



Report No.: FIN-2015-02(E)

14 January 2015

Maldives Road Development Corporation

FINANCIAL YEAR 2011



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AUDITOR GENERAL'S OFFICE

Malé, Republic of Maldives

AUDITOR GENERAL'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF MALDIVES ROAD DEVELOPMENT CORPORATION LIMITED

Introduction

1. We were engaged to audit the accompanying financial statements of Maldives Road Development Corporation Limited, which comprise the Statement of financial position as at 31 December 2011, and the Statement of comprehensive income, Statement of changes in equity and cash flow statement for the year ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, requirements of the Companies Act, No. 10/96, of the Republic of Maldives, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. 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 ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the matters described in the Basis for Disclaimer of Opinion paragraphs 4 and 5, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

4. The entity has shown MVR 4,903,121, under inventories, in the balance sheet. A detailed list of items making up to the total value was not provided to us. In the absence of quantitative details as to the movement of inventories during the year, we were unable to adopt practicable alternative audit procedures to independently confirm the quantities making up the value of inventory as at the balance sheet date. The entity had not maintained sufficient records for costing of its inventories. It was not practicable to extend our auditing procedures sufficiently to satisfy ourselves as to the completeness and accuracy of the costs used in the determination of values of inventories as at reporting date. Further, we could not observe the year end physical count of the inventories, since we were not invited by the management.

Owing to the nature of the entity's records, we were unable to satisfy ourselves as to the completeness, accuracy, existence and valuation of inventories in the absence of necessary supporting documents and information. Accordingly, we were not able to determine whether any adjustments might be necessary to amounts shown in the financial statements for inventories, cost of goods sold, and the results for the year.

5. The ownership of property, plant and equipment has not been transferred from the Government of Maldives to the Corporation pending approval of the value of the property, plant and equipment by the Government of Maldives. The Company is using these property, plant and equipment in the course of its business and accounted these at a value of MVR 12,921,211 as determined by an independent valuer, in consideration of capital contribution by the Government. Pending approval of the values by the Government and transfer of ownership of these property, plant and equipment from the Government to the Corporation, we are unable to conclude whether the property, plant and equipment amounting MVR 10,886,061 included the net book value of property, plant and equipment of MVR 13,018,435, share capital amounting MVR 19,076,044 and depreciation amounting MVR 1,436,577 included in the total depreciation of MVR 1,552,898 charged during the year are valid and fairly stated.

14th January 2015

Hassan Ziyath
Auditor General



MALDIVES ROAD DEVELOPMENT CORPORATION LIMITED

31 December 2011

Balance sheet

(All amounts in Maldivian Rufiyaa unless otherwise stated)

	Notes	As at 31 December	
		2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	5	13,018,435	12,322,637
Intangible asset	6	7,492	-
		<u>13,025,927</u>	<u>12,322,637</u>
Current assets			
Inventories	7	4,903,121	973,201
Trade and other receivables	8	5,157,704	107,400
Cash and cash equivalents	9	2,035,187	5,822,640
Total current assets		<u>12,096,012</u>	<u>6,903,241</u>
Total assets		<u>25,121,938</u>	<u>19,225,878</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	10	19,076,444	19,076,444
Accumulated losses		(4,765,068)	(1,145,821)
Total equity		<u>14,311,376</u>	<u>17,930,623</u>
LIABILITIES			
Current liabilities			
Trade and other payables	11	10,810,562	1,295,255
Total liabilities		<u>10,810,562</u>	<u>1,295,255</u>
Total equity and liabilities		<u>25,121,938</u>	<u>19,225,878</u>

These financial statements were approved by the Board of Directors on 24th Sept 2014


IBRAHIM NAZEEM
MANAGING DIRECTOR


MOHAMED RIYAZ
CHAIRMAN

The notes on pages 8 to 24 are an integral part of these consolidated financial statements.



