



Housing Development Finance Corporation Plc.

Housing Development Finance Corporation Plc



2014

Annual Report

Live your dream, today !

# 2014

Annual Report



Housing Development Finance Corporation Plc.



**HDFC Plc.**  
Annual Report 2014

11th Annual Report  
Published: May 2015

**Housing Development Finance Corporation Plc.**  
4th Floor, H. Mialani  
Sosun Magu  
Male', Republic of Maldives  
Tel: 3338810  
Fax: 3315138  
Email: [info@hdfc.com.mv](mailto:info@hdfc.com.mv)

[www.hdfc.com.mv](http://www.hdfc.com.mv)

Cover Page Art: Ms. Mariyam Maneeha Adnan

# Table of Content

4	Vision, Mission and Pledge
5	Chairman's statement
9	Company Overview
11	HDFC AMNA
12	Corporate Information
13	Board of Directors
14	Profile of HDFC Plc's Board
23	Profile of Members of the Management Team
29	Corporate Social Responsibility
30	HDFC Plc's CSR Framework
34	Community participation
35	Directors' Report
36	Financial Highlights
38	Business Overview
39	Loan Performance
40	Environmental Scan and the Way Forward
41	Asset Quality
41	Impairment Provision
42	Income
42	Expenditure
42	Growth of Income and Profitability
43	Dividend
43	Regulatory Compliance
43	Development of the Human Capital
43	Corporate Governance
44	Directors' responsibility statement
44	Changes in Directorship
45	Auditors
45	Acknowledgement
47	Corporate Governance
55	Audit Committee Report
59	Nomination and Remuneration Committee Report
62	Report of the Shari'ah Committee
63	From the Managing Director's Desk
67	Human Resource Development
72	Audit Report 2014

## **Definition**

Annual Report 2014, comprises the Annual Report of Housing Development Finance Cooperation Plc. (HDFC) prepared in accordance with the Companies Act of the Republic of Maldives (10/96), Listing rules of Maldives Stock Exchange, the Securities Act of Maldives Security Depository and Corporate Governance Code of Capital Market Development Authority Requirements.

Unless otherwise specified in the Annual Report, the terms 'HDFC', 'we', 'us' and 'our' refer to Housing Development Finance Cooperation Plc. The word 'Company' refers to HDFC Plc., including financing facilities extended from the Amna (Islamic Window).

References to the year in this report are, unless otherwise indicated, references to the Company's financial year ending 31st December 2014.

Financial statements of HDFC is prepared in accordance with International Financial Reporting Standards (IFRSs).

## **Cautionary statement with regard to forward looking statements**

HDFC's Annual Report comprises of forward looking statements that are based on current expectations or views, as well as expectations about future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements frequently use words such as 'anticipate', 'target', 'expect', 'would', 'could', 'estimate', 'intend', 'plan', 'goal', 'believe', 'will', 'may', 'should' or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and HDFC plans and objectives, to differ materially from those expressed or implied in the forward looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors are changes in the global, economic, political, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions. HDFC cannot guarantee future results, levels of activity, performance or successes.



## Annual Report 2014

HDFC Plc. of the Maldives proudly presents our successful journey of a decade, adding value to the lives of tens of thousands of people.

We are privileged to be the nation's only specialized provider of housing finance for people to live in a decent home in a safe and healthy environment.

We are Global Partners of IFC's Community of Practitioners of Responsible Finance adhering to the principles of client protection to give a sustainable solution that is the best-fit for our customers to make their dream home a reality.

We understand that our success depends on the quality of our Board of Directors, Controlling Shareholders, Management and Staff, and strive to raise the bar at every opportunity so that we could progressively add best value to our customers, and uplift their living standards.

We relentlessly work with passion and dedication to improve lives of the people in the Maldives who mean more than simply customers to us. As we complete a decade, we are proud to call them "Members of the HDFC Family."



## Vision

Our Vision is to provide decent and affordable homes in a safe and healthy environment, and work towards uplifting the living standards of all Maldivians to become the market leader for financial services in the Maldives.

## Mission

Our Mission is to offer financial and social strength to all Maldivians by providing housing finance facilities and other savings and investment products managed professionally and profitably to the highest International Standards, and to the complete satisfaction of all stakeholders.

## Pledge

HDFC would strive hard and explore all avenues to:

Provide a solution to every single customer.

Process loan applications to the highest professional standard to give a speedy and effective service.

Manage all aspects of customer relationship with due care, communication and sensitivity to ensure 100% loan performance.

To conduct all affairs as a responsible corporate citizen with good governance, accountability and transparency.

“Maldives will be a more urbanized country, providing satisfactory living conditions for all.”



## Chairman's statement

Housing Development Finance Corporation Plc., (HDFC) has crossed a significant milestone of ten years. On March 28, 2014, the Company completed ten years of operations. Reflecting back, the Company started in 2004 and was strengthened through a privatization initiative in 2008. Over the years, the Company has grown and made considerable progress, despite challenging and periodic episodes of economic and political instability.

HDFC has strived to create a housing finance company that focuses on the inherent Maldivian value system and bond that a home brings to a family's well being. With this ethos in mind, HDFC has developed a robust business model for housing finance. The international shareholders have brought stability to the Company, facilitated access to international resources and imbibed good governance practices. The board of directors has also been cognisant of the need to cater to local requirements and thus supported the Company's foray into Islamic housing finance and raising of Islamic bonds.

The Maldives is dependent on tourism and its affiliated industries to grow and sustain its economy. However, it remains vulnerable to global vagaries that impact travel and tourism. By the end of the first half of 2014, the growth forecast of the world economy was revised downwards to 3.3 per cent, lower than earlier estimated. This has also meant that the prolonged slowdown is being carried forward into 2015.

According to the Country Report 2015, published by International Monetary Fund, Maldives has quickly developed into a middle-income state, powered by tourism development, over the recent years. Tourism, directly and indirectly contributes nearly three quarters of the output and underpins the current per capita GDP of US\$ 6,740. However, the economy has experienced unrelenting fiscal deficits, sporadically accompanied by flaring current account deficits and pressures on the currency. Some fiscal policy measures have been taken to uphold the exchange rate parity. The deeper concern, however, remains the dearth of employment opportunities, with youth unemployment being as high as 40 per cent.

According to the Maldives Monetary Authority (MMA), in 2014, the inflation rate was stable and low, averaging below 5%. This was primarily due to weaker fish prices and lower domestic food prices. Similarly, looking at other major components of the Consumer Price Index (CPI), prices for housing and utilities (which accounts for one-third of the CPI basket), grew at 3% with growth in the rental market moderating.

Despite the challenging environment, HDFC continues to be a front-runner in private residential home loans in the Maldives. The business growth remained stable, with the total loan portfolio recording 12.5 per cent growth year-on-year in 2014.

According to the MMA, credit risk remained one of the biggest concerns of the financial sector. This mainly stemmed from the high concentration of single and group exposures and poor asset quality. With a number of prominent foreclosures, some improvement in the non-performing loans (NPLs) was seen in 2013 by the banking and leasing companies. However, in 2014, NPLs in the financial sector slipped again, reaching as high as 17%.

HDFC, however, has adopted principles through a framework guided by the board that sets out policies and procedures to safeguard against credit risk. Credit risks are carefully set and

monitored, based on the customer's profile, loan tenor, security value and industry risk. HDFC has managed to contain its NPLs at low levels and constantly strives to improve its credit quality. HDFC's management took significant steps towards the future growth strategy by strengthening the technology infrastructure in order to spearhead expansion. The Company has recently installed an integrated Oracle platform, connecting the operations side of the business. The ERP solution offers comprehensive management information systems that would help drive better performance in terms of speed of processing loans, operational efficiency, lower costs and better risk management. For both, new and existing customers, this would mean more efficient and effective service delivery.

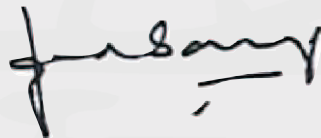
'Maldives Vision 2020' addresses housing under the "physical development and environment" sector. The vision for the sector states, "Maldives will be a more urbanized country, providing satisfactory living conditions for all." As a result, the government has decided to reclaim the second phase of Hulhumale's development project of 244 hectares in 2015. It was reported by Hulhumale Development Corporation, that similar to the first phase, the second phase will be developed according to a master plan. The development project includes residential areas, business and commercial districts, IT parks and tourist attractions. The Government of Maldives envisages that upon completion of the development of the second phase, Hulhumale will host an estimated population of 200,000 people.

According to statistics provided by the Ministry of Housing and MMA, the supply of housing has flat-lined over the last six years, falling far below the demand. With the ambitious Hulhumale project and the announcement of the Male-Hulhule bridge project, the future for the housing finance sector appears promising. Despite increased competition in the housing finance sector, HDFC will continue to innovate and improve its offer to customers.

HDFC has strived to deliver consistent value to all its stakeholders. As a responsible corporate citizen, the Company has embarked on a CSR project to coincide with its tenth year of operations in 2014, by sponsoring ten students from 'Beautiful Eyes' – an NGO for Down Syndrome.

The Company is grateful to its customers who have chosen HDFC and helped build a strong housing finance portfolio. HDFC is grateful for the unstinting support and co-operation it received from the MMA, the Ministry of Finance and other government bodies. The Company also appreciates the support of all its lenders – domestic and international.

On behalf of the board of directors, I would like to take this opportunity to thank all the staff members of HDFC for their dedication and hard work in serving all its customers and stakeholders. I remain confident that the future is bright, both for the Company and the country as a whole.

A handwritten signature in black ink, appearing to read 'Conrad D'Souza', with a horizontal line underneath the name.

Conrad D'Souza



## Company Overview

Housing Development Finance Corporation (HDFC) Limited was incorporated as a state owned enterprise on 28 January 2004 by a Presidential Decree under the Companies Act, Law No: 10/96. The commercial operations commenced on March 29, 2004. HDFC was established with technical assistance from the World Bank, and initially all shares were held by the Government of Maldives (GOM). HDFC Plc. was registered as a public company on the 9th of February 2006.

The HDFC Plc. was privatized with the signing of a shareholders' agreement for privatization between the GOM, IFC, ADB and HDFC-Investments Ltd.-India on July 23, 2008. This Public Private Partnership has a joint foreign investment in 51% shares by International Finance Corporation (IFC) of the World Bank Group, Asian Development Bank (ADB) and HDFC Investments Ltd of India.

The July 2008 initiative to restructure the capital and re-commence the business of HDFC Plc. became effective on February 10, 2009 with the first equity disbursement by the International Shareholders. IFC and ADB's commitment extended to a multilateral funding facility with seven-year tenure. HDFC Ltd of India, with over thirty years of experience in mortgage finance, is the technical partner of HDFC Plc.

Having restructured its capital, and with new lines of long-term credit, Housing Development Finance Corporation Plc., (HDFC) re-entered the market for mortgage loans for housing needs of individuals and families. HDFC is unique as the only specialized housing finance institution in the Maldives. With seven commercial banks operating in the mortgage housing loan market, HDFC's competitive long repayment terms and income-pooled home loans enabled the achievement of a 30% market share by the end of 2010. Today the company's

loan portfolio stood at MVR. 1 billion. The demand for home loans continue at a rate of growth that outstrips the supply of matching funds, and long-term bonds denominated in MVR is seen as the way forward to create sustainable housing finance in the Maldives.

The GOM's policy of improving the infrastructure in focus islands to facilitate economic development through zonal investment opportunities for Public, Private, Partnership (PPP) ventures is viewed as a positive factor in going forward with the development of housing finance. Such an approach would assist sustainable growth in home ownership based on mortgage security over properties that will appreciate in value to satisfy the fair value criterion in debt provisioning and managing credit risk. This is very important as a market characteristic, especially in the light of the financial crisis faced by developed economies of the world.

The structure of the shareholding in the privatized HDFC Plc.

49%



Government of the Maldives

18%



International Finance Corporation

18%



Asian Development Bank

15%



HDFC Investments Ltd. (India)



HDFC Amna is the Islamic window of HDFC created by the Board of Directors to offer Islamic home financing facilities to the customers in an affordable manner. HDFC Amna is being operated as a separate department of HDFC under the existing license of HDFC and is neither a separate company nor a subsidiary. HDFC Amna was launched in the second quarter of 2012.

## HDFC AMNA

The objectives of offering Islamic home financing facilities by setting up HDFC Amna is to confer choice to the customers to choose between Islamic and conventional products, and allow them to build their homes by selecting their preferred choice of facility. It would also allow HDFC to create portfolio diversification in a cost-effective manner.

HDFC Amna observes the following standards to achieve Shari'ah compliance:

- Complete Segregation of Funds
- Shari'ah Supervisory Board (Shari'ah Committee)
- Products fully based on Islamic Concepts including the contracts
- Management in accordance with Islamic principles

The long term vision of HDFC is to convert HDFC Amna to a full-fledged company offering Islamic financing facilities.



## Corporate Information



### Housing Development Finance Corporation Plc

Company Registration Number	C-107/2006
Place of incorporation	Male', Republic of Maldives
Head office	Housing Development Finance Corporation Plc. 4th Floor, H. Mialani, Sosun Magu, Male', Republic of Maldives
Contact Number	3334666, 3338810 Fax: 3315138
Email	info@hdfc.com.mv
Managing Director	Dr. A. D. Priyanka Baddevithana
Company Secretary	Ms. Raheema Saleem
Auditors	KPMG
Legal Counsel	Mazlan & Murad Law Associates

[www.hdfc.com.mv](http://www.hdfc.com.mv)

## Board of Directors

The Board of Directors comprise of five nominees from the shareholders; the Government of Maldives, HDFC Investments Ltd. (India), the Asian Development Bank and the International Finance Corporation. Each of the Shareholders are represented by one Nominee Director with the exception of the Government of Maldives which has two Nominee Directors in the Board.

The Shareholders' also have the right to nominate Alternate Directors who may participate in the Board Meetings but can only exercise the right to vote in the absence of the Nominee representing the shareholder.

The Chairman to the Board of Directors is appointed on rotation, and with a non-voting Managing Director responsible for policy implementation and on-going operations. All Directors possess a wide range of talents, skills and experience with proven track records in the field of housing finance and business administration.

### Nominated Directors

Non - Executive & Independent Director

Mr. Hussain Suhail	Government of Maldives
Mr. Mohamed Shifau	Government of Maldives
Ms. Renu Sud Karnad	HDFC Investments Ltd (India)
Mr. Sanjaya Gupta	Asain Decelopment Bank
Mr. Russell De Mel	International Finance Corporation

### Alternate Directors

Non - Executive & Independent Director

Mr. Hamid Sodique	Government of Maldives
Mr. Conrad D'Souza <i>Chairman</i>	HDFC Investments Ltd (India)
Ms. Christine Engstrom	Asain Decelopment Bank



# director

## **Ms. Renu Sud Karnad**

HDFC Investment - India

Managing Director of HDFC, India. She holds a Master's degree in Economics from the University of Delhi and is a graduate in law from the University of Mumbai.

She is a Parvin Fellow – Woodrow Wilson School of International Affairs, Princeton University, U.S.A. Ms. Karnad joined the Corporation in 1978 and was appointed as the Executive Director of the Corporation in 2000 and was re-designated as the Joint Managing Director of the Corporation in October 2007. She has been appointed as the Managing Director of the Corporation for a period of 5 years, with effect from January 1, 2010. She has been re-appointed as the Managing Director of the Corporation for a period of 5 years, with effect from January 1, 2015, subject to the approval of the shareholders at the ensuing Annual General Meeting.

Ms. Karnad is the chairperson of Credila Financial Services Private Limited and HDFC Property Ventures Limited and a director of ABB Limited, Akzo Nobel India Limited, Bosch Limited, Credit Information Bureau (India) Limited, EIH Limited, GRUH Finance Limited, HDFC Asset Management Company Limited, HDFC Bank Limited, HDFC ERGO General Insurance Company Limited, HDFC Standard Life Insurance Company Limited and Indraprastha Medical Corporation Limited. Ms. Karnad is also a director of H T Parekh Foundation.

Ms. Karnad is the Chairperson of Audit Committee of Akzo Nobel India Limited, Bosch Limited and Credit Information Bureau (India) Limited and a member of Audit Committee of HDFC ERGO General Insurance Company Limited and a member of Investors' Grievance Committee of Bosch Limited.

She has declared that she does not hold any shares in any company of the Maldives that has or will be perceived as a conflict of interest with HDFC Plc.



# director



**Mr. Sanjaya Gupta**  
Asian Development Bank (ADB)

Mr. Sanjaya Gupta, holds a Post Graduate Degree in Business Management. He is also a Fellow of the Royal Institution of Chartered Surveyors.

His professional career started with HDFC Ltd. in 1987 as a management trainee. He worked there for 16 years in various geographies at a variety of strategic and functional positions. His last assignment with HDFC was as the Head of Business Development & Distribution.

Thereafter he worked with ABN AMRO Bank NV as India Business Head, Retail Mortgages and later got elevated as the Mortgage Operations Head for North America and other geographies. His last assignment before PNBHFL was with United Guarantee (AIG Inc.) as the Country Head for India, a joint venture of NHB, ABD and IFC Washington DC.

Throughout his career spanning over 25 years, he has significantly contributed to mortgages and allied risk management products. He has a distinction of establishing international housing finance branch operations for HDFC Ltd., which is also the industry's first. He is often consulted by the policy makers on key changes in the sector.

He has declared that he does not hold any shares in any company of the Maldives that has or will be perceived as a conflict of interest with HDFC Plc.

# director



## Mr. Russell de Mel

International Finance Corporation

Mr. Russell de Mel, having been with NDB for over 30 years, retired as the Bank's Director /Chief Executive Officer in August 2013. Prior to his appointment as CEO he served as Vice President – Head of the Corporate Banking Group and as Vice President – Head of Group Risk Management.

During the initial phase of his career at NDB he held many key positions in the field of Project and Infrastructure Finance. Over the last few decades he had been actively associated with some of the key commercial projects NDB partnered with both local and foreign investors. He also played a leading role in the privatization of the plantation sector. As Head of Group Risk Management he was instrumental in realigning the risk management function within the NDB Group. He was also a director on several Boards of the NDB Group companies until his retirement from NDB.

As CEO of NDB , Mr. de Mel led many new initiatives, some being , the MOU with DBS Bank, Singapore, amalgamation of Retail & SME banking into Branch Banking, greater focus on SME, Project & Infrastructure Financing, Livelihood Development Programmes & rapid branch expansion, & positioning the NDB Group as a Knowledge Hub, with focus on Advisory Services. These won NDB Group many accolades from International Magazines . Mr de Mel was also awarded a Lifetime accolade by the International Finance Magazine, UK, for his outstanding contribution to the Banking Sector.

Mr. de Mel is a Fellow of the Chartered Institute of Management Accountants, UK (FCMA), a Chartered Global Management Accountant (CGMA) & a Fellow of the Institute of Certified Management Accountants (FCMA) , Srilanka.

He has declared that he does not hold any shares in any company of the Maldives that has or will be perceived as a conflict of interest with HDFC Plc.



