Prepaid recharge vouchers/cards/connection kits | <u>1,567</u> | <u>1,446</u> |
| | 55,541 | 48,227 |
| Less: Provision for stock obsolescence (Note 13.1) | <u>(7,529)</u> | <u>(8,429)</u> |
| | <u>48,012</u> | <u>39,798</u> |



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

Touch Maldives

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Inventories (Continued)

13.1 Provision for stock obsolescence

| | 31st Dec 08 | 31st Dec 07 |
|---------------------------------|--------------|--------------|
| | Rf000 | Rf000 |
| As at 1 st January | 8,429 | 8,352 |
| Provisions made during the year | 1,618 | 77 |
| Reversal Due to Disposal | (2,518) | - |
| As at 31 st December | <u>7,529</u> | <u>8,429</u> |

14 Trade and other receivables

| | 31 st Dec 08 | 31 st Dec 07 |
|---|-------------------------|-------------------------|
| | Rf000 | Rf000 |
| Local customer accounts | 170,044 | 91,194 |
| Less: Provision for Impairment Loss (Note 14.1) | <u>(35,019)</u> | <u>(25,317)</u> |
| | 135,025 | 65,877 |
| Amounts due from other telecommunications administrations | 85,557 | 61,263 |
| Other receivables | 29,156 | 37,207 |
| | <u>249,738</u> | <u>164,347</u> |

14.1 Provision for Impairment Loss

| | 31st Dec 08 | 31st Dec 07 |
|---------------------------------|---------------|---------------|
| | Rf000 | Rf000 |
| As at 1 st January | 25,317 | 30,496 |
| Provisions made during the year | 13,163 | 6,951 |
| Write off during the year | (3,461) | (12,130) |
| As at 31 st December | <u>35,019</u> | <u>25,317</u> |

15 Cash and cash equivalents

| | 31 st Dec 08 | 31 st Dec 07 |
|---------------------|-------------------------|-------------------------|
| | Rf000 | Rf000 |
| Cash in hand | 14,892 | 10,183 |
| Balance with bank | 232,716 | 107,004 |
| Short term deposits | 380,773 | 674,574 |
| | <u>628,381</u> | <u>791,761</u> |

16 Share Capital

| | 31 st Dec 08 | 31 st Dec 07 |
|--|-------------------------|-------------------------|
| | Rf000 | Rf000 |
| Authorised Share Capital comprises of 20 (2007:20) 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 (2007:19) million ordinary shares of Rf 10.00 each | <u>190,000</u> | <u>190,000</u> |



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

Touch Maldives

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 Share capital (Continued)

16.1 Dividends

| | 31 st Dec 08 Rf000 | 31 st Dec 07 Rf000 |
|---|----------------------------------|----------------------------------|
| 2007 | | |
| Interim dividend payment of Rf. 5.4973 per share | - | 104,449 |
| Final dividend payment of Rf 15.2700 per share | - | 290,130 |
| Special dividend payment of Rf 13.3613 per share | - | 253,865 |
| 2008 | | |
| Final dividend payment - 1 st tranche of Rf. 16.0319 per share | 304,606 | - |
| Final dividend payment - 2 nd tranche of Rf. 8.0159 per share | 152,303 | - |
| Final dividend payment - 2 nd tranche of Rf 8.0159 per share | 152,303 | - |
| | <u>609,212</u> | <u>648,444</u> |

17 Trade and other payables

| | 31 st Dec 08 Rf000 | 31 st Dec 07 Rf000 |
|---|----------------------------------|----------------------------------|
| Accruals and deferred income | 156,142 | 122,301 |
| Accruals on property, plant and equipment | 172,072 | 150,469 |
| Amounts due to other telecommunications administrations | 69,029 | 52,137 |
| | <u>397,243</u> | <u>324,907</u> |
| Provision for asset retirement obligation (Note 17.1) | 79,614 | 69,404 |
| | <u>476,857</u> | <u>394,311</u> |

17.1 Provision for asset retirement obligation

| | 31 st Dec 08 Rf000 | 31 st Dec 07 Rf000 |
|------------------------------|----------------------------------|----------------------------------|
| At the beginning of the year | 69,404 | 64,654 |
| Additions during the year | 10,210 | 4,750 |
| At the end of the year | <u>79,614</u> | <u>69,404</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.