MALDIVES ROAD DEVELOPMENT CORPORATION LIMITED**31 December 2011****Statement of comprehensive income**

(All amounts in Maldivian Rufiyaa unless otherwise stated)

	Notes	Year ended 31 December	
		2011	2010
Sales	12	14,401,321	395,970
Cost of sales	15	(9,608,491)	(45,997)
Gross profit		4,792,830	349,973
Selling and marketing costs	15	(1,072,113)	(15,384)
Administrative expenses	15	(7,843,230)	(1,482,210)
Other income	13	501,361	1,800
Operating loss		(3,621,152)	(1,145,821)
Finance income	14	1,905	-
Loss before business profit tax		(3,619,247)	(1,145,821)
Business profit tax	17	-	-
Net loss for the year, attributable to equity holders of the company		(3,619,247)	(1,145,821)
Loss per share attributable to the equity holders of the Company during the year	18	(4.09)	(1.30)

The notes on pages 8 to 24 are an integral part of these consolidated financial statements.



MALDIVES ROAD DEVELOPMENT CORPORATION LIMITED**31 December 2011****Statement of changes in equity**

(All amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	Share capital	Accumelated loss	Total
Shares issued and paid up	11	19,076,444	-	19,076,444
Loss for the period		-	(1,145,821)	(1,145,821)
Balance at 31 December 2010		19,076,444	(1,145,821)	17,930,623
Balance at 1 January 2011		19,076,444	(1,145,821)	17,930,623
Loss for the year		-	(3,619,247)	(3,619,247)
Balance at 31 December 2011		19,076,444	(4,765,068)	14,311,376

The notes on pages 8 to 24 are an integral part of these consolidated financial statements.



MALDIVES ROAD DEVELOPMENT CORPORATION LIMITED**31 December 2011****Cash flow statement**

(All amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	Year ended 31 December	
		2011	2010
Cash flows from operating activities			
Cash used in operations	19	(1,528,478)	(177,360)
Net cash used in operating activities		(1,528,478)	(177,360)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(2,248,695)	-
Purchase of intangible asset	6	(10,280)	-
Net cash used in investing activities		(2,258,975)	-
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	10	-	6,000,000
Net cash generated from financing activities		-	6,000,000
Net (decrease)/increase in cash and cash equivalents		(3,787,453)	5,822,640
Cash and cash equivalents at beginning of the year/(period)		5,822,640	-
Cash and cash equivalents at end of the year/(period)	9	2,035,187	5,822,640

The notes on pages 8 to 24 are an integral part of these consolidated financial statements.



Notes to the financial statements

1 General information

Maldives Road Development Corporation Limited (MRDC) was established in August 2010 as a manufacturing company with exclusive patented products that will revolutionize the construction industry in Maldives with the aim of promoting the construction of rigid and flexible pavements for roads, using construction materials, reinforced concrete and earthworks. MRDC is a state owned corporation with 100% shares owned by the Government of Maldives. The address of its registered office is 385, Maafaiythakurufaanue Magu, Machchangolhi, Male', Republic of Maldives.

The Government of Maldives (GoM) has a controlling interest in the shares of the

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of Maldives Road Development Corporation Limited has been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial statements are disclosed in note 2.14.

2.2 New accounting standards issued but not effective as at the balance

The International Accounting Standards Board has issued the new standards given below, which will become effective for annual periods beginning on or after 1 January 2012. Accordingly these standards have not been applied in preparing these financial statements as they are not effective for the year ended 31 December 2011.

IAS 1 (Amendment), Presentation of Financial Statements (effective from 1 July 2012);

IAS 12 (Amendment), Income Taxes (effective from 1 January 2012);

IAS 19 (Amendment), Employee Benefits (effective from 1 January 2013);

IAS 32 (Amendment), Financial Instruments: Presentation (effective from 1 January 2014);



Notes to the financial statements (continued)

2.2 New accounting standards issued but not effective as at the balance sheet date

IFRS 7 (Amendment), Financial Instruments: Disclosures (effective from 1 January

IFRS 9, Financial Instruments (effective from 1 January 2015);

IFRS 10, Consolidated Financial Statements (effective from 1 January 2013);

IFRS 11, Joint Arrangements (effective from 1 January 2013);

IFRS 12, Disclosure of Interests in Other Entities (effective from 1 January 2013);

IFRS 13, Fair Value Measurement (effective from 1 January 2013).