# director

**Mr. Hussain Suhail**  
Government of Maldives

Mr. Hussain Suhail, is a Board Member for HDFC appointed by the Government of Republic Maldives effective 08th January 2014. He is currently the Head of Human Resources of Island Aviation Services Ltd, the National Carrier of Maldives. He has more than 10 years of experience in the field of Human Resources Management. His responsibilities includes leading Human Resources practices and objectives that will provide an employee-oriented, high performance culture that emphasizes empowerment, quality, productivity and standards, goal attainment, and the recruitment and ongoing development of a superior workforce for the company. Prior to appointment as Head of Human Resources he was Acting as Head of Human Resources Department and was responsible for the day to day activities of Human Resources of the Company. Mr. Suhail is also a member of the Executive Committee of Island Aviation Services Ltd.

Mr. Suhail also has worked at the Department of External Resources which dealt with the coordination of donor assistant for Human Resources development of Maldives.

Mr. Suhail has a Bachelor's Degree in Business Management. does not hold any shares in any company of the Maldives that has or will be perceived as a conflict of interest with HDFC Plc.



# director

## **Mr. Mohamed Shifau**

Government of Maldives

Mohamed Shifau, has recently been appointed as the Board Member of HDFC representing the government of Maldives. At present he is working at the Maldives Gas as the Head of sales and also heads Fahi enterprises, a family enterprise that owns retail operations in Male' and Hulhumale' area.

Right after completing his secondary education he got the opportunity to work in the tourism industry as the Manager of Mayaafushi resort. For two years he was charged with the day to day operations of the resort and dealt with the employees and guests. In 1991, he joined the telecommunications company, Dhiraagu; starting from Assistant product manager, supervisor at cybercafé and outlet supervisor, he worked at Dhiraagu until 2005 when he left in pursuit of a degree in the field of Business Marketing. After returning home he rejoined Dhiraagu and played an active role in the launch of various products at Dhiraagu. In the year 2009 he left Dhiraagu in order to further run and develop his family retail business, Fahi enterprises. He is also the shareholder of Five P Ltd., a company with various businesses with Dhiraagu, logistics and travel operations.

He has declared that he does not hold any shares in any company of the Maldives that has or will be perceived as a conflict of interest with HDFC Plc. He is a co-applicant to a HDFC Housing Loan.



## alternate director

### **Mr. Conrad D'Souza**

HDFC Investment - India  
*Chairman*

Conrad D'Souza, has a Master's Degree in Commerce, a Master's Degree in Business Administration and is a Senior Executive Program (SEP) graduate of the London Business School. He joined HDFC in 1984. He is currently Member of Executive Management and his responsibilities include corporate planning and budgeting, corporate finance and investor relations. He is also a Member of the Asset Liability Committee (ALCO). He was earlier the Treasurer of HDFC and his responsibilities included resource mobilisation both domestic and international and asset liability management. Mr. D'Souza has also worked earlier in Operations and Management Services at HDFC and was also Regional Manager - Maharashtra. He has been a consultant to USAID / UNDP and IFC (Washington) and has undertaken assignments in Asia, Africa and Eastern Europe. He has also been a speaker at various international seminars on housing finance.

He has declared that he does not hold any shares in any company of the Maldives that has or will be perceived as a conflict of interest with HDFC Plc.



## alternate director



**Ms. Christine A. Engstrom**  
Asian Development Bank (ADB)

Ms. Christine A. Engstrom, is an alternate Board Member representing the Asian Development Bank (ADB) since the inception of the privatization of HDFC Plc in 2009. As the Director of ADB's Private Sector Operations Department's Financial Institutions Division, Ms. Engstrom heads a team providing debt, equity and guarantees to financial institutions in emerging Asia.

Ms. Engstrom has approximately 20 years of financial sector experience. She started her career at the International Finance Corporation in Washington, D.C., working in the Asia Department before moving to the Overseas Private Investment Corporation, in Washington, D.C. as Senior Investment Officer. Ms. Engstrom was employed at Fannie Mae from 2001 to 2006 as Deal Structuring Manager in Single Family Mortgages before assuming the post of Senior Transaction Manager in Fannie Mae's Capital Markets group. She is currently based in Manila. Ms. Engstrom holds an MBA from Georgetown University as well as M.A, International Affairs from University of Virginia in addition to B.A. in Political Science from the University of Washington.

She has declared that she does not hold any shares in any company of the Maldives that has or will be perceived as a conflict of interest with HDFC Plc.



## alternate director

### **Mr. Hamid Sodique** Government of Maldives

Mr. Hamid Sodique, is an alternate Board Member representing the Government of Maldives since May 2012. He has over 15 years of experience in management consulting, private sector development and socio-economic research, and was a Board Member of the Maldives Pension Administration Office and served in the Investment Committee of the Board until August 2011.

Mr. Sodique started his Professional career in the Maldives Monetary Authority in 2006 and since then has worked with various government departments, private sector organizations and international development agencies, and is currently the Chief Executive Officer of FJS Consulting Pvt Ltd. He has executed many national and international projects on business management, strategic planning, entrepreneurship development and capacity building. Mr. Sodique holds a Master's Degree in Business Administration from the University of Adelaide, Australia in addition to a Bachelor's Degree in Business Administration from University of Brunei Darussalam.

He has declared that he does not hold any shares in any company of the Maldives that has or will be perceived as a conflict of interest with HDFC Plc other than the ones stated below:

Bank of Maldives Plc. – 1480 shares

State Trading Organization Plc. – 145 shares



## managing director

### **Dr. A. D. P. Baddevithana**

Housing Development Finance Corporation Plc.

Dr. A. D. P. Baddevithana counts more than 35 years of experience, with 25 years in top management positions in Housing Finance, Banking and Business Administration in the UK, Sri Lanka, and Maldives.

Prior to taking up the position of Managing Director of HDFC PLC in the Maldives in September 2008 he served the HDFC Bank of Sri Lanka as its Deputy General Manager, Heading Credit, Operations and Marketing over a period of six years. He began his career in 1977 as a management trainee with the Peter Robinson Group in the UK, and his employment record includes Kensington and Westminster District Finance Office, the Housing Corporation of England and Wales, Clerical Medical Investment Ltd. of the Halifax Group UK, and in Sri Lanka in 1997 as the founder General Manager of the first private sector building society known today as the Nations Building Society, a position he held until he joined the HDFC Bank of Sri Lanka in 2002.

He is a Life Member of the Association of Professional Bankers of Sri Lanka, a Certified Professional Marketer of the Asia Pacific Marketing Federation, Fellow of the Sri Lanka Institute of Marketing, and holds academic qualifications of PhD, MBA, MA and BA. He has attended many international seminars and conferences in the UK, USA, Germany, Singapore, India, Malaysia and Indonesia covering banking, corporate governance, housing finance and Islamic Finance. He has been a key resource person and adviser to a number of state, international and private sector organizations that include HACAS of the UK, the Commonwealth Institute, Asian Development Bank, World Bank and the Central Bank of Sri Lanka, and has served as an accredited resource person for programs of the Institute of Chartered Bankers of the UK.

He holds a qualifying share at HDFC Maldives and does not hold any share in any other company of the Maldives that has or will be perceived as a conflict of interest with HDFC Plc.

## Profile of Members of the Management Team

# operations

### **Ms. Raheema Saleem**

Operations Director and  
Company Secretary

Raheema Saleem is currently, the Operations Director and Company Secretary of Housing Development Finance Corporation (HDFC). Prior to her current position, Raheema was advisor and the founding Managing Director at HDFC. Prior to joining HDFC she has worked for more than 16 years in the Ministry of Finance and Treasury, where her last position was the head of Treasury Department. She has wide experience in credit and debt management. Her other previous appointments include being a member of the Board of Directors, in Housing Development Finance Corporation and State Trading Organisation Plc (STO), Chairperson of National Oil Company Pvt. Ltd., Chairperson of the Audit Committee of STO. She also served as a Member of the National Thalassaemia Programme, Trustee of the National Scholarship Board, Credit Scheme for Women by the Ministry of Women Affairs and Social Security, and Conservation and Sustainable use of Biodiversity Assessment of the UNDP/Government Funded Projects. She also undertook the Yacht Marina, Bid Evaluation managed by the Ministry of Tourism, and represented HDFC to review the National Housing Policy organised by the Ministry of Housing and Urban Development.

She holds double degree in Accounting and Marketing from Curtin University of Technology, Western Australia, Master of Management (specialising in Risk Management) from Monash University, Melbourne and Master of Tourism from Monash University of Melbourne, Australia.

# finance

**Mr. Ali Shareef**  
Chief Financial Officer (CFO)

Mr. Ali Shareef, joined HDFC Plc in October 2012. He has over 11 years of experience in Finance in the Government Sector and has acted as a Consultant to local firms. He started his Professional career in the Public Enterprises Monitoring and Evaluation Board at the Ministry of Finance and Treasury and worked on due diligence of SOE's, Financial reviews of PE's, advice PE's on budgets, business plans & Policies.

Mr. Shareef holds a BA (Hons) Accounting from University of Hertfordshire, UK/ through Inti College Malaysia and he is a Member of the Association of Chartered Certified Accountants of the UK since 2014. He served as Technical Advisor to the Minister in the Public Enterprises Monitoring and Evaluation Board, Ministry of Finance and Treasury prior to joining HDFC Plc.

He has declared that he does not hold any shares in any company of the Maldives that has or will be perceived as a conflict of interest with HDFC Plc.

# corporate and islamic finance

**Mr. Ibrahim Didi**  
Senior Manager - Corporate and Islamic Finance

Mr. Ibrahim Didi, joined the HDFC Plc. in June 2008. He began his career in the Ministry of Planning in August 1998, and his service record includes reputed organisation such as Island Aviation Service Ltd. and Wataniya Telecom Maldives Pvt Ltd., where he was the Finance Operations Manager for three years prior to joining HDFC Plc. He is a passed finalist of the Managerial Level of CIMA. He attended many local and international seminars and workshops on Business Administration, Banking and Islamic Finance.

In addition he played a fundamental role in the formation and development of HDFC Islamic Wing (AMNA) and was actively involved in all stages of the first ever SUKUK issued in the Maldives and the first ever listed Conventional Bond in the Maldives.

He has declared that he does not hold any shares in any company of the Maldives that has or will be perceived as a conflict of interest with HDFC Plc.



# credit

## **Ms. Aishath Rasheeda**

Senior Manager - Credit

Ms. Aishath Rasheeda, joined the HDFC Plc. in March 2004 as part of the initial team and holds one share. She does not hold any shares in any company in Maldives that has a conflict of interest with HDFC Plc. Ms. Rasheeda began her career with the Maldives Monetary Authority in July 1990, and counts continuous 14 years of experience at the Central Bank, which made her a founder staff member as Manager Credit of HDFC Plc. in 2004. She has completed her Masters of Business Administration (MBA) from Cardiff Metropolitan University, UK and has attended many national and international training programs, workshops, and seminars related to both conventional and Islamic Housing Finance.

She has declared that she does not hold any shares in any company of the Maldives that has or will be perceived as a conflict of interest with HDFC Plc.



# administration

## **Mr Adam Athif**

Company Secretary,  
Senior Manager Administration and HRD

Mr Adam Athif, joined HDFC Plc. in December 2004. Mr Athif started his career in the Government of Maldives in 1990 as a Secretary since then he has worked his way up the ladder and has worked in areas related to Administration and Human Resources in the Private Sector as well as the Government. He holds a Diploma in Business Administration and is well versed with local Housing Market having attended various workshops in relation to Housing Finance.

He has declared that he does not hold any shares in any company of the Maldives that has or will be perceived as a conflict of interest with HDFC Plc.

The logo for 'business development & CRM' features the word 'business' in a large, lowercase, sans-serif font. Below it, 'development & CRM' is written in a smaller, lowercase, sans-serif font. The text is centered and overlaid on a background of overlapping, semi-transparent squares in shades of orange, green, and purple.

business  
development & CRM

**Mr. Mohamed Shafeeq**

Senior Manager- Business Development & CRM

Mr. Mohamed Shafeeq, joined HDFC Plc. In July 2009. He began his career in 1997 with Society for Health Education (SHE), a reputed nation-wide non-profit non-government organization in the Maldives, and was promoted as its Finance Director in 2008. He holds a Master in Business Administration (MBA) from the University of Ballarat, Australia in addition to a BA (Hons) Accounting and Finance awarded by University of East London, UK. He is also a member of Association of Chartered Certified Accountants (ACCA), and also a senior member of Certified Practising Accountants of Maldives (CPA Maldives) He attended many local and international seminars and workshops on Business Administration, Marketing, Banking and Finance.

He has declared that he does not hold any shares in any company of the Maldives that has or will be perceived as a conflict of interest with HDFC Plc.

The logo for 'amna' features the word 'amna' in a lowercase, sans-serif font. The text is centered and overlaid on a background of overlapping, semi-transparent squares in shades of green and light green.

amna

**Ms. Aminath Barrath**

Manager & Shari'ah Compliance Officer – HDFC AMNA

Ms. Aminath Barrath, joined HDFC Plc in July 2009 as a Credit Officer. She holds a BAcc (Hons) from International Islamic University Malaysia (IIUM). She has attended many national and international training programs, workshops, and seminars related to both conventional and Islamic Housing Finance.

Currently she is pursuing Part II of Chartered Islamic Finance Professional (CIFP) program through INCEIF, Malaysia.

She has declared that she does not hold any shares in any company of the Maldives that has or will be perceived as a conflict of interest with HDFC Plc.



# information

technology

**Mr. Abdulla Musthafa**  
Chief Technology Officer

Mr. Abdulla Musthafa, joined HDFC Plc., in February 2014. He started his carrier as assistant engineer at Dhivehi Raajjeyge Gulhun Plc (Dhiraagu) a Telecom Company in Maldives, in the year 2009. He worked in its IIP (internet and IP solutions) department. Later he joined Maldives Monetary Authority (Maldives Central Bank), to work on its Credit Information Bureau Project funded by International Finance Corporation (IFC), ADB (Asia Development Bank) and Government of Maldives. He has also worked in senior management level in different local and international agencies such as Maldives Stock Exchange and UNICEF Maldives. He Holds a Master's Degree in Information Technology from Open University Malaysia and a Bachelor's degree in Computer Applications from Bangalore University India. He is an achiever of Special Government Award for top Academic Achievements abroad in the year 2005.

He has declared that he does not hold any shares in any company of the Maldives that has or will be perceived as a conflict of interest with HDFC Plc.



**Mr. Mohamed Fathy**  
Senior Manager - IT

Mr. Mohamed Fathy, joined the HDFC Plc. in March 2004 as part of the initial team and holds one share in the company. Mr. Fathy began his career 2001 in the field of audit and gained experience at local firms and with the experience gained got engaged in providing consultancy services as a freelance consultant. While at HDFC he has headed the Internal Audit Division as well as the IT Division, in addition to numerous contributions provided in the development internal controls and systems, he holds Bachelor of Commerce from Bangalore University of India and M.Sc. in IT Management from Asia Pacific University (A.P.U), Malaysia.

He has declared that he does not hold any share in any company in Maldives that has a or will be perceived as a conflict of interest with HDFC Plc., except at Bank of Maldives Plc. at which he holds 50 shares.



2014  
May  
Celebrating  
10th  
anniversary

2013  
August  
Sukuk  
Introduced

2013  
January  
Fix Income  
Bond Issued

2012  
July  
Opening  
Addu Centre

2012  
May  
AMNA  
inaugurated

2008  
July  
HDFC  
Privatised

2006  
February  
Registered  
as Plc.

2004  
April  
Issued  
Bond

2004  
April  
First Loan

2004  
January  
HDFC  
Incorporated

Flexible  
25 year  
warranty

standard & million plus  
Build your dream home today

Plc

HDFC  
BOND

HDFC

HDFC

2013  
Prospectus

2013  
Prospectus  
BOND

AMNA

HDFC

Plc

HDFC  
BOND

Flexible  
25 year  
warranty

standard & million plus  
Build your dream home today

HDFC



## Corporate Social Responsibility

As a practitioner of Responsible Finance HDFC Maldives' Corporate Social Responsibility (CSR) framework in the year 2014 was very much in line with the "Purpose" part of improving lives using the Quadruple Bottom Line of Planet, People, Purpose and Profit model which is focused on creating long-term value for all stakeholders. HDFC believes that our business must go hand in hand with a sense of responsibility towards all

stakeholders including employees and the society at large that includes groups with special needs.

HDFC is committed to being a socially responsible corporate citizen and its CSR framework is governed by a formal policy. Besides, the Company encourages its employees to participate in the community based activities designed to make our society a better place to live.

## HDFC Plc's CSR Framework

# People

### A responsible Corporate Citizen

HDFC's Inclusive Business Model is based on responsible financial inclusion strategy incorporating emerging best practices from the microfinance industry such as complete transparency of pricing, terms and conditions of all financial products and product differentiation to benefit customers who are from low-to-middle-income segments of society, also constrained by asymmetries in financial knowledge, power and influence.



### Affordable Products

Product design for inclusion began by defining market segments, maintaining a middle to low income orientation and augmenting such methods as Flexible Installment Plans (FLIP), Step-Up Repayment Facility (SURF), and savings related loan products for the self-employed and prudential norms on fixed obligations to income ratios (FOIR) to eliminate over-indebtedness. An in-depth market analysis was carried out to identify the social performance matrix to serve the low-income population with lower mortgage security value in the outer islands to be financed under HDFC Salary benefit scheme.

HDFC integrated social performance management approaches such as respectful collection practices, and high ethical standards in the treatment of customers with a comprehensive complaints handling process to serve them more effectively by including customer feedback for appropriate product design and delivery. In this regard in the year 2014 HDFC has increased Renovation loan amount from MVR 100,000 to MVR 200,000, and also under HDFC Amna started offering Islamic housing finance facility for construction (Istisna') and for renovation (Murabaha).



## Social Housing Schemes

Another important element was the engagement of government social housing schemes to formalize operational guidelines and monitor key policies related to customer protection, environmental standards and socio-economic data for such schemes. The monitoring of compliance and implementation of key policies is carried out at all operational levels, including customer care staff, loan appraisal by credit officers, loan approvals by credit committee, accounts, internal audit and human resources.

# Purpose and Profit

Responsible Financial Inclusion Strategy sets out the following Strategic Objectives:

- Extend financial services to underserved segments through HDFC salary benefit scheme
- Create income generation potential in the down-market segment by financing for an income generating units
- Integrate micro and SME income support solutions to create a responsible credit culture
- Design customer-centric products to maximize the social benefit
- Contribute to the learning agenda in social performance

## Access to Finance

The success of IFC's Pilot Program with HDFC using Performance-Based Grant Initiative for Access to Finance, is based on an inclusive business model with following objectives:

- Expand financial services to underserved segments by developing a range of financial services available to low-income populations innovating products tailored to the needs of low-income customers.
- Going down-market with a clear strategy to manage risk through principles of customer protection.
- Provide incentives and motivation for staff to go beyond traditional financial service to innovate access to finance.
- Widening the range of products, features and services based on a customer-centric approach.
- Contribute to the learning agenda in social performance and improving customers' financial literacy.