18 Amounts due to the Government of Maldives

| | 31 st Dec 08 Rf000 | 31 st Dec 07 Rf000 |
|--|----------------------------------|----------------------------------|
| This balance represents amounts payable in respect of the licence payments | <u>7,585</u> | <u>5,895</u> |



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

Touch Maldives

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

| | | | |
|-----------|---|-------------------------|-------------------------|
| 19 | Amounts due to the Cable and Wireless Group | | |
| | | 31 st Dec 08 | 31 st Dec 07 |
| | | Rf000 | Rf000 |
| | This balance represents amounts payable in respect of goods and services | <u>152</u> | <u>9,483</u> |
| 20 | Capital commitments | | |
| | | 31 st Dec 08 | 31 st Dec 07 |
| | | Rf000 | 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>102,850</u> | <u>117,470</u> |
| | | <u>102,850</u> | <u>117,470</u> |

21 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.

22 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.

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.



Touch Maldives

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23 Financial instruments and risk management (Continued)

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 2008)

| In thousands of Maldivian Rufiyaa | Note | Effective interest rate | Total Rf000 | Less than 1 year Rf000 | 1-2 years Rf000 | 2-5 years Rf000 | More than 5 years Rf000 |
|-----------------------------------|------|-------------------------|----------------|---------------------------|--------------------|--------------------|----------------------------|
| Cash and cash equivalents | | | | | | | |
| Cash at banks | 15 | N/A | 232,716 | 232,716 | - | - | - |
| Short term deposits | 15 | 2.7% | 380,773 | 380,773 | - | - | - |

Effective interest rates and re-pricing analysis (As at 31st December 2007)

| In thousands of Maldivian Rufiyaa | Note | Effective interest rate | Total Rf000 | Less than 1 year Rf000 | 1-2 years Rf000 | 2-5 years Rf000 | More than 5 years Rf000 |
|-----------------------------------|------|-------------------------|----------------|---------------------------|--------------------|--------------------|----------------------------|
| Cash and cash equivalents | | | | | | | |
| Cash at banks | 15 | N/A | 107,004 | 107,004 | - | - | - |
| Short term deposits | 15 | 4.3% | 674,574 | 674,574 | - | - | - |



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

Touch Maldives

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 Related Party Transactions

a) For the year ended 31st December 2008

| Name of related party | Name of directors | Relationship | Transactions | Amount MRP000 | Balance due from/ (to) As at 31-12-2008 RFP000 |
|----------------------------|---|-----------------|--|---------------|--|
| The Government of Maldives | Mr. Ahmed Hafiz, Mr. Mohamed Faiz | 55% shareholder | License fee on gross revenue less out payment charges to other telecommunications administrations | 73,438 | (7,585) |
| | | | Rental of Government of Maldives assets | 9,735 | - |
| Cable & Wireless Plc - UK | Mr. Denis Martin Mr. Adam Dunlop, Mr. Ismail Waheed | 45% shareholder | Provides technical services in addition to acting as a payment bureau for certain supplier invoices. | 28,308 | (152) |
| | | | In-payments | 3,858 | |
| | | | Out payments | 10,634 | |
| | | | Cable and Wireless PLC - support fee | 2,031 | |



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

Touch Maldives

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 Related Party Transactions (Continued)

a) For the year ended 31st December 2007

| Name of related party | Name of directors | Relationship | Transactions | Amount MRP000 2007 | Balance due from/(to) As at 31-12-2007 RFP000 |
|----------------------------|---|-----------------|--|--------------------|---|
| 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 | |

b) Transactions with key management personnel

The key management personnel include the board of directors and the senior executive members of the Company. The Company has paid Rf 9.877 million (2007: Rf. 11.737 million) as emoluments and other benefits to the key management personnel during the year.

25 Employees

The average number of employees during 2008 was 572 (2007:567).

26 Post balance sheet events

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

27 Management's responsibilities

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

28 Parent Enterprise

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