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the entity are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Maldivian Rufiyaa ("MVR") which is the Corporation's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

2.4 Property, plant and equipment

All property, plant and equipment, which are initially recorded at historical cost, are stated at cost less depreciation. Cost includes the transfer value of the assets, or their purchase cost, or the cost of construction, together with any incidental expenses of acquisition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.



Notes to the financial statements (continued)

2.4 Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful life, commencing from the month in which the assets were purchased up to the date of disposal, except for land, which is depreciated over the unexpired period of lease, as follows:

Building	15 to 25
Plant, machinery and loose tools	5 to 10 years
Earth moving and motor vehicles	5 to 20 years
Furniture and fittings	2 to 3 years
Office, computer and other Equipments	2 to 3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition are capitalized as part of the cost of the asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.5 Intangible assets

Computer software

Costs associated with maintaining computer software programmed are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the entity are recognized as intangible assets when the required criteria are met.

Other development expenditures that do not meet the required criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which does not exceed three years.



Notes to the financial statements (continued)

2.6 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Cost of inventory includes purchases, transport and handling costs. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and variable selling expenses. Where necessary, provision is made in the financial statements for obsolete, slow-moving and defective inventory.

2.7 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement within 'selling and marketing costs'.

Trade receivables are carried at anticipated realizable value. A general provision is made for doubtful receivables based on a review of all outstanding amounts from customers at the year end. Bad debts are written off during the year in which they are identified.

2.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.9 Share capital

Ordinary shares are classified as equity.

2.10 Trade payable

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.



MALDIVES ROAD DEVELOPMENT CORPORATION LIMITED

31 December 2011

Notes to the financial statements (continued)

2.11 Provisions

Provisions are recognized when the entity has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligations.

2.12 Construction contracts

The profit on construction contracts is recognized as soon as it can be estimated reliably. The Corporation uses the percentage of completion method to determine the appropriate amount to recognize in a given period; the stage of completion is measured by reference to work completion certificates issued after surveys of work performed. Losses are recognized as soon as the loss is foreseen. The full amount of the anticipated loss, including any loss related to future work on the contract, is recognized in the year in which the loss is identified.

In determining costs incurred up to the year-end, any costs relating to future activity on a contract are excluded and shown as contract work-in-progress. The aggregate of the costs incurred and the profit / loss recognized on each contract is compared against the progress billings up to the year end. Where the sum of the costs incurred and recognized profit or loss exceeds the progress billings, the balance is shown under receivables and prepayments as due from customers on contracts.

2.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the entity's activities. Revenue is shown, net of estimated returns, rebates and discounts. Revenue is recognized as follows:

(a) Sale of goods

Sales of goods are recognized when the Corporation has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.



MALDIVES ROAD DEVELOPMENT CORPORATION LIMITED

31 December 2011

Notes to the financial statements (continued)

2.13 Revenue recognition (continued)

(b) Construction projects

Sales relating to long term contracts are accounted for under the percentage completion method: the stage of completion is measured by reference to work completion certificates issued after surveys of work performed for each contract.

2.14 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Percentage - completion method

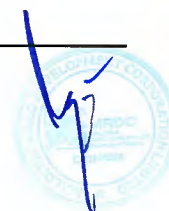
The corporation uses the percentage-of-completion method in accounting for its fixed price contracts to deliver design services. Use of the percentage-of-completion method requires the Corporation to estimate the services performed to date as a proportion of the total services to be performed. Were the proportion of services performed to total services to be performed to differ by 10% from management's estimates, the amount of revenue recognized in the year would be increased or decreased by MVR 2,369,853.

(b) Provisions

The Corporation recognizes provisions when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgments about the ultimate resolution of these obligations. As a result, provisions are reviewed at each balance sheet date and adjusted to reflect the Corporation's current best estimate.

(c) Contingent liabilities

Determination of the treatment of contingent liabilities in the financial statements is based on the management's view of the expected outcome of the applicable contingency. The Corporation consults with legal counsel (lawyers) on matters related to litigation and other experts both within and outside the Corporation with respect to matters in the ordinary course of business.