An aerial photograph of a tropical island, likely in the Maldives, featuring a lush green forest of palm trees, a central lagoon, and a white sandy beach. The surrounding water is a vibrant turquoise color, transitioning to a deeper blue as it extends into the distance. The word "Planet" is overlaid in a large, white, sans-serif font across the middle of the image.

# Planet

## Environmental protection and Conservation

As a low-lying nation only a few meters above the sea level at the highest point, a low carbon footprint is important to the Maldives. Over the years, the staff of HDFC have become habitually concerned for green practices at the work-place that involves the most environment-friendly lighting, air-conditioning, paper and other material usage in the day-to-day life of the office. In order to extend such practices to those who are developing their homes through HDFC Finance, we have formed Environment Management Committee to oversee, and the following processes in place:

- a. An environmental and social screening and assessment system identifies and assesses the environmental and social impacts and issues (including technical and environmental liability and risk), and financial implications related to environmental and social issues using a Rapid Environmental and Social Assessment Checklist to aid decision-making.
- b. Review and evaluate any environmental clearances and/or applicable national and local government permits/clearances issued by environmental authorities such as land use and zoning clearances, and permits covering sanitation, electrical and mechanical operations, occupancy, etc.
- c. Conduct environmental and social audits whenever which is necessary to quantify the extent of environmental and social problems associated with mortgage lending, and identify necessary mitigation measures. For example, soil and surface water contamination from domestic sewage and solid wastes. Another important aspect is resettlement where involuntary processes are prohibited for funding.
- d. Assess adequacy of the environmental and social management plan (ESMP). The document agreed between the customer and HDFC identifies environmental and social impacts and measures to mitigate, which would provide the basis for environmental and social monitoring.

## Community participation



Culture and customs of the Maldives are rooted in Islam, and it was a privilege for HDFC to be a conduit in promoting Islamic Finance by opening the Islamic Window called HDFC Amna in the year 2012. In 2014, HDFC gave a sponsorship and participated at the first ever Maldives' Islamic Banking and Finance Conference organized by the Islamic Ministry. HDFC Amna had the issuance of the first Islamic Bond (Sukuk) listed on the Maldives Stock Exchange, and distributed a HIBA and profit to Sukuk holders based on the expected profit from the contracts signed during the period to promote the Islamic capital market in the Maldives.

In relation to the 10th Anniversary celebration HDFC officially launched a special CSR program by giving sponsorship for 10 students nominated by the Beautiful Eyes Down Syndrome Association, which is an NGO solely working for the benefit of the children with Down Syndrome by providing proper care, and assistance to the families with training, while creating awareness among the public in general for the need to improving lives of each and every individual in society.

HDFC gave a sponsorship to S. Hithadhoo School for their Annual Prize Day for 2014. Similarly we encourage our staff to participate and collaborate with other institutions to work for the betterment of the society. The "Global Money Week" was such a remarkable event, which was organized by the Maldives Monetary Authority, and the staff of HDFC covered 6 schools in 5 days with information sessions attended by over 500 students.



## Directors' Report

Your Directors have the pleasure of presenting the 11th Annual Report of HDFC PLC- Maldives with the Financial Statement prepared in accordance with IFRS for the Financial Year ended on December 31, 2014.

The Company celebrated its 10th Anniversary on May 31, 2014 in a year that saw the Company crossing the significant milestone of MVR 1 billion in total assets. Rated AA by Care Ratings of India, HDFC PLC was the first Company to make a public issue of bonds by listing Capital Market Instruments in the Maldives' Stock Market in both avenues, conventional and Islamic Finance.

## Financial Highlights

During the six years that followed privatization, HDFC PLC's profits have grown by three and a half times, to close with an operating profit of MVR 64.57 million (USD 4.18 million) in 2014 and the loan book has grown by five and a half times while maintaining a sound asset quality with Net NPAs below 1%, which makes the Company stand out among its competitors in the financial services sector of the Maldives.

	2014	2013
(MVR MILLION)		
Profit (loss) before tax	64.57	59.86
Profit (loss) after tax	54.89	50.93
<b>At the year-end</b>		
Equity	434.52	395.57
Loans and advances to customers	941.49	842.23
<b>Total assets</b>	<b>1,103.37</b>	<b>973.53</b>
<b>FINANCIAL RATIOS</b>		
Return on equity	13%	13%
Total capital ratio	87%	87%
Cost efficiency ratio	15%	15%
Book Value per Share (MVR)	273.01	248.20
Earnings per share	34.44	31.96

## Financial Highlights 2009 to 2013

HDFC was established in 2004 as a state-owned enterprise, and despite many challenges since its privatization in 2008, the Company has shown its strength with steady and sustainable growth.

(MVR MILLION)	2013	2012	2011	2010	2009
Profit (loss) before tax	59.86	57.87	52.60	23.50	19.10
Profit (loss) after tax*	50.93	48.97	49.48	23.50	19.10
<b>At the year-end</b>					
Equity	395.57	360.58	327.54	289.2	265.70
Loans to customers	842.23	757.3	568.38	284.63	170.83
<b>Total assets</b>	<b>973.53</b>	<b>797.68</b>	<b>664.90</b>	<b>487.98</b>	<b>418.35</b>

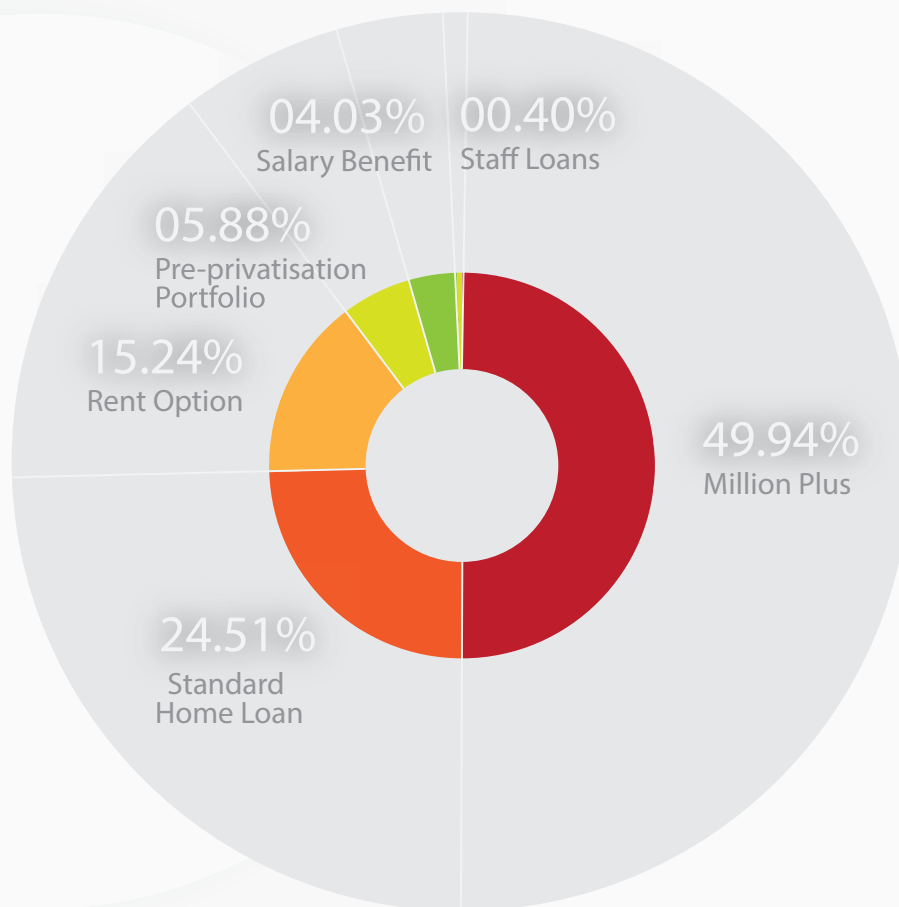
### FINANCIAL RATIOS

Return on equity	13%	14%	16%	8%	9%
Total capital ratio	87%	90%	102%	154%	193%
Cost efficiency ratio	15%	14%	18%	20%	20%

\* Business Profit Tax applicable from July 18, 2011

## Business Overview

HDFC has positioned itself as a Specialist in providing Home Mortgage Solutions catering to Maldivian citizens from all segments of the society. HDFC has developed and launched a number of products since its privatization, which represented 94% of the total loans disbursed.



The Islamic Window, HDFC AMNA, where capacity building was carried out to serve the growing demand for Shariah compliant products through 2014 represented 4% of the total portfolio by the end of the year. 2015 presents the challenge of introducing Islamic Investment Products to the market based on the Profit Sharing Model that would support an expansion to double the size of the Islamic Finance portfolio.

## Loan Performance

During the year ended 31 December 2014, the Company’s total value of loans and advances increased by 11.68% as a result of new disbursements of housing loans. In order to minimize the potential increase of credit risk exposure, HDFC focused more on lending for home construction loans providing collateral and strong repayment capacity from employment and other business and stable rental income.

Total loan portfolio  
**MVR 953 Million**

Market Share  
 More than **50%**

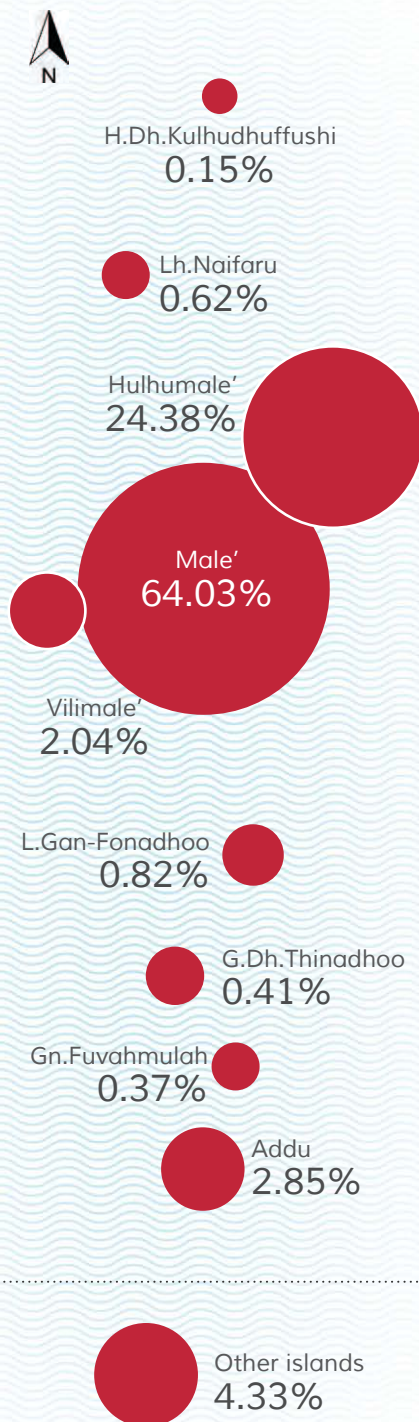
Total value of loans	▲ 12%
Total loans sanctioned	▲ 10%
Total disbursements	▲ 36%

HDFC’s total loan portfolio at the end of 2014 stood at MVR 953,616,785 (MVR 941,492,776 net of provisions). As the Company is about to cross the threshold of MVR 1 billion as the market leader with over 50% share in the market, the credit culture of the Maldives presents a formidable challenge, especially in the light of the average NPL percentage of the Maldives’ banking sector, which has been in double digits exceeding 15% by Q4 of 2014 as reported by the Maldives Monetary Authority’s Quarterly Economic Bulletin in December 2014. HDFC’s success in managing a Net NPA of 0.97% at the end of 2014, which is an improvement of 58% over the previous year where it stood at 1.67% is due to the commitment and diligence of all members of staff who are focused on managing this critical success factor every step of the way by building an effective relationship with each and every customer. With an enhanced IT infrastructure, the Company

plans to expand operations without compromising this personal touch that has worked in the past.

During 2014, the Company sanctioned total loans to the value of MVR 232 million, which is a growth of 10% over the previous year. The total disbursements were MVR 210 million, which was an increase of 36% over the previous period due to the large number of partially disbursed construction loans carried over from 2013, which was marred by disruption to the economy with social and political unrest in the country. During the period September 7 to November 16 of 2013, four Presidential elections were scheduled and three held due to annulments and postponements, and in the disruption that followed, a large number of construction projects were unable to meet the drawdown schedules, which had to be extended to 2014.

## Environmental Scan and the Way Forward



Maldives is home to approximately 350,000 Maldivians living in 189 islands dispersed over 90,000 sq. km. In terms of an environmental scan that will influence the direction and goals of the Company, such a dispersion presents a formidable challenge to the only specialized housing finance institution to the nation, which is what HDFC is, due to the diverse needs of the population. The socio-economic character is changing rapidly with the political dynamics in this nascent democracy. Over the ten years of HDFC's operation, there have been four changes of government, with a common priority of housing as one of the topmost on the political agenda of all parties vying for power. Despite this fact, national policies on Housing and Infrastructure have not been consistent to attract much needed foreign investment to satisfy a backlog of housing exceeding 12,000 units according to recent estimates.

The housing stress is felt the most in the capital city Male' and to facilitate its decongestion, there is special emphasis on developing the reclaimed landmass in the Male' Atoll named Hulhumale' into a modern and sustainable community by providing housing development finance to match the pace of its infrastructure development. The underlying real estate market value of homes developed from HDFC mortgage loans is pivotal as a market characteristic. Therefore, while a vibrant Loan Outreach Program exists to achieve a widespread geographic distribution, the poor market value of property in outer atolls inhibited the growth of to the 12 islands identified in the program. Therefore, the Male Atoll, comprising Male', Hulhumale' and Vilimale' had a 90% share of the total loans disbursed by the Company over the ten years of operations.

The present government's concept of developing economic zones unveiled in 2014 to create centralized demand for housing will create a positive trend for the future. It will assist sustainable development of home ownership based on mortgage financing of properties that would appreciate in value to maintain a positive equity scenario as a result of a bigger market generating greater sustainable demand for housing.

Region	Percentage
Male'	64.03%
Hulhumale'	24.38%
Vilimale'	2.04%
Addu	2.85%
Gn.Fuvahmulah	0.37%
G.Dh.Thinadhoo	0.41%
L. Gan-Fonadhoo	0.82%
Lh.Naifaru	0.62%
H.Dh.Kulhudhuffushi	0.15%
Other islands	4.33%
.....	
Total	100%

## Asset Quality

The Company improved its asset quality substantially during 2014 compared to the previous year of 2013, where the challenges were greater due to political uncertainty. Of the total loan portfolio of MVR. 953.6 million as at the 2014 year end, (Y/E 2013- MVR 853.86), loans that are neither past due or nor impaired totaled MVR 912.5 million, which was 96% compared to MVR 755.2 million and 88% in 2013, and past due but not impaired category of assets was MVR 24.9 million, which was 2.6%, and significantly down from a high of MVR 81.2 million, which was 9.5% in 2013. The impaired assets amounting to MVR 16.1 million gave a gross NPA ratio 1.69% for 2014 where it was 2% for 2013, which recorded MVR 17.5 as impaired.

## Impairment Provision

The Collective Impairment Provision computed in compliance with IFRS was increased by MVR 502,038 for 2014 to close at MVR 12,124,009. During the year the Company did not write off any bad loans.

## Income

The Company's Net Interest Income from conventional finance grew by 10.6% at MVR 72.96 million compared to MVR 65.68 million for 2013. Additionally, for the Islamic Finance Window, the Net Shariah Income grew by 39.5% with MVR 1.2 million compared to MVR 0.87 million the previous year which was the early stages of establishment for the Islamic Finance Window. As the SWAP commitment fee is declining with the aging of agreements made in 2009 and 2011, a 4.4% decline was seen in the fee-based income category. However, with the re-commencement of the Government of Maldives' Social housing program in 2015, the management fee, which accounted for 10% of the total Fee-Based-Income, is likely to increase substantially to mitigate the impact arising out of the declining SWAP commitment fee. The total operating income grew by 9.3% for 2014.

## Expenditure

The total operating expenditure was MVR 18.47 million as compared to MVR 16.12 million in the previous year, which is an increase of 14.5%. It includes non-recurrent expenses on Islamic Finance Product Development and Listing Fee of Sukuk, which accounts for 4% of the increase.

## Growth of Income and Profitability

The Company's income and PBT (Business Profit Tax was introduced in mid-2011) from 2009 was as follows:



## Dividend

Your directors recommend a total dividend of 25% for the year 2014. The proposed dividend includes 10% special dividend to mark the 10th Anniversary of the Company.

## Regulatory Compliance

The Housing Development Finance Corporation PLC is a Company incorporated as a Public Limited Liability Company under the Companies' Act No. 10 of 1996 in the Republic of Maldives. Licensed by the Maldives Monetary Authority as a Non-Bank Financial Institution, the Company engages in the business of granting housing loans for residential and commercial purposes. The Company complies with guidelines issued by the International Finance Corporation, and the Asian Development Bank as well as guidelines and directives issued by the Maldives Monetary Authority and the Government of Maldives' Ministry of Finance and Treasury. The financial statements have been prepared in accordance with International Financial Reporting Standards.

## Development of the Human Capital

HDFC considers its staff to be the greatest asset, and the most valuable investment that would serve to achieve the vision and mission of the Company. Guided by this tenet, HDFC is constantly seeking for avenues to increase productivity and enhance delivery mechanisms of its divisions along with an ERP implementation project that began during the year, which will see HDFC move onto an Oracle Platform in 2015. HDFC has invested in training and developing its staff in order to build capacity for the future growth and sustainability of the organization. Developing Maldivian professionals to assume greater responsibility in business planning and decision-making in the financial sector is a national objective, and HDFC subscribes to this mission. Developing a career path and job design that encourages greater participation in corporate affairs of the organization is encouraged at all levels. HDFC provides opportunities for in-house training, local sponsorship programs, study loans and short term training programs based on training need analysis carried out as part of its staff appraisal system.

## Corporate Governance

While the details are published as a separate disclosure in the Annual Report, your directors report that the Board has discharged the duties and responsibilities in compliance with the standards of corporate governance required by the shareholders agreement of July 23, 2008, and the Code of Corporate Governance issued by the Capital Market Development Authority of the Maldives, as applicable to HDFC PLC.

## Directors' responsibility statement

The Board of Directors hereby state that:

1. In preparation of the annual accounts, the applicable accounting standards have been followed. Appropriate accounting policies have been applied consistently to give a true and fair view of the state of affairs of the Company at the end of the financial year, and of the profit of the Company for the year.
2. Proper and adequate accounting records and controls have been maintained in accordance with the provisions of the Company's Act, safeguarding the assets of the Company and preventing irregularities.
3. The annual accounts have been prepared on a going concern basis.
4. There were no unexpired service contracts within one year without payment or compensation of any Director proposed for election
5. The Board of Directors affirms that there are no other interests of the Directors except those disclosed in this report and the accompanying financial statements.
6. The Board of Directors further affirms that no major events have occurred since the balance sheet date which would require adjustments to, or disclosure, in the financial statements.

