DIRECTORS' REPORT

For the year ended 31 December 2021

ROAD DEVELOPMENT CORPORATION LIMITED
M. Shipping Plaza, Orchid Magu
Malé, Republic of Maldives

1.0 CORPORATE INFORMATION

1.1 General

Road Development Corporation Limited ("RDC" or "the Corporation"), registration number C1048/2019, was incorporated in October 2019 as a state-owned enterprise with the strategic mandate to support the Government of Maldives in the development of modern, safe and environmentally sustainable infrastructure across the islands.

RDC is a 100% Government of Maldives–owned company, with shares held on behalf of the State by the Ministry of Finance / Privatization and Corporatization Board (PCB).

The registered office of the Corporation during the year and as of 31 December 2021 was:

MSL Building, 1st Floor, Orchid Magu, Malé 20183, Republic of Maldives.

The operational head office is located at M. Shipping Plaza, Orchid Magu, Malé, Maldives.

1.2 Principal Activities and Nature of Operations

During the financial year ended 31 December 2021, the principal activities of the Corporation were:

- Preparation, mobilization and operation of work sites for road construction, paving and related infrastructure works;
- Operation of the manufacturing facility for production of paving blocks and related construction products for internal use and for sale;
- Establishment and strengthening of corporate administrative, financial, technical and project management structures required to support the Corporation's expanding mandate; and
- Expatriate Accommodation Facility Management, which was incorporated into the object clause of RDC's Articles of Association and forms part of the Corporation's business model.

RDC's activities during the year were primarily focused on ramping up operations to deliver on Government-assigned projects and contracts, while building institutional capacity, systems and processes.

2.0 SHARE CAPITAL AND RESERVES

The authorized share capital of the Corporation is MVR 50,000,000, divided into 5,000,000 ordinary shares of MVR 10 each.

As at 31 December 2021, the issued and fully paid-up share capital of the Corporation amounted to:

4,933,495 shares of MVR 10 each,

Total paid-up share capital: MVR 49,334,948.

Calls in arrears as at 31 December 2021 amounted to MVR 665,052 (66,605 shares of MVR 10 each), and are disclosed separately in the financial statements.

The entire paid-up share capital is beneficially owned by the Government of Maldives. There were no changes in the ownership structure during the year.

As at 31 December 2021, the Corporation recorded accumulated losses of MVR 152,324,387, resulting in a negative equity position of MVR 102,989,439 (2020: negative equity of MVR 38,012,152). The capital position and going concern assessment are further discussed in Note 2.3 to the financial statements.

2.1 Board of Directors

In accordance with the Articles of Association and applicable laws and regulations, the Board of Directors is appointed by the Government of Maldives, acting through the Privatization and Corporatization Board (PCB), being the sole shareholder of RDC.

The following persons served as members of the Board of Directors during the year ended 31 December 2021 and up to the date of this report (or as otherwise indicated in the Board's records):

Mr. Abdulla Afeef – Board Chairman

Uz. Moosa Ali Manik – Managing Director / Board Director

Mr. Ahmed Shareef – Deputy Managing Director / Board Director

Mr. Shamveel Mohamed – Board Director

Mr. Ahmed Marzooq – Board Director

There is no provision in the Corporation's Articles of Association requiring directors to retire by rotation. Accordingly, all existing directors continue in office until otherwise resolved by the shareholder in accordance with applicable governance requirements.

The Board of Directors met regularly during the year to discharge its oversight responsibilities over strategy, performance, risk management and internal control. Board deliberations covered, inter alia, operational expansion, financial performance, going concern matters, audit issues and institutional strengthening.

3.0 GOVERNANCE REPORT

3.1 Corporate Governance Framework

The Corporation has adopted and endeavoured to comply with:

- The Corporate Governance Code of the Ministry of Finance applicable to state-owned enterprises (SOEs);
- The principles and guidelines issued by the Privatization and Corporatization Board (PCB); and
- Generally accepted international best practices on corporate governance, to the extent practicable having regard to RDC's stage of development.

The Board recognizes its collective responsibility for:

- Setting the strategic direction of the Corporation.
- Ensuring that appropriate systems of internal control and risk management are in place.
- Overseeing financial reporting and compliance with applicable laws and regulations; and
- Acting in the best interest of the shareholder, while supporting the national socio-economic development agenda.