MALDIVES ROAD DEVELOPMENT CORPORATION LIMITED

31 December 2011

Notes to the financial statements (continued)

2.14 Critical accounting estimates and judgments (continued)

(d) Provision for impairment of receivables

The Corporation assesses at each balance sheet date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual and anticipated impairment.

2.15 Leases

The Corporation is the lessee

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3 Financial risk management

3.1 Financial risk factors

The entity's activities expose it to a variety of financial risks, market risk (including foreign exchange risk), credit risk, liquidity risk and cash flow and fair value interest rate risk. The Corporation's overall risk management programmed focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the entity's financial performance.

Risk management is carried out by the Board of Directors on specific areas such as foreign exchange risk, credit risk and liquidity risk.

(a) Market risk - Foreign exchange risk

The entity's operations are exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. Currency exposure arising from the import of raw materials are presently managed through sourcing foreign currencies, primarily United States Dollars from commercial banks.

(b) Credit risk

The entity has no significant concentrations of credit risk. It has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history.



MALDIVES ROAD DEVELOPMENT CORPORATION LIMITED

31 December 2011

Notes to the financial statements (continued)

3 Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The entity aims to maintain liquidity by keeping adequate cash and short-term deposits in banks.

3.2 Capital risk management

The Corporation's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends payable to shareholders, issue new shares or sell assets to reduce debt.

The Corporation monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

The gearing ratios at 31 December 2011 and 31 December 2010 were as follows:

	2011	2010
Trade and other payables (note 11)	10,810,562	1,295,255
Less: Cash and cash equivalents (note 9)	(2,035,187)	(5,822,640)
Net debt	8,775,375	(4,527,385)
Total equity	14,311,376	17,930,623
Total capital	23,086,751	13,403,238
Gearing ratio	38%	-34%

The increase in gearing ratio during the year 2011 resulted mainly due to increase in trade and other payables at the end of the year.



MALDIVES ROAD DEVELOPMENT CORPORATION LIMITED

31 December 2011

Notes to the financial statements (continued)

3.3 Fair value estimation

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

4 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.



MALDIVES ROAD DEVELOPMENT CORPORATION LIMITED

31 December 2011

Notes to the financial statements (continued)

5 Property, plant and equipment



	Plant, machinery and loose tools	Buildings	Furniture and fittings	Office and other equipment (Including computers)	Vehicles	Total
Period ended 31 December 2010						
Opening net book amount	648,904	9,348,838	123,797	101,814	2,697,858	12,921,211
Assets acquired, at cost	-	-	-	-	-	-
Additions	(54,075)	(272,674)	(25,791)	(21,211)	(224,822)	(598,574)
Depreciation charge (Note 15)	594,829	9,076,164	98,006	80,603	2,473,037	12,322,637
Closing net book amount	648,904	9,348,838	123,797	101,814	2,697,858	12,921,211
At 31 December 2010						
Cost	648,904	9,348,838	123,797	101,814	2,697,858	12,921,211
Accumulated depreciation	(54,075)	(272,674)	(25,791)	(21,211)	(224,822)	(598,574)
Net book amount	594,829	9,076,164	98,006	80,603	2,473,037	12,322,637
Year ended 31 December 2011						
Opening net book amount	594,829	9,076,164	98,006	80,603	2,473,037	12,322,637
Additions	28,113	-	51,205	369,377	1,800,000	2,248,695
Depreciation charge (Note 15)	(131,547)	(654,419)	(72,293)	(138,054)	(556,585)	(1,552,898)
Closing net book amount	491,395	8,421,745	76,918	311,926	3,716,451	13,018,435
At 31 December 2011						
Cost	677,017	9,348,838	175,002	471,191	4,497,858	15,169,906
Accumulated depreciation	(185,622)	(927,093)	(98,084)	(159,265)	(781,407)	(2,151,471)
Net book amount	491,395	8,421,745	76,918	311,926	3,716,451	13,018,435

MALDIVES ROAD DEVELOPMENT CORPORATION LIMITED

31 December 2011

Notes to the financial statements (continued)

(All amounts in Maldivian Rufiyaa unless otherwise stated)

5 Property, plant and equipment (continued)

(a) The buildings and other immovable assets have been constructed on land leased from the Government of Maldives (GoM) for the use of which an annual rent of MVR 1,440,000 (2010: MVR 600,000) was due to be paid.