## Changes in Directorship

- The Directors extend their appreciation to the Government of Maldives' Directors, Uz. Ashraf Rasheed and Ms. Ashiya Abdul Ghanee who served briefly on the Board in 2014.
- During the period under review Government of Maldives appointed the Mr. Hussain Suhail and Mr. Mohamed Shifau as their Nominee Directors, and they continue to hold office.
- Mr. Russell De Mel was appointed as the Nominee Director of IFC in April 2014.

## Auditors

KPMG has been the statutory auditors for 2014 and are eligible for re-appointment at the AGM.

Recommendation for Appointment and Remuneration are decided by the audit committee of the Board and recommended at the AGM.

## Acknowledgements

The Board of Directors thank the customers for their valuable support and also gratefully acknowledge the support extended by the Maldives Monetary Authority, other regulatory and government bodies, Company's auditors, bankers, consultants, legal counsel and shareholders. The Directors also wish to appreciate management and staff for sustainable efforts to take the Company to greater heights.



# Making Real Estate a Reality

Most Flexible | Longest Repayment | Attractive Rates

- Standard Home Loan
- Million Plus
- Rent Option
- Home Renovation
  
- Isthisnau
- Musharaka Mutha nagisa





## Corporate Governance

The essence of corporate governance at HDFC Plc. is the relationship between the board of directors, management and the shareholders to act in the best interest of the all the stakeholders. Corporate Governance ensures that companies are directed and managed at Board and management level in a fair and transparent manner.

HDFC's corporate governance is planned and implemented at the Board level and led by the Board. It provides guidance on how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimized. Corporate governance provides the organization's policy direction and ensures its implementation in a fair and transparent manner by the board of directors, the management and the staff of HDFC.

The code of corporate governance provides guidance on how to set the objectives of the company for optimum performance while managing and monitoring the risks in order to achieve:

1. Creation of value (through entrepreneurship, innovation, and development)
2. Implementation of effective control systems commensurate to the risks involved
3. Accountability and transparency

## General Principles

The policy requires that the directors and management comply with the following general principles:

1. Conduct all affairs adhering to the highest standards of ethics, transparency, accountability, honesty and integrity.
2. Provide accurate, fair, timely, full and meaningful disclosures in the periodic reports to be filed by HDFC with the stakeholders and regulatory agencies.
3. Timely disclosure of conflicts and potential conflicts of interest that the directors or management may have in the discharge of their duties and responsibilities on corporate governance.
4. Prevent the misuse or misapplication of HDFC's assets and resources.
5. Comply with applicable laws, rules and regulations.

The Capital Market Development Authority (CMDA), which was established in 2006, is the prime mover of promoting corporate governance in the Maldives. Although HDFC is bound by Capital Market Development Authority's Corporate Code on Corporate Governance the benchmarks established by the shareholders' agreement upon privatization of HDFC are far reaching and cover all the essential features of the Maldives' approach to corporate governance.

CMDA has a vision and framework that recognizes the shareholders' rights and ownership functions, the role of stakeholders, disclosure and transparency standards and critical duties and responsibilities of the Board.

## Responsibilities of the Board

The HDFC Board is accountable to the shareholders for overseeing the management and performance of the Company, and is responsible for the Company's overall strategy and governance. The Board has delegated responsibility for day-to-day management of the Company to the Managing Director.

## Board Membership and Composition

The Board of Directors comprises of five nominees from the shareholders; the Government of Maldives, HDFC Investments Ltd., (India), the Asian Development Bank and the International Finance Corporation. Each of the shareholders are represented by one nominee with the exception of the Government of Maldives which has two nominees in the Board.

The shareholders also have the right to nominate Alternative Directors who may participate in the Board Meetings but can only exercise the right to vote in the absence of the Nominee representing the shareholder.

A non-voting Managing Director responsible for policy implementation and on-going operations also has a seat in the Board.

All directors possess a wide range of talents, skills and experience with proven track records in the field of housing finance and business administration.

The Shareholders' Agreement of HDFC facilitates the election of an Independent Director upon the occurrence of public offering of shares of the Company.

## Role of the Chairperson

The Chairman to the Board of Directors is appointed on rotation. The current Chairman is Mr. Conrad De' Souza, he was appointed at the Board of Directors Meeting held on January 11, 2014 and continue to hold office.

## Board Meetings

The Board meets at least once every three months to discuss pending matters and performance of the Company. 4 meetings of the Board of Directors were held during the year 2014.

Directors	No. of meetings	No. of meetings attended
Mr. Hussain Suhail Non - Executive & Independent Director Government of Maldives	4	4
Mr. Mohamed Shifau Non - Executive & Independent Director Government of Maldives	3	2
Mr. Conrad D'Souza Non - Executive & Independent Director HDFC Investments Ltd (India)	4	4
Mr. Sanjaya Gupta Non - Executive & Independent Director Asain Deelopment Bank	4	2
Mr. Russell De Mel Non - Executive & Independent Director International Finance Corporation	3	3
Dr. A.D. Priyanka Baddevithana Head of the Committee Managing Director	4	4
Mr. Hamid Sodique Non - Executive & Independent Director Government of Maldives	1	1
Ms. Ashiya Abdul Ghanee Non - Executive & Independent Director Government of Maldives	1	1

\* Overlap with Mr.Hussain Suhail as Ms.Aishath Abdul Ghanee attended to handover.

## General Meetings

The Annual General Meeting of Shareholders requires a quorum comprising of shareholders holding a majority of shares of the Company. The financial statements of the previous year is approved and adopted at the Annual General Meeting. The Annual General Meeting of 2013 was held on 31st May 2014.

## Board Committees

The Board has also constituted the following Committees

- Audit Committee
- Nominations and Remunerations Committee

Committee Meetings  
held in 2014

**2**  
Audit Committee

**3**  
Nominations and Remuneration

### Audit Committee

The Audit Committee comprises of at least by two (2) of the three (3) Directors appointed by the International Investors Any financial audit of the Company shall be approved by the Audit Committee. The Audit Committee comprises of the following members of the Board.

Mr. Conrad D'Souza	Chairman
Mr. Russell de Mel	Member
Mr. Sanjaya Gupta	Member
Mr. Hussain Suhail	Member

### Nominations and Remunerations Committee

The Nominations and Remunerations Committee consists of 02 Directors appointed by the Government of Maldives along with the Managing Director and Operations Director. The Nominations and the Remunerations Committee comprises of the following members

Mr. Hussain Suhail	Chairman
Mr. Mohamed Shifau	Member
Dr. A.D. Priyanka Baddevithana	Member
Ms. Raheema Saleem	Operations Director

### Shari'ah Committee

The HDFC Amna Department is managed and systematized to ensure proper Shari'ah governance mechanisms both within the department and among its stakeholders. A Shari'ah Committee consisting of three members has been established to advise the Board of Directors of HDFC on Shari'ah related matters. The members of the Shari'ah Committee

Dr. Ibrahim Zakariyya Moosa	Chairman
Assoc. Professor Dr. Rusni Hassan	Member
Dr. Aishath Muneeza	Member

## Declaration of interests

All Directors are required to disclose any matters which may lead to or be perceived as conflict of interest in compliance with the Company's code of conduct and the CMDA's code of governance.

## Information Rights

The Company furnishes the following information to its Shareholders as stipulated in its Shareholders Agreement;

- Annual financial statements within ninety (90) days after the end of each Financial Year, and the related statements of income, stockholders' equity and cash flows for the Financial Year, audited in accordance with the Accounting Standards and certified by the Auditors.
- Within forty-five (45) days after the end of each quarter of each Financial Year, quarterly financial statements
- No later than forty-five (45) days before commencement of each Financial Year, the proposed annual Business Plan;

The Company also provides to each Shareholder such information as any Shareholder from time to time requests with regard to any material developments in or affecting the Company's business.

Upon request, the Company permits representatives of Shareholder or the CAO (in the case of IFC), during normal office hours, to:

- visit any of the sites and premises where the business of the Company or its Subsidiaries is conducted;
- inspect any of the sites, facilities, plants and equipment of the Company or its Subsidiaries;
- have access to the books of account and all records of the Company and its Subsidiaries; and
- have access to those employees, agents, contractors and subcontractors of the Company and its Subsidiaries who have or may have knowledge of matters with respect to which such Shareholders seeks information, as stipulated in the Shareholders Agreement.

*All compliance issues under this code were dispensed effectively.*

Under the Right to Information Act of Maldives (No: 01/2014). HDFC has appointed Mr. Mohamed Shafeeq, Senior Manager – Business Development & Operations as the Information Officer.

## Safeguarding the social and operational environment

The company is bound by the Shareholders Agreement to comply with its comprehensive Safeguard policies.

The Company uses all reasonable efforts to ensure the continuing operation of the Environmental Management System to assess and manage the social and environmental performance of the Operations and to comply with the Safeguard Policies.

At the end of each Financial Year, an annual monitoring report is delivered to ADB, consistent with the requirements of the Shareholders' Agreement, confirming compliance the social and environmental covenants of the Agreement or, as the case may be, identifying any non-compliance or failure, and the actions being taken to remedy any such deficiency.

## Anti-money laundering and combating the financing of terrorism

The Company complies with internal procedures and controls satisfactory to the International Investors, and following national law and best international banking standards, including the standards promulgated by the Basel Committee on Banking Supervision and the Wolfsberg Standards, for the purpose of:

1. Preventing the Company from being used for Money Laundering, the Financing of Terrorism, fraud, or other corrupt or illegal purposes or practices;
2. Ensuring that (A) any financial institution with which the Company conducts business or enters into any transaction, or through which the Company transmits any funds, does not have correspondent banking relationships with any Shell Bank; and (B) that the Company does not conduct business or enter into any transaction with, or transmit any funds through a Shell Bank;
3. Ensuring that the Company will not enter into any transaction with, or for the benefit of, any individuals or institutions named on lists of sanctioned persons promulgated by the United Nations Security Council or its committees resolutions in connection with money laundering or anti-terrorism matters.

Under the Prevention of Money Laundering and Financing of Terrorism Act of Maldives (No: 10/2014). HDFC has appointed Ms. Aishath Rasheeda, Senior Manager – Credit as the AML Officer.


## Sanctionable Practices

All Shareholders other than the International Investors have pledged that neither they nor their affiliates shall engage in any transaction contemplated by the Shareholders' Agreement.

## Affirmative Covenants

The Company adheres to the following covenants:

- a. Undertake its business activities and investments in compliance with Applicable Law,
- b. Obtain and maintain all applicable regulatory authorizations and otherwise stay in compliance with Applicable Law;
- c. Maintain adequate accounting, management, financial control, compliance and risk management systems;
- d. Create an Audit Committee, which shall report directly to the Board of Directors;
- e. Conduct its business in accordance with the Business Plan;
- f. Not register any transfer of shares in contravention of the provisions of the Company's Shareholder's Agreement or its Charter;
- g. Not engage in activities set out in the Prohibited Investment Activities List
- h. Maintain appropriate insurance with financially sound and reputable insurers for losses and/or damages that may occur with respect to its property and business;
- i. Abide by best practices based on the recommendations of HDFC India as the technical partner and which practices HDFC India may audit as appropriate.



# Audit Committee Report

The Audit Committee was established in accordance with the Article 123 of the Association of HDFC Plc. and Article II Corporate Governance Section (b) of the Shareholders Agreement executed between the Shareholders on July 23, 2008, consisting of 4 non-executive directors from amongst the Board of Directors.

## Objectives of the Committee

Prime objective of the Audit Committee is to assist the Board in fulfilling its overall responsibilities and shall include the following.

1. Review the effectiveness of HDFC's internal risk controls and risk management systems;
2. Validate the integrity HDFC's interim and annual financial statements including the disclosures made and the context in which the financial statements have been prepared;
3. Review and critically evaluate the accounting policies, including the consistency in the application of the policies, and any changes being recommended to the accounting policies;
4. Engagement of internal and external auditors, and review of both the internal and external audit functions;
5. Evaluate the independence and effectiveness of the work of the external auditors; and
6. Ensure that compliance requirements are adhered to and are being reported on a timely manner.

Audit committee shall have the mandate to investigate any matter within its terms of reference, and shall have full discretion to invite any director or executive officer to attend its meetings, and can utilize reasonable resources to enable it to discharge its functions properly.

## Composition and Frequency of Meetings

There were 02 meetings of the Audit Committee held in 2014. Matters arising out of the Audit Committee were also discussed across the Board. Membership and attendance detail are as follows

Directors	No. of meetings	No. of meetings attended	Capacity
Mr. Conrad D'Souza	2	2	Chairman
Mr. Sanjaya Gupta	2	1	Member
Mr. Russell De Mel	1	1	Member
Mr. Hussain Suhail	2	2	Member

The committee in general deliberated on the following:

- Reviewed the effectiveness of HDFC's internal risk controls and risk management systems
- Validated the integrity of HDFC's interim and annual financial statements including the disclosure and the context in which the financial statements have been prepared
- Reviewed and critically evaluate the accounting policies, including the consistency in the application of the policies, and any changes being recommended to the accounting policies.
- Engagement of internal and external auditors, and review of both the internal and external audit functions.
- Evaluated the independence and effectiveness of the work of the external auditors and internal auditors; and
- Ensured that the compliance requirements are adhered to and are being reported on a timely manner.
- Deliberated on the Budget
- Reviewed the Appointment of External Auditors for 2014
- Reviewed the Appointment of Internal Auditors for 2014

With the re-appointments of Directors by individual Shareholders the Audit Committee has been re-constituted as follows.

Re-appointed Directors of  
Audit Committee

Mr. Conrad D'Souza

*Chairman of the Committee*

Non - Executive & Independent Director  
HDFC Investments Ltd (India)

.....  
Mr. Russell De Mel

Non - Executive & Independent Director  
International Finance Corporation

.....  
Mr. Sanjaya Gupta

Non - Executive & Independent Director  
Asian Development Bank

.....  
Mr. Hussain Suhail

Non - Executive & Independent Director  
Government of Maldives

## External Audit

KPMG (Chartered Accountants) was appointed as the Company's External Auditors for 2014.

## Internal Audit

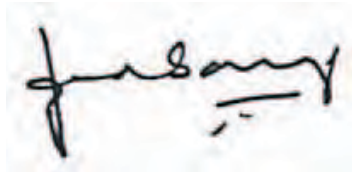
The outsourced internal Audit function was extended to PricewaterhouseCoopers for an additional year under the same terms in 2014. The Scope of the function was broadly defined in two parts. One was to form the Accounting and Financial component while the other was to be concentrated on the operations of the company.

The Audit was conducted on quarterly basis all through year with emphasis on different operational components being addressed every quarter while compliance and financial component addressed at every quarter end.

The audit focus was concentrated on the following areas:

- Accounting and Finance Reporting
- Treasury Operations
- Fixed Asset Management
- Compliance
- Housing Loans
- IT Audit
- Administration
- Human Resource Management

Conrad D'Souza



Chairman of the Audit Committee

## Auditors



KPMG  
External Auditors



PricewaterhouseCoopers  
Internal Auditors



## Nomination and Remuneration Committee Report

The Nomination and Remuneration Committee was established in accordance with the Article 123 of the Association of HDFC Plc. and Article II Corporate Governance Section (b) of the Shareholders Agreement executed between the Shareholders on July 23, 2008, consisting of 2 non-executive directors and Executive Director. Even though under the CG Code of CMDA, the committee should comprise of all Non-Executive Directors, HDFC has opted to include Managing Director due to following factors:

1. According to the shareholders' agreement, the Board of Directors and not the N & R Committee govern the Managing Directors' appointment, performance appraisal and remuneration where at least two of the three international directors would form the majority for a decision. Therefore, no conflict of interest is observed as the Managing Director's objectives are focused on capacity building.
2. Under the mandate provided by the Shareholders Agreement and Articles of Association, the Committee does not have the right to appoint or remove Directors to the Board.

## Objectives of the Committee

Prime objective of the Nomination and Remuneration Committee is to assist the Board in fulfilling its overall responsibilities and shall include the following.

- a. Set and review Staff Salaries
- b. Review of the Organizational Structure
- c. Endorse HR Policies
- d. Adopt best HR Practices for training, retention and development of staff
- e. Set and recommend new staff benefit schemes to the Board.
- f. Identify and shortlist suitable candidates to be recruited to the senior level positions.

## Composition and Frequency of Meetings.

There were 03 meetings of the Nomination and Remuneration Committee held in 2014, the events of such meetings are briefed to the Board of Directors regularly as a practice under Good Corporate Governance. Membership and attendance detail are as follows:

Directors	No. of meetings	No. of meetings attended
Mr. Hussain Suhail <i>Chairman</i> Director for the Government of Maldives	3	3
Mr. Mohamed Shifau <i>Member</i> Director for the Government of Maldives	3	3
Dr. A.D. Priyanka Baddevithana <i>Member</i> Managing Director	3	3
Mr. Adam Athif <i>Member - Secretary</i> Company Secretary & Senior Manager Admin/HR	3	3

## Remuneration of Directors and Key Management Personnel

For the period ended December 31, 2014, total aggregate compensation to the Board of Directors, was approximately MVR 76,335.78. Stocks do not form part of the remuneration package offered to the Board of Directors, and HDFC does not practice a monthly remuneration of its Board Directors, where reimbursement of travel and a Per Diem for meetings away from base is the standard practice. A sitting fee that has been approved by the Board of Directors is paid on attendance.

Aggregate compensation of the entire key management personnel for the period ended 31st December 2014 was approximately MVR 6,234,872.92

Due to the sensitivity of disclosing individual compensation of the Board of Directors and Key Management Personnel, the R and N Committee would only disclose the aggregate compensation data.

Each of the Directors and Key Management Personnel has fully disclosed any conflicts of interest between his or her duties to HDFC as stated in their individual profiles.

## Board Evaluation

Under the Articles of Association and Shareholders agreement, the right to appoint and remove Board Members is solely vested with the Shareholders. Individual evaluation of the Directors so appointed is carried out annually by the Shareholders themselves.

Summary of the key activities the committee undertook during the period is listed:

- Amendment to Staff Distress Loan Scheme
- Amendment to Staff Housing Loan Scheme
- Re-appointment of Shari'ah Committee
- Deliberation on the extension of Outsourced Legal Counsel Term Appointment
- Endorsement of CFA Program for Senior Management Staff
- Establishment of an Annual Leave Carry Forward Policy
- Deliberations of Senior Appointments
- Deliberation on special cases forwarded by HR Department.

Hussain Suhail



Chairman of the Nomination & Remuneration Committee



## Report of the Shari'ah Committee

The Shari'ah Committee of HDFC Plc was established by the Board of Directors to advise HDFC Amna on the operations of its Islamic finance business in order to ensure that the activities do not involve any element which is non-Shari'ah compliant.

The Shari'ah Committee adheres to the Shari'ah opinions of Shari'ah Advisory Council of Maldives Monetary Authority (MMA) and its relevant directives.

The duties and responsibilities of Shari'ah Committee are to advise the Directors on the operations of the Islamic finance business of HDFC Amna to ensure that they do not involve any element which is not approved by Shariah.