3.2 Financial Reporting and Compliance

The Board has ensured that the annual audited financial statements for the year ended 31 December 2021 have been prepared in accordance with:

- International Financial Reporting Standards (IFRS) issued by the IASB; and
- The relevant provisions of the Companies Act of the Republic of Maldives (Law No. 10/96) and other applicable regulations.

The financial statements have been prepared on a going concerning basis, taking into account the support letter and funding commitment received from the Ministry of Finance as disclosed in the notes to the financial statements.

The Board acknowledges the Auditor General's Report, which contains a Disclaimer of Opinion on the financial statements for the year ended 31 December 2021, and has initiated actions to address the underlying matters, as further explained in Section 5.0 of this Report.

4.0 OTHER STATUTORY AND OPERATIONAL INFORMATION

4.1 Changes to the Memorandum and Articles of Association

During the year, the object clause of the Corporation's Memorandum and Articles of Association continued to reflect the addition of Expatriate Accommodation Facility Management as an authorized business activity of RDC. No further amendments to the Memorandum and Articles of Association were affected during the year ended 31 December 2021.

4.2 Human Resources

The Corporation continued to scale up its operational and administrative workforce in line with the growth in project portfolio and manufacturing capacity. Human capital development, training, workplace safety and welfare remained areas of focus for management.

4.3 Legal and Regulatory Matters

The Corporation operated in compliance with the laws and regulations of the Republic of Maldives applicable to its activities, including tax, labour, corporate and sectoral requirements.

Matters relating to contingent liabilities, investigations and legal exposures (including those referred to in the Auditor General's Report) are disclosed in the notes to the financial statements to the extent that information was available to management at the time of approval of these financial statements.

The Board confirms that, other than those matters disclosed in the financial statements and the Auditor General's Report, there were no material legal proceedings finally determined against the Corporation during the year which, in the opinion of the Directors, would have a significant adverse impact on the financial position of RDC as at 31 December 2021.

5.0 REPORT ON THE FINANCIAL STATEMENTS

The Directors present to the shareholder the audited financial statements of Road Development Corporation Limited for the year ended 31 December 2021.

The financial statements comprise:

- Statement of Profit or Loss and Other Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows; and
- Notes to the Financial Statements, including significant accounting policies.

5.1 Directors' Responsibility for the Financial Statements

In line with their responsibilities, the Directors confirm that they:

- Have approved the audited financial statements of RDC for the year ended 31 December 2021;
- Are responsible for ensuring that the financial statements are prepared in accordance with IFRS and the Companies Act and present, to the best of their knowledge, a true and fair view of the financial performance and financial position of the Corporation;
- Have taken reasonable steps to ensure that proper accounting records are maintained, that internal controls are in place and functioning effectively, and that assets are safeguarded; and
- Have made an assessment of the Corporation's ability to continue as a going concern, and, based on the support committed by the Ministry of Finance, believe that the going concern basis of preparation is appropriate.

5.2 Summary of Financial Performance

Key financial highlights for the year ended 31 December 2021 are as follows (with comparative figures for 2020):

- Revenue increased to MVR 96,738,674 (2020: MVR 31,314,843), mainly driven by higher activity in road construction and related works.
- Cost of sales amounted to MVR 83,436,034 (2020: MVR 19,609,316), resulting in a gross profit of MVR 13,302,640 (2020: MVR 11,705,527).
- Administrative expenses rose to MVR 117,398,429 (2020: MVR 51,814,168), reflecting expansion of operations, increased staffing, and related overheads.
- Selling and distribution costs were MVR 3,943,308 (2020: MVR 1,403,345).
- Finance cost amounted to MVR 73,747 (2020: MVR 199,157).
- The Corporation recorded a loss before tax and loss for the year of MVR 108,104,815 (2020: loss of MVR 41,711,143).
- As at 31 December 2021, total assets stood at MVR 220,762,757 (2020: MVR 58,648,849).
- Total equity was negative MVR 102,989,439 (2020: negative MVR 38,012,152), primarily due to cumulative operating losses since inception.
- Contract liabilities (customer advances and deposits) increased to MVR 195,803,177 (2020: MVR 70,795,368), reflecting the pipeline of projects and advance receipts.