(b) Depreciation expenses of MVR 1,067,695 (2010: MVR Nil) has been charged to cost of sales and MVR 485,203 (2010: MVR 598,574) in administrative expenses of the Corporation.

6 Intangible asset

	Computer software
Year ended 31 December 2011	
Opening net book amount	-
Additions	10,280
Amortisation charge (Note 15)	(2,788)
Closing net book amount	<u>7,492</u>

7 Inventories

	2012	2011
Raw materials	3,739,770	331,069
Consumables	-	155,233
Finished goods	1,163,351	486,899
	<u>4,903,121</u>	<u>973,201</u>

8 Trade and other receivables

	2011	2010
Trade receivables	1,167,899	-
Receivables from related parties (Note 22)	4,576,746	107,400
	<u>5,744,645</u>	<u>107,400</u>
Less: Provision for bad debts	(1,009,220)	-
Trade receivables - net	4,735,425	107,400
Other receivables	422,279	-
	<u>5,157,704</u>	<u>107,400</u>

Other receivable includes retention of MVR 254,551 (2010: Nil), rent advance of MVR 20,000 (2010: Nil), staff loans of MVR 28,064 (2010: Nil), GST input tax - receivable of MVR 37,958 (2010: Nil) and prepaid insurance of MVR 81,706 (2010: Nil).



MALDIVES ROAD DEVELOPMENT CORPORATION LIMITED

31 December 2011

Notes to the financial statements (continued)

(All amounts in Maldivian Rufiyaa unless otherwise stated)

8 Trade and other receivables (continued)

The amounts due from related parties are unsecured, interest free and have no fixed repayment terms.

9 Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	2011	2010
Cash at bank	1,949,498	5,821,854
Cash on hand	85,689	786
	<u>2,035,187</u>	<u>5,822,640</u>

10 Share capital

	2011	2010
Shares issued	200,000,000	200,000,000
Less: Calls in arrear	(180,923,556)	(180,923,556)
	<u>19,076,444</u>	<u>19,076,444</u>

The total authorized number of ordinary shares is 2,500,000 shares (2010: 2,500,000) with a par value of MVR 100 per share. Out of the authorized shares, 2,000,000 shares were issued, of which MVR 19,076,444 has been paid up

Paid up shares include MVR 13,076,444, issued towards consideration for acquisition of fixed assets and inventories from the Government of Maldives.

11 Trade and other payables

	2011	2010
Trade payables	1,645,426	37,196
Amounts due to related parties (Note 22)	788,176	51,800
	<u>2,433,602</u>	<u>88,996</u>
Accrued expenses	2,907,480	1,206,259
Other payables	5,469,481	-
	<u>10,810,562</u>	<u>1,295,255</u>

The amount due to related parties are unsecured, interest free and has no fixed repayment period. Accordingly the entire amount due have been shown as falling due within one year.

Other payables include advance from customers of MVR 5,307,411 (2010: Nil) and performance guarantee and bid security deposits received from suppliers of MVR 162,070 (2010: Nil).



MALDIVES ROAD DEVELOPMENT CORPORATION LIMITED**31 December 2011****Notes to the financial statements (continued)**

(All amounts in Maldivian Rufiyaa unless otherwise stated)

12 Revenue

Revenue, which represent income from brick sales, road development project revenue and other project revenue.