The role of Shari'ah Committee in monitoring the financing activities of HDFC Amna is as follows:

- i. To advise the Board of Directors on Shari'ah Matters
- ii. To endorse Shari'ah compliance manuals
- iii. To endorse and validate relevant documents
- iv. To provide written Shari'ah opinion.

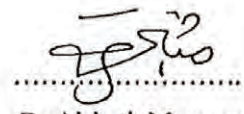
Based on the random cases reviewed and management representation, we, **Dr. Ibrahim Zakariyya Moosa, Dr. Rusni Binthi Hassan and Dr. Aishath Muneeza**, being the members of the Shari'ah Committee of HDFC Amna, do hereby confirm, that in our opinion, the operations of the HDFC Amna, to the extent that has been communicated to us, for the financial year ended 31 December 2014, to the best of our knowledge have been conducted in conformity with the Shari'ah principles.



Dr. Ibrahim Zakariyya  
(Chairperson)



Dr. Rusni Binti Hassan  
(Member)



Dr. Aishath Muneeza  
(Member)

## From the Managing Director's Desk

Dear Shareholders,

I have the pleasure of presenting a review from my desk for your Company's Annual Report for the financial year ended December 31, 2014.

### A Stable Environment

The reporting year of 2014 was extremely eventful for the country as well as the financial services industry of the Maldives. Successful conclusion of the Presidential elections at the end of 2013 led to the formation of a stable government to usher 2014, a year that saw further consolidation of democracy in the Maldives with the second parliamentary elections under the multi-party system held on March 22, 2014. With resolution of the political challenges that faced the country, there was greater economic stability in 2014 with money markets improving the US Dollar position significantly to offer much needed relief to foreign investment companies such as HDFC, and the public in general. The annual number of tourists crossed the threshold of one million, and the country's GDP growth accelerated to 6.8% from 4.7% that was recorded in the previous year of 2013. With the expansion of the economy, the construction industry marked a revival by an estimated 20.6% compared to the sluggish performance of 2.5% in 2013. Although the major part of this rebound was due to new resort projects, many real estate development projects too were conceived in Hulhumale' to help relieve population congestion in the capital city, Male'. This new trend augurs well for the housing finance industry with greater potential for HDFC's future growth.



## Achieving A Significant Milestone

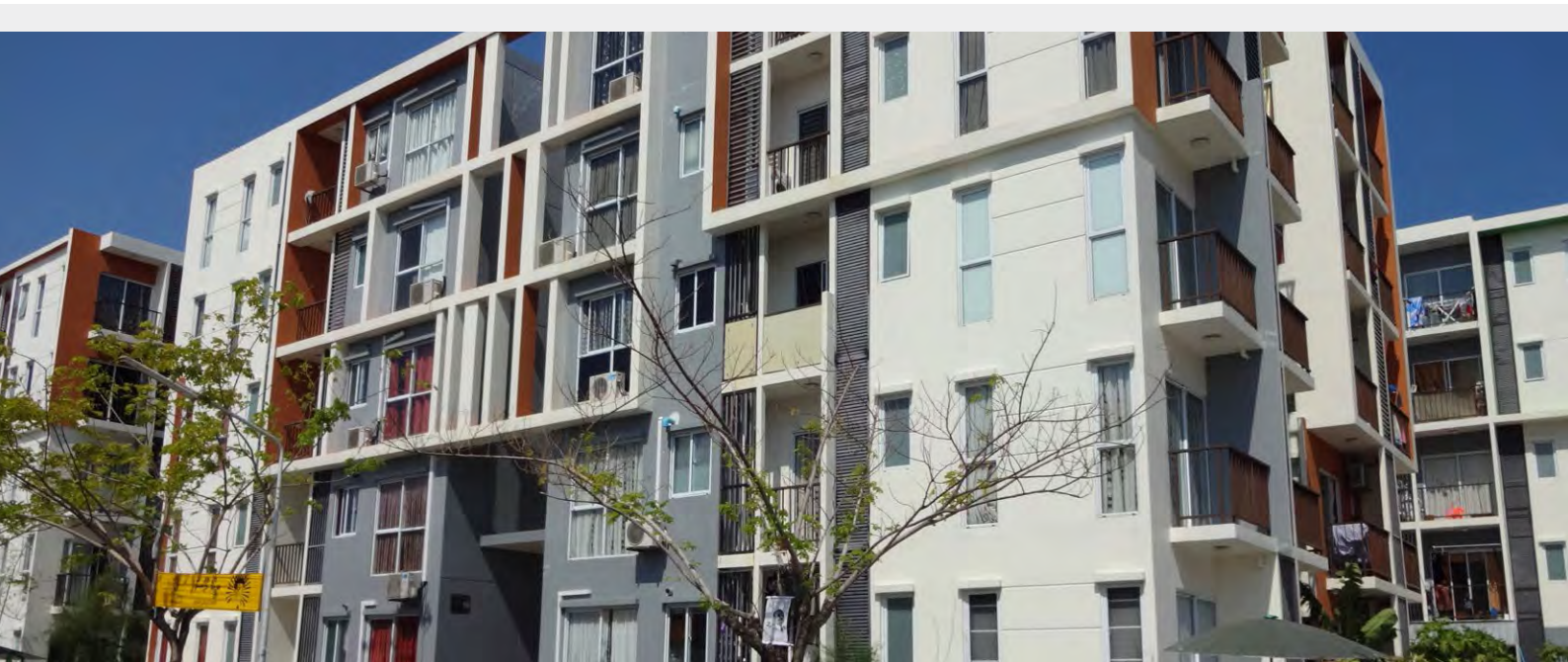
The year 2014 also marked HDFC PLC's 10th Anniversary, which was a significant landmark in the non-bank financial services sector in the Republic of Maldives. HDFC's formative years were built on the foundation laid as a State-Owned-Enterprise in 2004 being a project of the Maldives Monetary Authority, which sought to establish the first specialized provider of home finance in the country. However, the confines of a narrow capital structure during the nascent stage of capital market development in the Maldives, and the economy that suffered the strain of the Asian Tsunami of 2004, inhibited HDFC's growth to becoming a sustainable financial institution that could serve the growing housing needs of Maldivian citizens. As a consequence, HDFC had to go through a three-year moratorium in its lending program, and the Government of Maldives invited the International Finance Corporation to lead a privatization initiative, which resulted in the foreign investing shareholders' agreement of July 23, 2008, and the emergence of a new capital structure with international shareholders becoming a majority while the Government of Maldives held the largest individual share at 49%.

## Partners In Progress

Upon privatization, multilateral funding lines from the Asian Development Bank and International Finance Corporation initiated a mortgage lending program that saw through the backlog of demand built over the years of moratorium. There were two further international senior lending agencies, namely FMO of the Netherlands and DEG of Germany who became valuable International funding partners to support HDFC's mission to improve lives with financial strength to develop decent homes in a safe and healthy environment.

## Enabling Homeownership

HDFC made the biggest contribution to the development of the housing market in the Maldives by establishing the legal structure for title registration and sale of apartments to promote homeownership through mortgage finance. The first project to spearhead this 'new real' in estate development in the Maldives was the Coralville Apartment Complex in Hulhumale', built through a joint venture between the government-owned HDC and the Thai Developer Pruksa in 2010. This paved the way for major local construction companies to enter the housing development industry, and the year 2014 was significant for the commencement of many new projects that were approved for the supply of much-needed housing units in a market with growing demand for housing in Male' and greater Male' region. In the same year, the blueprint for the second phase of reclamation in Hulhumale' was unveiled by HDC, which has been the housing development partner of HDFC since 2004.



## Sustainable And Responsible Finance

A broad-based approach to sourcing long-term funds forged further partnerships within the country with the Bank of Maldives, HSBC, Maldives Islamic Bank, the Maldives Pensions Administration Office, Amana Thakaful Maldives Pvt. Ltd., Maldives Post Limited, and Allied Insurance Company. HDFC also made a pioneering contribution to the development of Capital Markets in the Maldives by listing both conventional and Islamic bonds on the Maldives Stock Exchange.

## An Eventful Year

Some of the notable events and achievements of 2014 include:

- Celebrating the 10th Anniversary on May 31, 2014 with our partners, customers, & staff,
- Listing the first ever Sukuk in the Maldives,
- Crossing the significant milestone of MVR 1 billion in total assets by the Y/E,
- Confirmation of AA Rating for the Listed Bonds by Care Ratings of India,
- Initiating an Islamic Housing Finance Program (Geduruvirikurun) to facilitate HDFC's shared mission with the Housing Ministry to promote decent homes in the under-served provincial Islands,
- Recording an annual operating profit of MVR 64.57 million, which is a growth of three and a half times since privatization.
- Growing the loan-book five and a half times since privatization,
- Maintaining the asset quality, and maintaining Net NPAs below 1% and contributing to the development of Credit Information Bureau in the Maldives and commencement of Oracle Solution for HDFC's IT platform.

## Words Of Appreciation

I wish to thank our management team and staff who have shared HDFC's passion for improving lives with home finance that helps people achieve their dreams. Also on behalf of the management and staff, it is my duty and pleasure to extend our appreciation to the Shareholders for their support, the Board of Directors for their guidance, our Professional Partners for their expertise, and all the Stakeholders for the confidence reposed in HDFC to provide solutions as a practitioner of sustainable responsible housing finance, adding value to lives, neighbourhoods and communities in the Republic of Maldives.

Yours sincerely,



Anil D. Priyanka Baddevithana



# Spirit

## Human Resource Development

*Employee's outcome creates significant relationship between human resource management and performance. - Guest and Purcell*

For the Housing Development Finance Corporation of Maldives to meet its organisational goals, it must attract, develop and retain staff with appropriate proficiencies, skill-set and know-how. Employing and retaining talented employees is an important part of HDFC's business strategy.

The Human Resources Department works closely with all other departments to ensure that the company has the right calibre of staff to achieve the company's overall business objectives.

## Providing Financial Strength to Members of Staff

In a world where credit has become a fundamental aspect of progress, and the core principle of HDFC's business proposition, the company realizes that remuneration alone will not provide the strength to improve living conditions of its internal customers, the staff. Therefore, as a responsible lending institution, HDFC provides a range of financial assistance to all permanent employees in accordance with special credit criteria developed for its staff. These include home loans, motor vehicle loans, personal loans and study loans.

## Healthcare through Medical Insurance

All permanent members of staff are availed medical insurance subject to an annual limit where the premium is paid by the company. In 2014, these services were effectively provided through Amana Takaful Insurance Company.

## Contributing to Employees' Retirement Pension

HDFC is a member of the State Pension Scheme whereby the employer's contribution to the Pension Fund mandated at seven percent of the basic salary is remitted monthly on the behalf of all local employees.

## Training and Development to reach New Markets

Training and development of local staff is one of the most significant areas in the HR Landscape of the Maldives, which as a country, relies on a large number of expatriate employees to occupy key positions in organizations. Therefore, every responsible institution in the Maldives emphasizes on building

local capacity to serve their customers better than their competitors to win and retain a share in a market that has many limitations including size and growth. HDFC is no exception, and remains committed to the training and development of staff at all levels. The management understands that a highly skilled workforce gives a strategic advantage by differentiating the service experience on the basis of quality. Therefore, the principle objective of human resource development at HDFC is linked to overall development of the organization in achieving a competitive advantages through skilled employees. In 2014, training programs were structured with both in-house and overseas training that included workshops and seminars. HDFC Maldives was the first financial institution to open a Shariah Compliant Islamic Finance Window to expand its Home Mortgage market. Role of HRD was crucial in nurturing a specialized skill-set in Islamic Finance to key employees of HDFC within a short period of time to meet the standards demanded by the MMA’s Shariah Council whose approvals are needed for products and processes before they can be offered to customers.

# staff strength



Credit	4	5	Finance
Corporate	2	9	Business Dev.
Hr & Admin	2	3	Recovery
Technical	2	2	IT
Support Staff 2			

## Role of HRD in Achieving Excellence

HDFC's human resource policies and employment framework are intended to provide a compelling proposition to meet the needs and developmental expectations shared by the staff and the organization alike. For its commitment to HRD, the company was amply rewarded with exceptional customer centric approach by its staff in providing solutions to customer needs. HDFC has positioned itself as a provider of an exceptional customer experience at all times, and the staff's passion for caring and expeditious service has been the hallmark of HDFC's success. The tangibility to this perception is given by the superior asset quality with a loan portfolio that has grown over five times during the last five years crossing the one billion mark this year. In an industry where NPA reached over 15% at the end of 2014 as recorded by the MMA, HDFC's success in managing the performance of its loan portfolio with an NPA below 1% stands as testimony to the effectiveness of its human resource in maintaining customer intimacy as a unique proposition. Human Resource factor has differentiated the credit culture of the Maldives for HDFC to achieve an international benchmark in its performance.



# Achievement Awards

2012

FT/IFC Sustainable Investment  
Business Initiative Direction (BID) Goldstar Quality Award

2013

FT/IFC Achievement in Inclusive Business  
European Society for Quality Research-ESQR Quality Achievement Award

2014

World Federation of Business, The BIZZ Award

THE BIZZ

HOUSING DEVELOPMENT FINANCE  
CORPORATION PLC - MALDIVES

# Audit Report 2014

**HOUSING DEVELOPMENT  
FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC  
OF MALDIVES)**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31ST DECEMBER 2014**

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
FINANCIAL STATEMENTS**

**For the year ended 31st December 2014**

<b>CONTENTS</b>	<b>Page</b>
Independent Auditors' Report	1
<b>Financial Statements</b>	
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-36



**KPMG**  
(Chartered Accountants)  
2<sup>nd</sup> 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 : kpmgmv@kpmg.com

**Independent Auditors' Report  
To the Shareholders of  
Housing Development Finance Corporation PLC**

We have audited the accompanying financial statements of Housing Development Finance Corporation PLC (the "Company"), which comprise the statement of Financial Position as at 31<sup>st</sup> December 2014, and the Statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information set out in pages 2 to 36.

**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, 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.

**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 ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 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 Company'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 Company'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.

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

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31<sup>st</sup> December 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Chartered Accountants**

02<sup>nd</sup> May 2015  
Male'

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31ST DECEMBER**

	<b>Note</b>	<b>2014 MRf.</b>	<b>2013 MRf.</b>
Interest income		109,902,521	96,366,027
Interest expense		<u>(36,940,650)</u>	<u>(30,677,041)</u>
<b>Net interest income</b>	<b>6</b>	72,961,871	65,688,986
Net income on Shari'ah products	<b>7</b>	1,214,093	870,781
Fee income	<b>8</b>	7,650,380	8,062,982
Other income	<b>9</b>	<u>1,221,935</u>	<u>1,365,199</u>
<b>Operating income</b>		83,048,279	75,987,948
Provision for Impairment loss on loans and advances	<b>17.1</b>	(502,038)	(217,807)
Personnel expenses	<b>10</b>	(10,208,467)	(9,269,110)
Other operating expenses	<b>11</b>	<u>(7,766,263)</u>	<u>(6,640,388)</u>
<b>Profit before tax</b>		64,571,511	59,860,643
Tax expense	<b>12</b>	(9,676,005)	(8,928,696)
<b>Profit for the year</b>		<u>54,895,506</u>	<u>50,931,947</u>
<b>Basic and Diluted Earnings per share</b>	<b>13</b>	<b>34.44</b>	<b>31.96</b>

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes which form an integral part of the financial statements of the Company set out on pages 6 to 36. The Report of the Independent Auditors is given on page 1.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
STATEMENT OF FINANCIAL POSITION**

**AS AT 31ST DECEMBER**

	Note	2014 MRF.	2013 MRF.
<b>ASSETS</b>			
Cash and cash equivalents	14	25,824,389	58,675,598
Financial Assets Held to Maturity	15	113,487,195	44,094,274
Derivative Asset	16	10,479,366	18,249,470
Loans and advances to customers	17	941,492,776	842,238,237
Property, plant and equipment	18	1,560,770	1,678,378
Intangible assets	19	41,310	218,865
Deferred tax asset	12.2	61,841	65,508
Other assets	20	10,428,160	8,315,072
<b>Total assets</b>		<u>1,103,375,807</u>	<u>973,535,402</u>
<b>LIABILITIES</b>			
Deposits from customers	21	39,831,957	39,726,419
Borrowings	22	567,317,419	466,870,029
Other liabilities	23	61,698,049	71,368,578
<b>Total liabilities</b>		<u>668,847,425</u>	<u>577,965,026</u>
<b>EQUITY</b>			
Share capital	24	159,375,000	159,375,000
Advance for Share Capital	24	51,407,100	51,407,100
General Reserve	25	15,000,000	15,000,000
Staff Education Reserve	25	2,122,626	2,122,626
Retained earnings		206,623,656	167,665,650
<b>Total equity</b>		<u>434,528,382</u>	<u>395,570,376</u>
<b>Total liabilities and equity</b>		<u>1,103,375,807</u>	<u>973,535,402</u>

The financial statements are to be read in conjunction with the related notes which form an integral part of the financial statements of the Company set out on pages 6 to 36. The Report of the Independent Auditors is given on page 1.

These financial statements were approved by the Board of directors and signed on its behalf by:

**Name of the Director**

Mr. Conrad D'Souza / Chairman

Dr. A. D. P. Baddevithana / Managing Director

Mr. Ali Shareef / Chief Financial Officer

**Signature**



.....  
.....  
.....