The Directors recognize that the Corporation remains in a build-up phase, with substantial investments in capacity and systems, and that the financial results reflect the transition from establishment to operationalization.

5.3 Auditor General’s Report – Disclaimer of Opinion

The financial statements for the year ended 31 December 2021 have been audited by the Auditor General’s Office of the Republic of Maldives.

The Auditor General has issued a Disclaimer of Opinion on these financial statements. As explained in the “Basis for Disclaimer of Opinion” section of the Auditor General’s Report, the disclaimer arose primarily due to:

- Insufficient and inappropriate audit evidence made available in respect of certain revenue, cost of sales and administrative expenses;
- Lack of adequate supporting documentation and reconciliations relating to key statement of financial position items, including property, plant and equipment, intangible assets, inventories, advances receivable, stated capital (calls in arrears), trade payables and certain cash and bank balances;
- Issues relating to lease agreements and right-of-use assets / lease liabilities associated with premises leased from Maldives National Shipping Limited;
- Absence of disclosures required by IAS 24 – Related Party Disclosures; and
- Non-availability of lawyers’ representations and information relating to investigations, which restricted the auditors’ assessment of contingent liabilities, provisions and other possible impacts on the financial statements.

Because of these matters, the Auditor General was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and accordingly expressed no opinion on the financial statements.

5.4 Directors’ Response and Remedial Actions

The Board of Directors acknowledges the matters highlighted in the Auditor General's Report and is committed to rectifying and improving the Corporation's financial reporting, internal control and compliance environment.

Key remedial actions initiated or planned include:

- Strengthening financial documentation, reconciliations and audit trails for revenue, expenses, inventories, advances, and payables;
- Enhancing fixed asset management, including tagging, physical verification, reconciliation to the Fixed Asset Register, and alignment with the newly developed Fixed Asset Policy;
- Reviewing and regularising lease agreements and ensuring correct accounting under IFRS 16 – Leases, including right-of-use assets, lease liabilities, depreciation and interest;
- Establishing robust processes for identifying, recording and disclosing related party transactions in line with IAS 24;
- Formalising procedures for obtaining legal confirmations and monitoring ongoing investigations or litigations to ensure appropriate disclosure of contingencies and provisions; and
- Investing in ERP systems, policies and standard operating procedures, as well as staff training, to strengthen the finance function and internal control framework.

The Board is confident that, with these measures and the continued financial support from the Government of Maldives, the Corporation will progressively improve its control environment and audit outcomes in future years.

5.5 Going Concern and Post Balance Sheet Events

The financial statements have been prepared on a going concern basis. As disclosed in the notes to the financial statements:

- The Corporation has incurred cumulative losses and has a negative equity position as at 31 December 2021.
- The Ministry of Finance has formally confirmed its commitment to provide financial support to enable RDC to meet its obligations and continue as a going concern.
- Subsequent to the reporting date, the Board resolved to increase the authorized share capital of the Corporation from MVR 50 million to MVR 1 billion, as approved by the Ministry of Finance.
- Further, as per the agreement entered into with the Government of Maldives through the Ministry of Finance, the Corporation has been extended a loan of MVR 60 million, which strengthens the Corporation's liquidity position and funding base.

The Directors are of the view that these measures provide a reasonable basis for adopting the going concern in preparing the financial statements.

5.6 Approval of the Audited Financial Statements

The audited financial statements of Road Development Corporation Limited for the year ended 31 December 2021 were authorized for issue and approved by the Board of Directors on 8th January 2026.

Signed on behalf of the Board of Directors:

Name	NID	Signature
Mr. Mohamed Shamy Adam Chairman M. Amazon	[redacted]	
Mr. Ibrahim Nazeem Managing Director / Board Executive Director Ma. Elyzium	[redacted]	
Mr. Mohamed Shauya Board Non- Executive Director Athamaage / ADh. Mahibadhoo	[redacted]	
Mr. Mohamed Faiz Board Non- Executive Director Nares / S.Feydhoo	[redacted]	
Mr. Ibrahim Sabah Hassan Board Non- Executive Director Dhekonuge / GA. Kolamaafushi	[redacted]	

Aminath Amany Hassan
Ma. Nikamaage
Company Secretary
[redacted]