	2011	2010
Brick sales	7,966,340	395,970
Contract revenue	6,434,981	-
	<u>14,401,321</u>	<u>395,970</u>

13 Other income

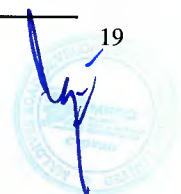
	2011	2010
Materials & others sales	151,400	1,800
Rent income	272,948	-
Service charge	77,013	-
	<u>501,361</u>	<u>1,800</u>

14 Finance income

	2011	2010
Interest income	588	-
Exchange gain	1,317	-
	<u>1,905</u>	<u>-</u>

15 Expenses by nature

	2011	2010
Employee benefit expense (Note 16)	5,276,402	19,003
Depreciation (Note 5)	1,552,898	598,574
Materials consumed	1,765,570	39,775
Labour charges	198,020	-
Fuel	337,160	-
Finished Products	954,481	-
Set up Costs	225,648	-
Staff Cost	87,050	-
Transportation	1,183,693	3,000
Advertising and promotion	62,893	15,384
Repairs and maintenance	769,828	1,535
B/f	<u>12,413,643</u>	<u>677,271</u>



MALDIVES ROAD DEVELOPMENT CORPORATION LIMITED**31 December 2011****Notes to the financial statements (continued)**

(All amounts in Maldivian Rufiyaa unless otherwise stated)

15 Expenses by nature (continued)

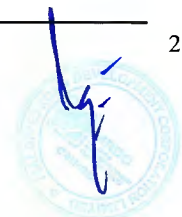
	2011	2010
C/f	12,413,643	677,271
Directors' fees	892,348	167,083
Building security expenses	300,722	36,000
Audit fees	120,790	53,910
Traveling expenses	194,969	6,222
Printing and stationary	93,126	3,070
General expenses	50,474	35
Insurance - others	42,869	-
Legal and professional fees	312,060	-
License and registration fees	135,845	-
Rent	700,000	-
Telephone and communication expense	111,909	-
Electricity charges	595,677	-
Water and sewerage expenses	107,394	-
Bad debt expenses	1,009,220	-
Lease rent (note 5)	1,440,000	600,000
Amortisation charge (Note 6)	2,788	-
	<hr/>	<hr/>
Total cost of goods sold, selling and marketing cost administrative expenses	18,523,834	1,543,591
	<hr/>	<hr/>

Expenses classified as :

	2011	2010
Cost of sales	9,608,491	45,997
Selling and marketing cost	1,072,113	15,384
Administrative expenses	7,843,230	1,482,210
	<hr/>	<hr/>
	18,523,834	1,543,591
	<hr/>	<hr/>

16 Employee benefit expense

	2011	2010
Wages and salaries	4,330,821	18,343
Allowances	530,846	660
Retirement pension contribution	129,946	-
Staff welfare	179,129	-
Work visa fees	105,660	-
	<hr/>	<hr/>
	5,276,402	19,003
	<hr/>	<hr/>



MALDIVES ROAD DEVELOPMENT CORPORATION LIMITED

31 December 2011

Notes to the financial statements (continued)

(All amounts in Maldivian Rufiyaa unless otherwise stated)

17 Taxation	2011	2010
Tax expenses	-	-
Loss before tax	(3,619,247)	(1,145,821)
Less : Loss for the period 1st January to 17 July 2011	(1,963,318)	-
Loss from 18 July to 31 December 2011 carried forward for set off against future profit	(1,655,929)	-
Tax calculated at the effective tax rate of 15%	-	-
Business profit tax charge	-	-

18 Loss per share

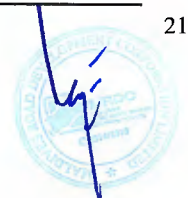
Loss per share is calculated by dividing the loss attributable to equity holders of the Corporation by the weighted average number of ordinary shares in issue during the year.

	2011	2010
Loss attributable to equity holders of the	(3,619,247)	(1,145,821)
Weighted average number of ordinary shares in issue	884,635	884,635
Loss per share (MVR per share)	(4.09)	(1.30)

19 Cash generated from operations

Reconciliation of loss before tax to cash generated from operations:

	2011	2010
Loss before tax Adjustments for: Depreciation (Note 5 and 15)	(3,619,247)	(1,145,821)
Amortisation charge (Note 6)	1,552,898	598,574
- Provision for bad debts (Note 8 and 15)	2,788	-
Changes in working capital	1,009,220	-
- Inventories	(3,929,920)	(817,968)
- Trade and other receivables	(6,059,524)	(107,400)
- Trade and other payables	9,515,307	1,295,255
Cash used in operations	(1,528,478)	(177,360)



Notes to the financial statements (continued)

(All amounts in Maldivian Rufiyaa unless otherwise stated)

19 Cash generated from operations (continued)

Non-cash transactions

The principal non-cash transaction during the previous year was the issue of shares as consideration for acquisition discussed in note 10.