2<sup>nd</sup> May, 2015

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31TH DECEMBER 2014**

	<b>Share Capital</b>	<b>Advance for Share Capital</b>	<b>General Reserve</b>	<b>Staff Education Reserve</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>MRf.</b>	<b>MRf.</b>	<b>MRf.</b>	<b>MRf.</b>	<b>MRf.</b>	<b>MRf.</b>
As at 1st January 2013	159,375,000	51,407,100	15,000,000	2,457,066	132,336,763	360,575,929
<b>Total Comprehensive Income</b>						
Profit for the year	-	-	-	-	50,931,947	50,931,947
	-	-	-	-	50,931,947	50,931,947
<b>Transactions with owners, recorded directly in equity</b>						
Dividend Paid (Note 24.3)	-	-	-	-	(15,937,500)	(15,937,500)
Transferred during the year	-	-	-	(334,440)	334,440	-
	-	-	-	(334,440)	(15,603,060)	(15,937,500)
As at 31st December 2013	159,375,000	51,407,100	15,000,000	2,122,626	167,665,650	395,570,376
As at 1st January 2014	159,375,000	51,407,100	15,000,000	2,122,626	167,665,650	395,570,376
<b>Total Comprehensive Income</b>						
Profit for the year	-	-	-	-	54,895,506	54,895,506
	-	-	-	-	54,895,506	54,895,506
<b>Transactions with owners, recorded directly in equity</b>						
Dividend Paid (Note 24.3)	-	-	-	-	(15,937,500)	(15,937,500)
	-	-	-	-	(15,937,500)	(15,937,500)
As at 31st December 2014	159,375,000	51,407,100	15,000,000	2,122,626	206,623,656	434,528,382

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes which form an integral part of the financial statements of the Company set out on pages 6 to 36. The Report of the Independent Auditors is given on page 1.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED**

	<b>Note</b>	<b>2014 Mrf.</b>	<b>2013 Mrf.</b>
<b>Cash Flow from Operating Activities</b>			
Profit before tax		64,571,511	59,860,643
<i>Adjustments for:</i>			
Depreciation	<b>18</b>	568,210	614,301
Provision for impairment on loan and advances	<b>17.1</b>	502,038	217,807
Amortization of intangible assets	<b>19</b>	185,399	186,925
Net interest Income	<b>6</b>	<u>(74,175,964)</u>	<u>(65,688,986)</u>
<b>Operating cash flow before working capital changes</b>		<b>(8,348,806)</b>	<b>(4,809,310)</b>
<b>Working Capital Changes</b>			
Change in loans and advances to customers		(99,731,757)	(83,672,744)
Change in other assets		(2,113,088)	(4,684,148)
Change in other liabilities		(14,760,808)	28,169,987
Change in deposits from customers		105,538	3,963,270
Change in derivatives held for risk management		<u>7,770,104</u>	<u>7,312,015</u>
<b>Cash used in Operations</b>		<b>(117,078,817)</b>	<b>(53,720,930)</b>
Interest received		113,709,455	96,664,514
Interest paid		(39,228,335)	(30,677,041)
Income tax paid		<u>(4,581,824)</u>	<u>(14,134,468)</u>
<b>Net Cash used in Operating Activities</b>		<b>(47,179,521)</b>	<b>(1,867,925)</b>
<b>Cash Flow from Investing Activities</b>			
Acquisition of property and equipment	<b>18</b>	(450,602)	(168,372)
Acquisition of intangible asset	<b>19</b>	(7,844)	-
Payments for purchase of investments		<u>(69,310,303)</u>	<u>(43,805,874)</u>
<b>Net Cash used in Investing Activities</b>		<b>(69,768,749)</b>	<b>(43,974,246)</b>
<b>Cash Flow from Financing Activities</b>			
Repayments of borrowing during the year	<b>22</b>	(120,754,558)	(122,711,270)
Borrowings during the year	<b>22</b>	220,789,352	272,026,590
Dividend paid		<u>(15,937,733)</u>	<u>(15,937,400)</u>
<b>Net Cash from Financing Activities</b>		<b>84,097,061</b>	<b>133,377,920</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(32,851,209)</b>	<b>87,535,749</b>
Cash and cash equivalents at the beginning of the year		<u>58,675,598</u>	<u>(28,860,151)</u>
<b>Cash and cash equivalents at end of the year</b>	<b>14</b>	<b><u>25,824,389</u></b>	<b><u>58,675,598</u></b>

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes which form an integral part of the financial statements of the Company set out on pages 6 to 36. The Report of the Independent Auditors is given on page 1.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS**

**1. REPORTING ENTITY**

The Housing Development Finance Corporation PLC (the “Company”) / “HDFC” is a Company incorporated as a Public Limited Liability Company under the Companies’ Act No. 10 of 1996, in the Republic of Maldives with its registered office at 4<sup>th</sup> floor, H Mialani, Sosun Magu, Male’, Republic of Maldives.

The Company engages in the business of granting housing loans for residential and commercial purpose.

**2. BASIS OF PREPARATION**

**(a) Statement of Compliance**

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

**(b) Basis of Measurements**

The financial statements have been prepared on the historical cost basis whereby the transactions are recorded at the values prevailing on the dates when the assets were acquired, the liabilities were incurred or the capital obtained.

**(c) 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, except otherwise indicated.

**(d) Use of Estimates and Judgments**

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.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Company’s financial statements is included in the respective notes.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements.

**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 the Company.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.1 Transactions in Foreign Currency**

Transactions in foreign currencies are translated into the functional currency of the Company at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the spot exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

**3.2 Interest Income and Expenses**

Interest income and expenses are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial Instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income includes interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.

**3.3 Fees and Commission**

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including loan processing fees and fund management fees are recognized as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognized on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

**3.4 Income from Amna Assets**

Income on Amna's financing is recognized on time apportioned basis over the period and the profit rate is determined in advance upon agreement of all parties.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Tax Expense**

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss.

**Current tax**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date.

**Deferred tax**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax rate enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax assets is recognized for unused tax losses, tax credits deductible temporary difference to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it no longer probable that the related tax benefits will be provided.

**3.5 Financial Assets and Financial Liabilities**

**(i) Recognition**

The Company initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognized on the trade date at which the Company commits to purchase or sell the asset. All other financial assets and liabilities are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, transaction costs that are directly attributable to its acquisition or issue.

**(ii) Classification**

Refer accounting policies 3(6), 3(7), 3(8) and 3(9).

**(iii) De-recognition**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Company is recognized as a separate asset or liability in the statement of financial position.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.5 Financial assets and financial liabilities (Continued)**

**(iii) De-recognition (Continued)**

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the de recognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Company de recognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

**(iv) Offsetting**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a Company of similar transactions such as in the Company's trading activity.

**(v) Amortised and Measurement**

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

**(vi) Fair value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.5 Financial assets and financial liabilities (Continued)**

**(vii) Measurement of Impairment**

**(a) Non-derivative Finance Assets**

The finance assets not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is an objective evidence that it is impaired. A finance asset is impaired if there is objective evidence of impairment as a result of one or more event that occurs after the initial recognition of the asset, and that loss event (s) had an impact on the estimates future cash flow of that asset that can be estimated reliably.

Objective evidence that financial asset are impaired includes default or delinquency by a debtor restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indicating that a debtor or issuer will enter bankruptcy, adverse changes in the payment status borrowers or issuers, cash flow difficulties experienced by the borrower, breach of loan covenants or conditions, deterioration in the value of collateral and economic condition that correlate of with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline it its fair value below its cost is objective evidence of impairment. Loans, where interest or principal repayment is past due for 90 days or more, are identified by the Company as non-performing loans.

**Financial assets measured at amortised cost**

The Company considers evidence of impairment for finance assets measured at amortised cost loan and receivables and held-to-maturity investment at both a specific assets and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trend of the probability of default, the timing of the recoveries and the amount of loss incurred, adjusted for management' judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the different between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit and loss and interest on the impaired asset continued to be recognised.

**(b) Impairment of Non-Financial Assets**

The carrying amounts of the Company's non-financial assets and deferred tax assets 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.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.5 Financial assets and financial liabilities (Continued)**

**(viii) De-recognition of Impairment Provision**

When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**3.6 Cash and Cash Equivalents**

Cash and cash equivalents include notes and coins on hand and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

**3.7 Loans and Advances**

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the Company chooses to carry the loans and advances at fair value through profit or loss.

**3.8 Held-To-Maturity**

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Authority has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or as available for sale.

Held-to-maturity investments are carried at amortized cost using the effective interest method. A sale or reclassification of more than an insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available for sale, and would prevent the Authority from classifying investment securities as held to maturity for the current and the following two financial years.

However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value.
- Sales or reclassifications after the Authority has collected substantially all of the asset's original principal.
- Sales or reclassifications attributable to non-recurring isolated events beyond the Authority's control that could not have been reasonably anticipated.

**3.9 Derivative assets**

Derivatives assets include all derivative assets and liabilities that are not classified as trading assets or liabilities.

When a derivative is not held for trading, all changes in fair value are recognized immediately in profit or loss.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.10 Property, Plant and Equipment**

**(i) Recognition and Measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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 labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized 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.

The 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 recognized net within other income in profit or loss.

**(i) Subsequent Costs**

The cost of replacing a part of an item of property, plant and equipment is recognized 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 derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

**(ii) Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold Improvements	10 years
Furniture and Fixture	5 years
Computer Equipment	5 years
Motor Vehicles	4 years
Office Equipment	8 years
Communication Equipments	3 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.11 Intangible Asset**

**(i) Recognition and Measurement**

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

**(ii) Subsequent Expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss when incurred.

**(iii) Amortization**

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Computer Software	Over 4 year
-------------------	-------------

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**3.12 Deposits and Subordinated Liabilities**

Deposits and subordinated liabilities are the Company's sources of debt funding. The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits and subordinated liabilities are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Company chooses to carry the liabilities at fair value through profit or loss.

**3.13 Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost' of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.14 Employee Benefits**

**(i) Defined Contribution Plans**

A defined contribution plan is a post-employment benefit plan under which Company pays fixed contributions 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 are due.

The Company contributes to the Maldives Retirement Pension Fund. All the local employees of HDFC are the members of this Fund to which the Company contributes 7% of employees' monthly basic salary. This contribution is recognized as employee benefit expense when they are due.

**(ii) 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 recognized 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.

**3.15 Operating Expenses**

All operating expenses incurred in the running of the Company and in maintaining the capital assets in a state of efficiency has been charged to the revenue in arriving at profits or loss for the period.

Expenses incurred for the purpose of acquiring, expending 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 Company have been treated as capital expenses.

Gains or losses of a revenue nature on the disposal of property and equipment have been accounted for in the profit or loss.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the operating expenses in the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

**3.16 Segment Reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses, whose operating results are reviewed regularly by the chief operating decision maker and for which discrete financial information is available. The Company's operations are looked at as a single operating segment.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4. DETERMINATION OF FAIR VALUES**

A number of the Company’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**(i) Trade and other receivables**

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

**(ii) Financial liabilities (Non-derivative)**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

**5. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

**5.1 Newly Adopted Standard by the Company**

The Company has adopted the following new standard effective from 1<sup>st</sup> of January 2014.

Title	Description
IAS 32 “Financial Instruments Presentation”	Amendment to this IFRS clarify the offsetting criteria by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement.

**5.2 New Standards and Interpretations not yet Adopted by the Company**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1<sup>st</sup> January 2015. The Company is currently in the process of evaluating the potential impact these standards and interpretation may have on the financial statements.

- IFRS 15 – Revenue from contracts with customers.
- IFRS 9 – Financial Instruments.
- Annual Improvements of IFRSs 2011-2013 Cycle.
- Amendments to IAS 16 and IAS 38 – Classification of Acceptable methods of Depreciation and Amortization.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31ST DECEMBER 2014**

<b>6 NET INTEREST INCOME</b>	<b>2014</b>	<b>2013</b>
	<b>MRf.</b>	<b>MRf.</b>
<b>Interest income</b>		
Housing Loans	104,196,825	91,157,588
Treasury Bill and Other Bank Deposits	5,705,696	5,208,439
<b>Total interest income</b>	<u>109,902,521</u>	<u>96,366,027</u>
<b>Interest expense</b>		
Deposits from Customers	834,790	796,577
Borrowings	32,619,108	23,991,455
Bonds	3,486,752	5,889,009
<b>Total interest expense</b>	<u>36,940,650</u>	<u>30,677,041</u>
<b>Net interest income</b>	<u>72,961,871</u>	<u>65,688,986</u>
<b>7 NET INCOME ON SHARI'AH PRODUCTS</b>	<b>2014</b>	<b>2013</b>
	<b>MRf.</b>	<b>MRf.</b>
Revenue from Housing Facilities	3,434,245	2,973,463
Revenue from Short Term Investments	228,822	-
Fee Income	251,307	16,900
Amna Investors' Profit Share	(2,700,281)	(2,119,582)
	<u>1,214,093</u>	<u>870,781</u>
<b>8 FEE INCOME</b>	<b>2014</b>	<b>2013</b>
	<b>MRf.</b>	<b>MRf.</b>
SWAP Commitment Fees (Note 8.1)	4,984,534	5,719,709
Housing Loan Processing Fee (Note 8.2)	1,932,587	1,556,438
Management Fee (Note 8.3)	733,259	786,835
	<u>7,650,380</u>	<u>8,062,982</u>
<b>8.1 SWAP Commitment fees</b>		
SWAP commitment fees are computed on a daily basis on the outstanding USD balance committed to be sold back by State Trading Organization Plc. The fee percentage is stipulated in the respective SWAP agreements.		
In the initial SWAP agreement signed in 2009, the commitment fees, as stipulated in the agreement was 1% per annum.		
In the second SWAP agreement signed in 2011, the commitment fees, as stipulated in the agreement was 3% per annum.		
<b>8.2 Housing Loan Processing Fee</b>		
Housing Loan Processing Fee is computed based on the approved loan value at the rate of 1% subject to a maximum amount of MRf. 50,000/-.		
<b>8.3 Management Fee</b>		
Management Fee is computed based on the outstanding due to Ministry of Housing and Urban Development fund as at the end of the each month at a rate of 1.75% p.a.		
<b>9 OTHER INCOME</b>	<b>2014</b>	<b>2013</b>
	<b>MRf.</b>	<b>MRf.</b>
Penalty Fee Income on Late Payments	1,037,523	870,000
Income from Issuing Application Forms	-	10,239
Fair Value Gain on Interest Rate SWAP	94,829	484,960
Insurance Commission	89,583	-
	<u>1,221,935</u>	<u>1,365,199</u>

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31ST DECEMBER 2014**

<b>10 PERSONNEL EXPENSES</b>	<b>2014</b>	<b>2013</b>
	<b>MRf.</b>	<b>MRf.</b>
Salaries	6,259,325	5,861,120
Allowances & Bonus	3,533,311	3,076,838
Staff Insurance	98,000	74,200
Provident Fund Contribution	299,399	256,952
Amortization of Prepaid staff cost	18,432	-
	<u>10,208,467</u>	<u>9,269,110</u>
<b>11 OTHER OPERATING EXPENSES</b>	<b>2014</b>	<b>2013</b>
	<b>MRf.</b>	<b>MRf.</b>
Professional Fees	626,630	582,128
Premises, equipment and establishment Expenses	1,250,373	1,105,762
Board Remuneration and Meeting Expenses	762,984	548,535
Advertising and Marketing Expenses	668,153	874,186
Other Expenses	3,704,514	2,728,551
Depreciation	568,210	614,301
Amortization	185,399	186,925
	<u>7,766,263</u>	<u>6,640,388</u>
<b>12 TAX EXPENSE</b>	<b>2014</b>	<b>2013</b>
	<b>MRf.</b>	<b>MRf.</b>
Current Tax Expense ( <b>Note 12.1</b> )	9,672,338	8,984,694
Deferred Tax Asset reversed / (recognized) ( <b>Note 12.2</b> )	3,667	(55,998)
	<u>9,676,005</u>	<u>8,928,696</u>

In accordance with the provisions of the Business Profit Tax Act No. 5 of 2011 and subsequent amendments and the regulations thereto, the Company is liable for income tax on its taxable profits at the rate of 15%.

<b>12.1 Reconciliation Between Accounting Profit and Taxable Profit :</b>	<b>2014</b>	<b>2013</b>
	<b>MRf.</b>	<b>MRf.</b>
Profit Before Tax	64,571,511	59,860,643
Aggregate Disallowable Items	4,336,880	4,468,265
Aggregate Allowable Items	<u>(3,926,138)</u>	<u>(3,930,950)</u>
	64,982,253	60,397,958
Tax Free Allowance	<u>(500,000)</u>	<u>(500,000)</u>
Taxable Profit	64,482,253	59,897,958
Income Tax @ 15%	<u>9,672,338</u>	<u>8,984,694</u>

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31ST DECEMBER 2014**

**12 TAX EXPENSE (CONTINUED)**

<b>12.2 Deferred Tax Asset</b>	<b>2014 MRf.</b>	<b>2013 MRf.</b>
Opening Balance	65,508	9,510
(Reversal) / origination for the year	(3,667)	55,998
Closing Balance	<u>61,841</u>	<u>65,508</u>

**12.3 Deferred Tax Asset**

Deferred tax asset is attributable to the following temporary differences.

	<b>31/12/2014</b>		<b>31/12/2013</b>	
	<b>Temporary Differences MRf.</b>	<b>Tax Effect MRf.</b>	<b>Temporary Differences MRf.</b>	<b>Tax Effect MRf.</b>
Property, Plant and equipment	<u>412,270</u>	<u>61,841</u>	<u>436,720</u>	<u>65,508</u>

**13 BASIC AND DILUTED EARNING PER SHARE**

Basic and Diluted Earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period.

	<b>2014</b>	<b>2013</b>
Net profit attributable to shareholders (MRf.)	54,895,506	50,931,947
weighted average number of ordinary shares in issue	1,593,750	1,593,750
Basic and Diluted Earnings per shares (MRf.)	<u>34.44</u>	<u>31.96</u>

**14 CASH AND CASH EQUIVALENTS**

	<b>31/12/2014 MRf.</b>	<b>31/12/2013 MRf.</b>
Cash in hand	9,500	7,500
Cash in Transit	-	241,286
Account Balances with Other Banks	<u>25,814,889</u>	<u>58,426,812</u>
Cash and cash equivalents for the purpose of cash flows	<u>25,824,389</u>	<u>58,675,598</u>

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31ST DECEMBER 2014**

<b>15 FINANCIAL ASSETS HELD TO MATURITY</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>MRf.</b>	<b>MRf.</b>
Fixed deposits (Note : 15.1)	4,510,357	4,510,357
Investments in Treasury bills (Note : 15.2)	88,897,387	39,583,917
General Investments (Note : 15.3)	20,079,451	-
	<u>113,487,195</u>	<u>44,094,274</u>

**15.1** Fixed Deposit at Bank of Maldives will mature on 3rd April 2015 and carries an interest rate of 3.25% per annum.

**15.2** Treasury Bills will mature on 12th and 16th January 2015, 16th March 2015 and 6th June 2015 and carry an interest rate of 7.5% , 8% & 8.5% per annum.

**15.3** General Investments at Maldives Islamic Bank will mature on 3rd March 2015 and carries an profit share of 8.5%.

<b>16 DERIVATIVE ASSET</b>	<b>2014</b>	<b>2013</b>
	<b>MRf.</b>	<b>MRf.</b>
As at 1st January	18,249,470	25,561,485
Fair value gain recognized during the year	94,829	484,960
Fair value realized during the year	(7,864,933)	(7,796,975)
As at 31st December	<u>10,479,366</u>	<u>18,249,470</u>

The Company has initially calculated and recognized the fair value of three currency SWAPs entered with State Trading Organization, based on the outstanding notional amounts as at the respective inception dates.

At each subsequent period the Company estimates the fair value of the respective SWAPs and adjusts any gain/(loss) arising, in profit/(loss).

The Fair value gain is realized as and when a repurchase transaction in accordance with the agreement takes place.

<b>17 LOANS AND ADVANCES TO CUSTOMERS</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>MRf.</b>	<b>MRf.</b>
Housing Loans	918,126,420	825,813,865
Amna Assets	35,490,365	28,046,343
	<u>953,616,785</u>	<u>853,860,208</u>
Less: Collective impairment provision (Note 17.1)	(12,124,009)	(11,621,971)
	<u>941,492,776</u>	<u>842,238,237</u>

<b>17.1 Collective impairment provision</b>	<b>2014</b>	<b>2013</b>
	<b>MRf.</b>	<b>MRf.</b>
Opening Balance	11,621,971	11,404,164
Provision for the year	502,038	217,807
Closing Balance	<u>12,124,009</u>	<u>11,621,971</u>

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31ST DECEMBER 2014**

**18 PROPERTY, PLANT AND EQUIPMENT**

	<b>Office Equipment MRf.</b>	<b>Computer Equipment MRf.</b>	<b>Furniture and Fixtures MRf.</b>	<b>Motor Vehicles MRf.</b>	<b>Communication Equipment MRf.</b>	<b>Leasehold Improvements MRf.</b>	<b>Total 2014 MRf.</b>	<b>Total 2013 MRf.</b>
<b>Cost</b>								
As at 1st January	599,907	2,012,467	585,371	32,500	14,096	1,003,144	4,247,485	4,079,113
Additions during the year	200,433	135,737	40,980	66,250	7,202	-	450,602	168,372
As at 31st December	<u>800,340</u>	<u>2,148,204</u>	<u>626,351</u>	<u>98,750</u>	<u>21,298</u>	<u>1,003,144</u>	<u>4,698,087</u>	<u>4,247,485</u>
<b>Accumulated Depreciation</b>								
As at 1st January	351,864	1,276,592	411,048	32,500	9,993	487,110	2,569,107	1,954,806
Charge for the year	72,813	312,276	61,122	16,563	5,122	100,314	568,210	614,301
As at 31st December	<u>424,677</u>	<u>1,588,868</u>	<u>472,170</u>	<u>49,063</u>	<u>15,115</u>	<u>587,424</u>	<u>3,137,317</u>	<u>2,569,107</u>
<b>Net Carrying Value</b>								
As at 31st December 2014	<u>375,663</u>	<u>559,336</u>	<u>154,181</u>	<u>49,687</u>	<u>6,183</u>	<u>415,720</u>	<u>1,560,770</u>	
As at 31st December 2013	<u>248,043</u>	<u>735,875</u>	<u>174,323</u>	<u>-</u>	<u>4,103</u>	<u>516,034</u>		<u>1,678,378</u>

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31ST DECEMBER 2014**

<b>19 INTANGIBLE ASSETS</b>	<b>2014 MRf.</b>	<b>2013 MRf.</b>
<b>Cost</b>		
As at 1st of January	736,370	736,370
Additions during the year	7,844	-
As at 31st December	<u>744,214</u>	<u>736,370</u>
<b>Accumulated Amortization</b>		
As at 1st of January	517,505	330,580
Amortization during the year	185,399	186,925
As at 31st December	<u>702,904</u>	<u>517,505</u>
<b>Net Book Value</b>	<u>41,310</u>	<u>218,865</u>

The purchase cost of accounting software has been recognized as an intangible asset and is amortized over a period of four years.

<b>20 OTHER ASSETS</b>	<b>31/12/2014 MRf.</b>	<b>31/12/2013 MRf.</b>
Accounts receivable	1,617,850	1,025,517
Prepayments	8,134,659	7,124,747
Advances to Staff	675,651	164,808
	<u>10,428,160</u>	<u>8,315,072</u>
<b>21 DEPOSITS FROM CUSTOMERS</b>		
	<b>31/12/2014 MRf.</b>	<b>31/12/2013 MRf.</b>
Monthly installment deposits (21.1)	38,628,045	36,226,731
Borrowers deposits	1,203,912	3,499,688
	<u>39,831,957</u>	<u>39,726,419</u>

**21.1 Monthly installment deposits**

Equated monthly installment deposits are held as contingency to settle the monthly installments of borrowings in case the borrower defaults the payment. These deposits carry fixed interest at 2.5% per annum.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31ST DECEMBER 2014**

<b>22</b>	<b>BORROWINGS</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
		<b>MRf.</b>	<b>MRf.</b>
	Opening Balance	466,870,029	313,582,292
	Borrowings during the Year	220,789,352	272,026,590
	Repayments during the Year	(120,754,558)	(122,711,270)
	Interest Expenses for the Year	39,640,931	35,732,870
	Interest paid during the Year	(39,228,335)	(31,760,453)
	Closing Balance	<u>567,317,419</u>	<u>466,870,029</u>
<b>22.1</b>	<b>Sources of funds</b>		
	International Finance Corporation (Note 22.3)	37,063,807	61,801,034
	Asian Development Bank (Note 22.4)	32,004,109	53,340,748
	Netherlands Development Finance Company (Note 22.5)	107,290,056	128,728,413
	Corporate Bond (Note 22.6)	39,539,626	47,876,277
	Wakala facilities (Note 22.7)	30,559,590	30,586,887
	Term Loan from HSBC (Note 22.8)	105,089,178	135,128,157
	Term Loan from Bank of Maldives PLC (Note 22.9)	123,321,479	9,408,513
	Listed Sukuk (Note 22.10)	22,838,227	-
	Long Term Loan - Deutsche Investitions (Note 22.11)	69,611,347	-
		<u>567,317,419</u>	<u>466,870,029</u>
<b>22.2</b>	<b>Maturity analysis of borrowings</b>		
	Payable within one year	243,813,306	139,194,802
	Payable after one year	323,504,113	327,675,227
		<u>567,317,419</u>	<u>466,870,029</u>
<b>22.3</b>	<b>International Finance Corporation (IFC)</b>		
	The borrowings from IFC carry interest at LIBOR +3%. The loan is repayable in 10 half yearly installments commencing from 15th July 2011 and ending on 15th January 2016. The IFC loan is secured by a first ranking mortgage on HDFC's mortgage portfolio and charged over the account in the Maldives into which proceeds of the loan was disbursed and from which housing loans were disbursed.		
<b>22.4</b>	<b>Asian Development Bank (ADB)</b>		
	The borrowings from ADB carry interest at LIBOR +3.3%. The loan from ADB is repayable in 11 half yearly installments commencing after 24 months from the first disbursement date (10th February 2009). The ADB loan is secured by all rights of HDFC under any security obtained by HDFC pursuant to the mortgage loans given by HDFC from the funds disbursed under the ADB loan.		
<b>22.5</b>	<b>Netherlands Development Finance Company (NDFC)</b>		
	The borrowings from NDFC carry interest at LIBOR + 4.25%. The term loan from NDFC is repayable in 16 half yearly installments commencing from 15th April 2012 and ending on 15th April 2019. The NDFC loan is secured by all rights of HDFC under any security obtained by HDFC pursuant to the mortgage loans given by HDFC from the funds disbursed under the NDFC loan.		
<b>22.6</b>	<b>Corporate Bond</b>		
	During 2010, HDFC renewed bonds amounting to MRf. 280,000 with a maturity period of 5 years, carrying interest of 6% per annum. During 2012, HDFC issued bonds twice amounting to MRf. 20,000,000 and MRf. 20,000,000 with a maturity period of 1 year, carrying interest of 7.5% and 8.4% per annum respectively. During		
<b>22.7</b>	<b>Wakala facilities</b>		
	During 2012, HDFC has obtained a loan of MRf 20,000,000 from Maldives Islamic Bank private limited at a profit share of payment of 11.5% p.a with a maturity period of 1 year and during the year 2013, HDFC has obtained a loan of MRf 10,000,000 from Amana Takaful Maldives PLC at a profit share of payment of 11.5% p.a for granting home financing facilities in accordance with the rules and principles of Shariah.		

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31ST DECEMBER 2014**

**22 BORROWINGS (CONTINUED)**

**22.8 Term Loan from HSBC**

Company has obtained a loan of MRf. 150,000,000/- as per the agreement dated 6th February 2013 from HSBC Maldives Branch for the purpose of financing mortgage housing loan programs as set out in the agreement dated 28th June 2012 between the Company and the Government of Maldives. The loan carries interest at MTBR +1.5% and repayable in ten semi annual installments commencing from six month after the first utilisation date. The loan is secured by a guarantee from the Government of Maldives.

**22.9 Loan from Bank of Maldives Limited.**

Company has obtained a loan of MRf. 150,000,000/- as per the agreement dated 3rd April 2013 from Bank of Maldives for the purpose of direct lending to people who carry out housing projects in Maldives. The loan carries interest at a rate of 8.5% p.a and is repayable in monthly installments commencing from the 1st disbursement and end in 2018.

**22.10 Listed Sukuk**

Company has issued transferrable Sukuk amounting to MRf 22,566,000/- on 27th January 2014 at a price of MRf 500/- for a period of Ten (10) years from allotment date and profit will be paid every six months after the date of allotment, until maturity date, the funds are utilized in order to fund shari'ah compliant mortgage housing finance operations under principles and rules of shari'ah. The profit will be shared between Sukuk holder (Rabb al Mal) and Company (Mudarib) at a rate of 65% and 35% respectively.

**22.11 Loan from Deutsche Investitions und Entwicklungs Gesellschaft MBH (DEG)**

The borrowings from DEG carry interest at LIBOR + 5%. The loan is repayable in 18 half yearly installments commencing from 15th January 2015 and ending on 15th June 2023. The DEG loan is secured by a first ranking mortgage on HDFC's mortgage portfolio and charged over the account in the Maldives into which proceeds of the loan was disbursed and from which housing loans were disbursed.

**23 OTHER LIABILITIES**

	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>MRf.</b>	<b>MRf.</b>
Ministry of Housing and Urban Development Fund ( <b>Note 23.1</b> )	46,475,652	40,569,162
MHI Social Housing Fund	2,912,612	114,575
Subscription Receipts	-	21,390,500
Amounts received from customers in advance	2,412,217	2,133,477
Tax Payable	5,179,990	89,478
Dividends Payable	36	269
Insurance Premium Payable	4,573,853	4,903,626
Employees Pension Contribution	51,425	71,851
Accruals and other Liabilities	92,264	2,095,640
	<u>61,698,049</u>	<u>71,368,578</u>

**23.1 Ministry of Housing and Urban Development Fund**

HDFC manages and administers loan schemes under which HDFC, as a custodian receives funds from the Ministry of Housing and Urban Development (MHUD) and disburses such funds to beneficiaries. HDFC is paid management fees of 1.75% per annum on the outstanding balance of the loan at the end of every month. Undisbursed fund carries interest of 2.5% per annum.

**24 SHARE CAPITAL**

**24.1 Authorized**

The authorized share capital comprises of 3,187,500 Ordinary Shares (2013: 3,187,500). All shares are at par value of MRf 100/-.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31ST DECEMBER 2014**

**24 SHARE CAPITAL (CONTINUED)**

**24.2 Issued and Fully Paid**

The issued and fully paid share capital comprises of 1,593,750 Ordinary Shares (2013: 1,593,750). All shares are at par value of MRf 100/-.

**24.3 Dividends and Voting Rights**

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at Shareholders' meetings of the Company.

The board of directors of the Company has paid a dividend of MRf. 15,937,500/- (Dividend per share MRf. 10/-) during the year ended 31st December 2014 (2013 : MRf. 15,937,500/-) (Dividend per share MRf. 10/-)

**24.4 Advance for Share Capital**

Ministry of Finance and Treasury of Maldives has advanced MRf 128,500,000/- to Housing Development Finance Corporation PLC on 11 January 2007. It is envisaged that the Ministry together with other equity partners will take up the increased share Capital of the Company. The Company has transferred MRf. 77,092,900/- to share capital and remaining will be converted to share capital in the future. Accordingly MRf 51,407,100/- has been recorded as an advance for share capital.

**25 RESERVES**

**25.1 General Reserve**

General reserve has been created by the descretion of the board of derectors and will be utilized for any purpose decided by the board of directors.

**25.2 Staff Education Reserve**

The Company has created the staff education reserve for the purpose of providing finance assistance for higher education of HDFC staff members.

**26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**26.1 Overview**

HDFC's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are inevitable consequence of being in business. HDFC's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on HDFC's financial performance.

HDFC's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. HDFC regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

Risk management is carried out by HDFC under policies approved by the Board of Directors. HDFC identifies and evaluates financial risks in close co-operation with the HDFC's operating unit. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk and liquidity risk. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk and interest rate risk.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31ST DECEMBER 2014**

**26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**26.2 Credit risk**

The Company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for HDFC by failing to discharge an obligation. Credit risk is the most important risk for HDFC's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from lending activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

The credit policies were formulated covering HDFC's credit activities and establishment of individual limits of authority for initiating, reviewing and approving credit.

A credit Committee comprising the Managing Director, Advisor to Managing Director, Manager Administration, Credit and Head of Accounts meets regularly to discuss credit proposals in line with credit policies. The credit Committee also reviews non-performing assets, documentation and other credit related issues.

**26.3 Risk limit control and mitigation policies**

HDFC manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to corporates. HDFC structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to corporates. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

**26.3 Risk limit control and mitigation policies (continued)**

Some other specific control and mitigation measures are outlined below;

**(a) Collateral**

HDFC employs a range of policies and practices to mitigate credit risk. The most traditional of these is the obtaining security for housing loans, which is a common practice. HDFC implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for housing loans are mortgage over housing units that is financed by HDFC.

**(b) Credit-related commitments**

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans. With respect to credit risk on commitments to extend credit, HDFC is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is negligible than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards and since generally these exposures are secured against adequate collateral. HDFC monitors the term to maturity of credit commitments.

**26.4 Impairment and provisioning policies**

Impairment provisions are recognised for financial reporting purposes based on expected. Future losses calculated based on historical default rates.

**Maximum exposure to credit risk before collateral held or other credit enhancements**

Maximum exposure before collateral equals to the net carrying value of all the assets in the Statement of Financial Position except cash and bank balances representing a worse case scenario of credit risk exposure to HDFC at 31 December 2014 and 31 December 2013, without taking account of any collateral held.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the HDFC resulting from its loan portfolio and based on the following:

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31ST DECEMBER 2014**

**26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**26.4 Impairment and provisioning policies (continued)**

- All the housing loans are backed by collateral.
- 96% of the loans and advances portfolio are considered to be neither past due nor impaired (31 December 2013: 88%);

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of loans and advances to customers.

	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>MRf.</b>	<b>MRf.</b>
Neither past due or nor impaired	912,518,646	755,194,811
Past due but not impaired	24,955,458	81,214,574
Impaired	16,142,681	17,450,823
Gross loans and advances	953,616,785	853,860,208
Less: provision for impairment	(12,124,009)	(11,621,971)
Net loans and advances	<u>941,492,776</u>	<u>842,238,237</u>

During the year ended 31 December 2014, the Company's total value of loans and advances increased by 11.68% as a result of new disbursements of housing loans. In order to minimise the potential increase of credit risk exposure, HDFC focused more on lending house construction loans providing collateral and strong repayment capacity from employment, other business and rental income.

**(a) Loans neither past due nor impaired**

Currently HDFC maintains an internal credit rating system for loans neither past due or impaired. Internal rating is calculated by taking total receipts for the period (A) and total late penalty for the period (B), and arriving at a percentage by dividing B by A, (i.e. B/A). Percentages are graded as follows;

Internal Ratings	Basis for grading (B/A)	31/12/2014		31/12/2013	
		Loans to customers	Percentage of total	Loans to customers	Percentage of total loans
		MRf.	MRf.	MRf.	MRf.
A+	0.2%	877,720,163	96.19%	705,873,654	93.47%
A	0.2% to 0.5%	3,336,783	0.37%	3,994,042	0.53%
A-	0.5% to 1%	7,987,220	0.88%	18,768,422	2.49%
B+	1% to 1.5%	14,069,243	1.54%	7,562,350	1.00%
B	1.5% to 2%	-	0.00%	3,276,778	0.43%
C	above 2%	9,405,237	1.03%	15,719,565	2.08%
		<u>912,518,646</u>	<u>100%</u>	<u>755,194,811</u>	<u>100%</u>

**(b) Loans and advances past due but not impaired**

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by areas to customers that were past due but not impaired were as follows:

<b>31 December 2014 (MRf. '000)</b>	<b>Male'</b>	<b>Hulhumale'</b>	<b>Outer atoll</b>	<b>Total</b>
Past due 30-60 days	11,344	6,136	960	18,440
Past due 60-90 days	1,104	4,925	487	6,516
Total	<u>12,448</u>	<u>11,061</u>	<u>1,447</u>	<u>24,956</u>
<b>31 December 2013 (MRf. '000)</b>	<b>Male'</b>	<b>Hulhumale'</b>	<b>Outer atoll</b>	<b>Total</b>
Past due 30-60 days	49,802	15,908	11,178	76,888
Past due 60-90 days	-	2,171	2,156	4,326
Total	<u>49,802</u>	<u>18,079</u>	<u>13,334</u>	<u>81,215</u>

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31ST DECEMBER 2014**

**26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**26.4 Impairment and provisioning policies (continued)**

*(c) Loans and advances impaired*

The impaired loans and advances to customers before taking into consideration the cash flows from collateral held is MRf. 16,142,681/- (as compared to on 31 December 2013 when impaired loans and

The breakdown of the gross amount of impaired loans and advances by areas are as follows:

<b>31 December 2014 (MRf. '000)</b>	<b>Male'</b>	<b>Hulhumale'</b>	<b>Outer atoll</b>	<b>Total</b>
Impaired loans	8,214	6,283	1,646	16,143
<b>31 December 2013 (MRf. '000)</b>	<b>Male'</b>	<b>Hulhumale'</b>	<b>Outer atoll</b>	<b>Total</b>
Impaired loans	9,154	4,444	3,853	17,451

**26.5 Concentration of risks of financial assets with credit risk exposure**

*(a) Geographical sectors*

HDFC's lending activities are limited to Maldives.

*(b) Sectors*

The following table breaks down HDFC's main credit exposure at their carrying amounts, as categorised by the sectors of our counterparties.

	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>MRf.</b>	<b>MRf.</b>
Residential	908,456,724	806,474,674
Islamic Mortgages	35,490,365	28,046,342
Commercial	9,669,696	19,339,192
Grand total	<u>953,616,785</u>	<u>853,860,208</u>

**26.6 Market risk**

HDFC takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and foreign exchange rates.

Non-trading portfolios primarily arise from the interest rate management of HDFC's housing and cost of funds.

The market risks arising from non-trading activities are concentrated in HDFC's Assets and Liabilities Management Committee (ALCO).

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31ST DECEMBER 2014**

**26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**26.7 Foreign exchange risk**

All the transactions except transactions carried out in local currency, Maldivian Rufiyaa (MVR), are carried out mainly in United States Dollars (USD) for which exchange rate was pegged. However, with effect from 10 April 2011, the government declared a managed float of the currency within a 20% band ( 1 US\$ = MVR 10.28 to MVR 15.42). The Corporation takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The management has set up a policy to manage their foreign exchange risk against their functional currency, by entering into forward contracts.

HDFC has borrowed US\$ 7.5 million from Asian Development Bank (ADB) and US\$ 4 million from International Finance Corporation (IFC). HDFC also received share capital amount from foreign investors amounting to US\$ 6.875 million. The proceeds from these were sold to State Trading Organisation PLC (STO) for equivalent Rufiyaa at 1 US\$ = 12.85 MVR. HDFC has entered into a SWAP agreement with STO by which STO will sell equal amount of US\$ at the rate of 1 US\$ = 12.85 MVR to honour the US\$ requirement of HDFC.