20 Contingencies

Contingent liabilities

There were no material contingent liabilities outstanding at the balance sheet date.

Contingent assets

There were no material contingent assets recognized at the balance sheet date.

21 Commitments

Capital commitments

There were no material capital commitments outstanding at the balance sheet date which were not recognised in the financial statements.

Operating lease commitments

	2011	2010
Not later than one year	1,440,000	1,440,000
Later than 1 year and not later than 5 years	5,760,000	5,760,000
Later than 5 years	<u>27,360,000</u>	<u>28,800,000</u>
	<u>34,560,000</u>	<u>36,000,000</u>

The Corporation is operating in the land which was taken on lease from the Government of Maldives (GoM) for period of 25 years. The Corporation has an annual commitment to pay a sum of MVR 1,440,000 (2010: MVR 600,000) for the use of land. The lessor reserves the right to revise the rentals.

Financial commitments

There were no material financial commitments outstanding at the balance sheet date.



MALDIVES ROAD DEVELOPMENT CORPORATION LIMITED

31 December 2011

Notes to the financial statements (continued)

(All amounts in Maldivian Rufiyaa unless otherwise stated)

22 Related party transactions

The Corporation is controlled by the Government of Maldives, which owns 100% of the Corporation's shares.

The following transactions were carried out with related parties:

i) Sales of goods and services

	2011	2010
Ministry of Fisheries and Agriculture	73,250	61,500
Department of Immigration & Emmigration	900	2,700
MNDF Supply unit	-	40,200
State Electricity Company Limited	41,775	3,000
IGMH Hospital	6,986	-
Maldives Industrial Fisheries Co. Ltd.	5,000	-
Maldives Police Services	3,705	-
Maldives Polytechnic	2,329	-
Male' Health Service Corporation Ltd	133,173	-
Male' International Airport	4,200	-
Ministry of Housing and Environment	11,226,880	-
MTCC	872,095	-
Southern Utilities	473,650	-
State Trading Organisation PLC	784,473	-
Waste Management	229,271	-
	<u>13,857,687</u>	<u>107,400</u>

ii) Purchases of goods and services

	2011	2010
State Trading Organisation PLC	722,612	285,345
IGMH	12,032	-
Department of Immigration and Emmigration	29,620	-
Fuel Supplies Maldives	26,505	-
Island Aviation Services	45,637	-
Maldives Gas Pvt. Ltd	2,100	-
Ministry of Finance and Treasury	41,700	-
MTCC Kashavaru	87,889	-
MWSC	852,120	-
State Electric Company Limited	537,015	-
	<u>2,357,230</u>	<u>285,345</u>



MALDIVES ROAD DEVELOPMENT CORPORATION LIMITED

31 December 2011

Notes to the financial statements (continued)

(All amounts in Maldivian Rufiyaa unless otherwise stated)

22 Related party transactions (continued)

iii) Year-end balances arising from sales/purchases of

	2011	2010
Receivables from related parties (Note 8):		
Ministry of Fisheries and Agriculture	-	61,500
Department of Immigration & Emmigration	-	2,700
MNDF Supply unit	-	40,200
State Electricity Company Limited	-	3,000
Maldives Polytechnic	2,329	-
Ministry of Housing & Environment	3,741,479	-
Southern Utilities	362,250	-
State Trading Organization PLC	241,417	-
Waste Management	229,271	-
	<u>4,576,746</u>	<u>107,400</u>
Payables to related parties (Note 11):		
State Trading Organization PLC	193,362	51,800
IGMH	4,690	-
MWSC	559,044	-
State Electric Company Limited	31,080	-
	<u>788,176</u>	<u>51,800</u>

iv) Directors' remuneration

During the year, a total remuneration of MVR 1,046,346, (2011: MVR 892,348) was paid to the directors.

23 Events after the balance sheet date

No events have occurred since the balance sheet date, which would require adjustments to, or disclosure in, the financial statements.