HDFC has also borrowed US\$ 3.5 million from International Finance Corporation (IFC) and US\$ 7 million from Netherlands Development Finance Company (NDFC). HDFC has also borrowed US\$ 4.5 million from Deutsche Investitions- und(DEG). The proceeds from these were sold to State Trading Organisation PLC (STO) for equivalent Rufiyaa at 1 US\$ = 15.38 MVR and 1US\$ = 15.42 MVR respectively. HDFC has entered into three SWAP agreements with STO by which STO will sell equal amount of US\$ to honour the US\$ requirement of HDFC at the rate of 1 US\$ = 15.38 MVR and 15.42 MVR.

By virtue of the SWAP agreement, HDFC will be able to service the US\$ loans obtained from ADB, IFC, FMO and DEG. As at the reporting date, the outstanding balance in borrowings, with regard to the money provided for this SWAP agreement, amounts to US\$ 15,787,667/-, against which the amounts of US\$ to be purchased from STO PLC is US\$ 16,456,458/-

The Company's exposure to currency risk as at reporting date is as follows;

	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>US\$</b>	<b>US\$</b>
<b>Assets</b>		
Cash and balances with Banks	187,135	763,084
Derivative financial instruments	679,596	1,183,494
<b>Total assets</b>	<b>866,731</b>	<b>1,946,578</b>
<b>Liabilities</b>		
Borrowings	15,787,667	15,603,956
<b>Total Liabilities</b>	<b>15,787,667</b>	<b>15,603,956</b>
<b>Net on-balance sheet financial position</b>	<b>(14,920,936)</b>	<b>(13,657,378)</b>
<b>Commitments</b>	<b>16,456,458</b>	<b>17,715,953</b>
<b>Net</b>	<b>1,535,522</b>	<b>4,058,575</b>

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31ST DECEMBER 2014**

**26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**26.8 Interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. HDFC takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on cash flow risks. Interest margins may increase / decrease as a result of such changes but may reduce losses in the event that unexpected movements arise.

The extent of the interest rate risk depends on the value and period of the maturity mismatch between interest bearing assets and liabilities and the ability and speed of HDFC in re-pricing them. ALCO regularly reviews these gaps to ensure that they are within acceptable norms. HDFC regularly monitors the market behaviour and products are appropriately re-priced when necessary.

HDFC does not carry a trading portfolio or does not generally invest in stocks or shares other than Government treasury bills, for which investments are generally less than 3 months and held to maturity. Therefore HDFC is not open to any price fluctuation risks.

The table below summarises HDFC's exposure to interest rate risks. It includes the company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

*As at 31 December 2014 (MRf '000)*

	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
<b>Assets</b>							
Cash and balances with banks	16,895	-	-	-	-	8,929	25,824
Financial assets held to Maturity	59,849	9,836	43,802	-	-	-	113,487
Loans and advances	5,080	10,292	42,111	220,308	663,702	-	941,493
Derivative financial instruments	1,838	1,838	3,675	3,128	-	-	10,479
Other assets	-	-	-	-	-	12,085	12,085
<b>Total financial assets</b>	<b>83,662</b>	<b>21,966</b>	<b>89,588</b>	<b>223,436</b>	<b>663,702</b>	<b>21,014</b>	<b>1,103,369</b>
<b>Liabilities</b>							
Deposits from customers	-	-	-	-	38,526	1,255	39,781
Borrowings	15,545	32,067	92,748	345,460	81,224	-	567,045
Other liabilities	-	-	-	-	-	61,401	61,401
Total financial liabilities	<b>15,545</b>	<b>32,067</b>	<b>92,748</b>	<b>345,460</b>	<b>119,750</b>	<b>62,656</b>	<b>668,227</b>
<b>Total interest repricing gap</b>	<b>68,117</b>	<b>(10,101)</b>	<b>(3,160)</b>	<b>(122,024)</b>	<b>543,952</b>	<b>(41,642)</b>	<b>435,142</b>

*As at 31 December 2013 (MRf '000)*

	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
<b>Assets</b>							
Cash and balances with banks	30,268	-	-	-	-	28,408	58,676
Financial assets held to Maturity	19,931	19,653	4,510	-	-	-	44,094
Loans and advances	4,826	10,343	43,079	213,579	570,411	-	842,238
Derivative Asset	3,553	-	3,553	11,143	-	-	18,249
Other assets	-	-	-	-	-	10,278	10,278
<b>Total financial assets</b>	<b>58,578</b>	<b>29,996</b>	<b>51,142</b>	<b>224,722</b>	<b>570,411</b>	<b>38,686</b>	<b>973,535</b>
<b>Liabilities</b>							
Deposits from customers	-	-	-	-	33,570	3,500	37,070
Borrowings	13,415	32,556	88,456	306,187	21,488	-	462,102
Other liabilities	-	-	-	-	40,505	38,339	78,844
Total financial liabilities	<b>13,415</b>	<b>32,556</b>	<b>88,456</b>	<b>306,187</b>	<b>95,563</b>	<b>41,839</b>	<b>578,016</b>
<b>Total interest repricing gap</b>	<b>45,163</b>	<b>(2,560)</b>	<b>(37,314)</b>	<b>(81,465)</b>	<b>474,848</b>	<b>(3,153)</b>	<b>395,519</b>

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31ST DECEMBER 2014**

**26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**26.8 Interest rate risk (Continued)**

<b>Exposure to interest rate risk – Loans and advances</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
<i>Sensitivity analysis of net interest income</i>	<b>1% Change</b>	<b>1% Change</b>
	<b>MRf.</b>	<b>MRf.</b>
Average for the year	<u>9,414,928</u>	<u>8,422,382</u>

**26.9 Liquidity risk**

Liquidity risk is the risk that HDFC is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

***Liquidity risk management process***

HDFC's liquidity management process, as carried out within HDFC and monitored by the senior management in HDFC, includes:

- a.) Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- b.) Maintaining a portfolio of deposits with bank and treasury bills that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- c.) Monitoring balance sheet liquidity ratios against internal requirements; and
- d.) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

HDFC also monitors unmatched medium-term assets, the level and type of undrawn lending commitments and undrawn borrowings.

***Funding approach***

Sources of liquidity are regularly reviewed by the ALCO.

HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2014

26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

26.9 Liquidity risk (continued)

*Maturity analysis of financial assets and liabilities*

The table below set out the remaining contractual maturities of the Company's financial assets and financial liabilities.

<i>As at 31 December 2014</i> <i>(MRf '000)</i>	<b>Carrying amount</b>	<b>Gross nominal inflow/(outflow)</b>	<b>1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>
<b>Liabilities</b>							
Deposits	39,781	(43,128)	(1,255)				(41,873)
Borrowings	567,045	(629,525)	(20,123)	(15,604)	(159,850)	(389,317)	(44,631)
Other Liabilities	61,401	(67,079)				(67,079)	
<b>Total liabilities</b>	<b>668,227</b>	<b>(739,732)</b>	<b>(21,378)</b>	<b>(15,604)</b>	<b>(159,850)</b>	<b>(456,396)</b>	<b>(86,504)</b>
<b>Assets</b>							
<i>Non-derivative assets</i>							
Cash and balances with other banks	25,824	25,824	25,824				
Financial assets held to Maturity	113,487	114,475	60,000	10,000	44,475		
Loans and advances	941,493	1,613,677	12,681	25,360	107,829	529,828	937,979
Derivative Asset	10,479	10,479	1,838	1,838	3,675	3,128	
Other assets	12,085	15,227					15,227
<b>Total assets</b>	<b>1,103,369</b>	<b>1,779,682</b>	<b>100,343</b>	<b>37,198</b>	<b>155,979</b>	<b>532,956</b>	<b>953,206</b>
<b>Net</b>		<b>1,039,950</b>	<b>78,965</b>	<b>21,594</b>	<b>(3,871)</b>	<b>76,560</b>	<b>866,702</b>
<b>As at 31 December 2013</b> <i>(MRf '000)</i>							
	<b>Carrying amount</b>	<b>Gross nominal inflow/(outflow)</b>	<b>1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>
<b>Liabilities</b>							
Deposits	37,070	(41,481)	(3,500)	-	-	-	(37,981)
Borrowings	462,102	(538,079)	(14,479)	(48,518)	(104,051)	(348,982)	(22,049)
Other Liabilities	78,844	(84,167)	-	-	-	-	(84,167)
<b>Total liabilities</b>	<b>578,016</b>	<b>(663,727)</b>	<b>(17,979)</b>	<b>(48,518)</b>	<b>(104,051)</b>	<b>(348,982)</b>	<b>(144,197)</b>
<b>Assets</b>							
<i>Non-derivative assets</i>							
Cash and balances with other banks	58,676	58,676	58,676	-	-	-	-
Financial assets held to Maturity	44,094	44,620	20,000	20,000	4,620	-	-
Loans and advances	842,238	1,453,348	11,743	24,045	102,575	473,359	841,626
Derivative Finance Instruments	18,249	18,249	3,553	-	3,553	11,143	-
Other assets	10,278	12,949	-	-	-	-	12,949
<b>Total assets</b>	<b>973,535</b>	<b>1,587,842</b>	<b>93,972</b>	<b>44,045</b>	<b>110,748</b>	<b>484,502</b>	<b>854,575</b>
<b>Net</b>		<b>924,115</b>	<b>75,993</b>	<b>(4,473)</b>	<b>6,697</b>	<b>135,520</b>	<b>710,378</b>

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31ST DECEMBER 2014**

**26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**26.10 Capital management**

HDFC's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- To comply with the capital requirements set by the lenders;
- To safeguard HDFC's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by HDFC's management, employing techniques based on the guidelines developed by the Basel I Committee, for supervisory purposes.

The Asian Development Bank and International Finance Corporation require HDFC to maintain a ratio of total capital to the risk-weighted asset (the 'Basel ratio') at or above 10%.

HDFC's capital as managed by its management comprises of share capital, retained earnings and reserves created by appropriations of retained earnings and current year earnings.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of capital and the ratios of HDFC for the year ended 31 December 2014. HDFC complied with all of the externally imposed capital requirements to which they are subjected.

	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>MRf</b>	<b>MRf</b>
<b>Capital</b>		
Share Capital	159,375,000	159,375,000
Advance for shares	51,407,100	51,407,100
Retained earnings	206,623,656	167,665,650
Reserves	17,122,626	17,122,626
<b>Total qualifying Capital</b>	<b>434,528,382</b>	<b>395,570,376</b>
<b>Total capital</b>	<b>434,528,382</b>	<b>395,570,376</b>
<b>Risk-weighted assets</b>		
On-balance sheet	498,159,091	450,295,598
<b>Total risk-weighted assets</b>	<b>498,159,091</b>	<b>450,295,598</b>
<b>Basel ratio</b>	<b>87%</b>	<b>88%</b>

HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2014

26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

26.11 Analysis of Financial Instruments by Measurement Basis

As at 31st December 2014 (MRf '000)

Financial Assets	Fair Value through profit or loss	Held-to-Maturity	Loan & Receivables	Total MRf
Cash and cash equivalents	-	-	25,824	25,824
Financial Assets Held to Maturity	-	113,487	-	113,487
Derivative Asset	10,479	-	-	10,479
Loans and advances to customers	-	-	941,493	941,493
Total	10,479	113,487	967,317	1,091,283
Financial Liabilities			Other Liabilities	Total MRf
Borrowings			567,317	567,317
Deposits from customers			39,832	39,832
Total			607,149	607,149

As at 31st December 2013 (MRf '000)

Financial Assets	Fair Value through profit or loss	Held-to-Maturity	Loan & Receivables	Total MRf
Cash and cash equivalents	-	-	58,676	58,676
Financial Assets Held to Maturity	-	44,094	-	44,094
Derivative Asset	18,249	-	-	18,249
Loans and advances to customers	-	-	842,238	842,238
Total	18,249	44,094	900,914	963,257
Financial Liabilities			Other Liabilities	Total MRf
Borrowings			466,870	466,870
Deposits from customers			39,726	39,726
Total			506,596	506,596

26.12 Financial instruments measured at fair value – fair value hierarchy

The following table analyses financial instruments of HDFC measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

As at 31st December 2014 (MRf '000)

Assets	Level 1	Level 2	Total
Financial Assets Held to Maturity	113,487	-	113,487
Derivative Asset	-	10,479	10,479
Total	113,487	10,479	123,966

As at 31st December 2013 (MRf '000)

Assets	Level 1	Level 2	Total
Financial Assets Held to Maturity	44,094	-	44,094
Derivative Asset	-	18,249	18,249
Total	44,094	18,249	62,343

HDFC has used Level 2 in valuating Derivative Assets, since this is not trading in an active market and the input is observable. (Exchange rates are readily available at the market). The company has used 15.42 which is the exchange rate as at the reporting date.

HDFC has used the market value approach since the market price and other relevant information are generated by the market transactions that are available.

According to the information available, the valuation technique used, Inputs to valuation and Fair value Hierarchy have not significantly changed from the previous year and requirements imposed by IFRS 13.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31ST DECEMBER 2014**

**26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**26.12 Fair value versus carrying amount**

The fair value of financial assets and liabilities, together with the carrying amount shown in the statement of financial position, are as follows:

	<b>31/12/2014 Carrying Amount MRF.</b>	<b>31/12/2014 Fair Value MRF.</b>	<b>31/12/2013 Carrying Amount MRF.</b>	<b>31/12/2013 Fair Value MRF.</b>
<b>Assets Carried at Fair Value</b>				
Derivative Asset	10,479,366	10,479,366	18,249,470	18,249,470
<b>Assets Carried at Amortized Cost</b>				
Cash and cash equivalents	25,824,389	25,824,389	58,675,598	58,675,598
Financial Assets Held to Maturity	113,487,195	113,487,195	44,094,274	44,094,274
Loans and advances to customers	941,492,776	941,492,776	842,238,237	842,238,237
	<u>1,080,804,360</u>	<u>1,080,804,360</u>	<u>945,008,109</u>	<u>945,008,109</u>
<b>Liabilities Carried at Amortized Cost</b>				
Deposits from customers	39,831,957	39,831,957	39,726,419	39,726,419
Borrowings	567,317,419	567,317,419	466,870,029	466,870,029
	<u>607,149,376</u>	<u>607,149,376</u>	<u>506,596,448</u>	<u>506,596,448</u>

The methods and assumptions used to estimate the fair value of the financial instruments not carried at fair value are as follows:

- a) Cash and cash equivalents - The carrying amount of cash and cash equivalents approximate its fair value due to the relatively short maturity of the financial instruments.
- b) Financial Assets Held to Maturity - The carrying amount of Financial Assets Held to Maturity approximate its fair value due to the relatively short maturity of the financial instruments.
- c) Loan and advance to customers - The fair values of fixed rate loans and advances with remaining maturity of less than one year are estimated to approximate their carrying amounts. For fixed rate loans with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using market rates of loans of similar credit risks and maturity. The fair values of impaired loans are represented by their carrying amounts, net of any individual assessment allowance, being the expected recoverable amount.
- d) Deposits from customers and Borrowings - borrowings have variable interest rates determined under the contract, which reflects the current market interest rate. Hence the carrying amount of such financial instrument approximates its fair value.

HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2014

27 RELATED PARTY TRANSACTIONS

Name of Related Party	Relationship	Nature of Transactions	Amount	Amount	Balance due from/(to)	Balance due from/(to)
			2014 MRF.	2013 MRF.	As at 31/12/2014 MRF.	As at 31/12/2013 MRF.
Asian Development Bank	Shareholder (18%)	Loan Repayments	21,025,170	21,025,170	(32,004,109)	(53,340,748)
		Interest for the year	1,441,650			
		Interest Paid	1,753,119	2,703,753	-	-
		Dividend Paid	2,868,750	2,868,750	-	-
		Payments	-	3,084		
Government of Maldives	Shareholder (49%)	Dividend Paid	7,809,280	7,809,280	-	-
International Finance Corporation	Shareholder (18%)	Loan Repayments	24,329,333	24,329,334	(37,063,807)	(61,801,034)
		Interest for the year	1,467,194			
		Interest Paid	1,875,088	3,051,683	-	-
		Dividend Paid	2,868,750	2,868,750	-	-
		Payments	186,461	28,022	-	-
HDFC Limited	Shareholder (15%)	Dividend Paid	2,390,620	2,390,620	-	-
		Payments	-	56,314	-	-

27.1 Transactions with Key Management Personnel

The Managing Director and Board of Directors of the Company are the members of the key management personnel. The Company has paid MRF 2,389,336/- (2013 : MRF 2,359,000/-) as emoluments to the key management personnel during the year ended 31st December 2014.

28 EVENTS AFTER THE REPORTING DATE

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

29 MANagements' RESPONSIBILITIES

The management of the Branch is responsible for the preparation and presentation of these financial statements.

30 COMPARATIVE FIGURES

Comparative figures of the financial statements have been reclassified to conform with current year's classifications, wherever necessary.

31 COMMITMENTS

31.1 Undrawn/partly drawn facilities of contracted loans and advances

31/12/2014 MRF.	31/12/2013 MRF.
93,592,788	124,761,872

31.2 Operating lease commitment

	31/12/2014 MRF.	31/12/2013 MRF.
Not later than 1 year	660,000	660,000
Later than 1 year and not later than 5 years	1,435,000	2,095,000
Later than 5 years	-	-
	<u>2,095,000</u>	<u>2,755,000</u>

32 CONTINGENT LIABILITIES

The Company has terminated the employment contract of an employee during the period. Subsequently, the employee has filed a case against the Company at Employment Tribunal and employment Tribunal has worded to reinstate the person with all benefits and reward. The company has appealed the case at High Court and High Court has worded to provide fair compensation without reinstating. Further, the company is contemplating under the direction of the board of director to file the case at supreme court for compensation. The Management is confident that this case will be settled in favour of the Company. If the company is found liable, the company has to pay an amount of MRF 566,020/- to the employee as total benefits and rewards for the period from date of termination.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31ST DECEMBER 2014**

**33 Operating Segments**

**33.1** The Company's operations are solely providing Housing loans. The operations of the Company are looked at as a single operating segment.

**33.2 Geographical Information**

Loans and advances and its corresponding interest income based on geographical location is as follows;

Interest Income	<b>2014</b> <b>MRf.</b>	<b>2013</b> <b>MRf.</b>
Male	66,769,712	62,760,345
Hulhumale	24,561,268	21,498,611
Other Atolls	12,865,845	6,898,632
	<u>104,196,825</u>	<u>91,157,588</u>
Loans and Advances	<b>31/12/2014</b> <b>MRf.</b>	<b>31/12/2013</b> <b>MRf.</b>
Male	603,611,218	575,162,757
Hulhumale	207,431,648	174,092,983
Other Atolls	107,083,553	76,558,125
	<u>918,126,420</u>	<u>825,813,865</u>

**33.3 Major Customer**

Since the Company provides housing loans to a large customer base, the company does not have major individual customers who account for more than 10% of the entire revenue.



2004-2014  
Celebrating 10th Anniversary  
Improving lives

[www.hdfc.com.mv](http://www.hdfc.com.mv)



Housing Development Finance Corporation Plc.

Housing Development Finance Corporation Plc