



A n n u a l R e p o r t



Housing Development Finance Corporation Plc.

Live your dream, today !

2015
Annual Report



Housing Development Finance Corporation Plc.

Housing Development Finance Corporation Plc.

HDFC Plc.
Annual Report 2015

12th Annual Report
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Definition

Annual Report 2015, 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 31 December 2015.

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.

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

Annual Report 2015



The Company recorded an Annual Operational Profit of MVR 71.5 million for 2015, which is a 10.68% growth over 2014”

Chairman's Statement

Dear Shareholders,

I have the pleasure of welcoming you all to the 12th anniversary of the Housing Development Finance Corporation PLC of Maldives. The Board of HDFC PLC of Maldives is unique for having its Chair rotate among the directors according to the Shareholders' Agreement of 23 July 2008, and at the outset, I wish to express my sincere appreciation, and that of the Government of Maldives, which I represent, to the leadership given by all my predecessors nominated by International Shareholders IFC, ADB and HDFC Investments Limited of India.

This is the second time I have the opportunity to serve as Chairman since I joined the Board of HDFC PLC upon privatisation. The previous occasion I held this position, I was able to support the Company's Executive Team's mission to accomplish a ground-breaking listing of the first ever Bond in the Maldives Stock Exchange. Therefore, with a firm resolve to reach even greater heights on the upward trajectory of HDFC PLC, I consider it an honour and a privilege to serve as HDFC's Chairman once again.

When we look back on the exciting journey of the last 12 years, 2015 has been a memorable year for a number of reasons. It was a year HDFC PLC created history in the financial services sector of the Maldives by trailblazing to reward customer loyalty with a rate cut to all its existing customers on April 1, 2015. At the same time, all future customers too benefited from a lower rate on re-pricing of all financial products engineered for greater affordability by extending the maximum tenor from 15 years to 20 years as well. These initiatives had a positive impact on the mortgage lending market by making home finance more affordable to customers.

We take great pride in reporting excellent financial results for 2015 while achieving all the key performance benchmarks. In doing so, we have significantly improved the quality of our loan portfolio. The company was rated AA by CARE Rating in 2013 on public issuance of fixed income bonds, and this rating has been maintained-to-date upon annual review, adding credibility and value that will go a long way when we seek multilateral funding for a sustainable mortgage lending program.

The Company achieved growth and profitability through a time of record low interest rates for investments in government securities, and against the backdrop of intense competition. The Company recorded a Net Profit of MVR 60.54 million for 2015, which is a 10.30% increase over 2014. This level of earnings allowed the Company to achieve a return on assets of 4.89% and a return on equity for the year of 13.30%. The improvement in earnings was attributable to strong portfolio growth of 16%, while maintaining a firm grip on the expenses. The performance of the Islamic Finance Window, HDFC Amna, surpassed expectations with a significant contribution to profitability. The asset quality continued to improve through the year and many of our previously non-performing customers have demonstrated a commitment for better performance resulting in a level of net recovery that eased the pressure on provisioning for the year.

The year 2015 presented many challenges for the Company. Sustained high cost of borrowing continued to pressure net interest margins, and a slow-down in the housing construction sector due to a number of systemic issues adversely impacted the revenue side of the business plan. Therefore, the company had to make a tremendous effort at containing operating costs to keep the bottom line on track to achieve its goal. Our strength stems from the high asset quality as a result of strong underwriting guidelines and an efficient recovery process that contributed to the growth and sustainability of the company. Over the years, population growth and domestic in-migration to the capital combined with a shortage of housing to accommodate the socio-demographic dynamic have led to overcrowding in the Capital City of Male'.

Based on Population & Housing Census 2014, the total Maldivian resident population was around four hundred thousand, with more than one third of the nation's population living in Male'.

The fiscal consolidation plans of the Government are being implemented successfully, together with low inflation that would pave the way to revive economic growth in the country. The impact of economic growth and in-migration has contributed to an increase in the demand for supply of housing units. Given this huge demand in the greater Male' region, development of Hulhumale' to decongest the capital Male' has become one of the main priorities of the Government. Thus, the Phase Two of Hulhumale' will target residential development to directly address the housing shortage in the Male' region according to the plan unveiled by the Housing Development Corporation of Maldives.

The broad macroeconomic outlook appears positive for the year 2016, with a GDP growth forecast at 6.4 % with tourism arrivals projected to grow by 5.2 %s with 1.3 million arrivals. On the financial sector side, the Maldives Monetary Authority (MMA) took measures to lower the Minimum Reserve Requirement (MRR) to 10 %s for the banks. With this lower MRR and the reduction of the interest rate on Treasury Bills, it is hoped that there will be less crowding out, and more expansion of the private sector engagement in the economy in the future.

Given the global financial outlook, there will be significant challenges HDFC will have to face going forward, but we shall continue to adhere to our core business strategy of improving lives by providing sustainable and responsible housing finance to the people of Maldives to make their dream of living in a decent home a reality. On behalf of the Board of Directors, I would like to thank our shareholders, customers, employees and all the stakeholders whose support made it possible for HDFC PIC of Maldives to continue its journey on a path of growth and sustainability. We look forward to a successful future together. Thank you.



Housing Development Finance Corporation Plc.

Live your Dream, Today.



Company Overview

Housing Development Finance Corporation 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 29 March 2004. HDFC was established with technical assistance from the World Bank, and initially all shares were held by the Government of Maldives (GOM). The Company 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. of 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 became effective on 10 February 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 of India, with over thirty years of experience in mortgage finance, became the technical partner to the Company.

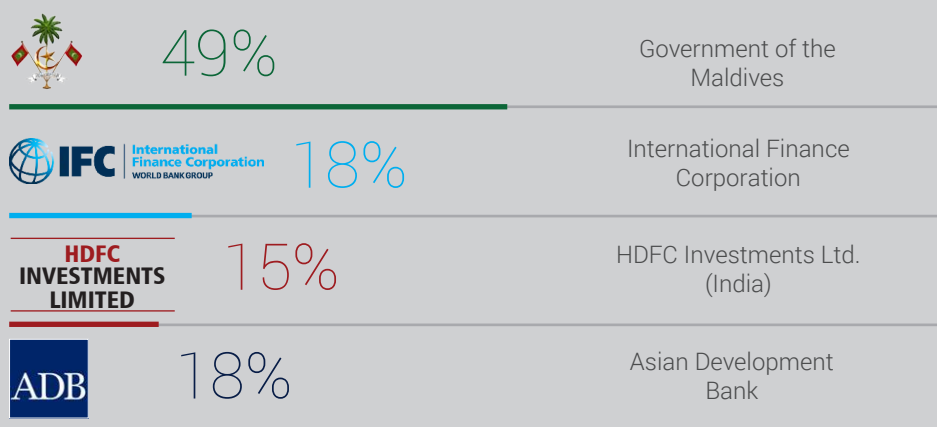
Having restructured its capital, and with new lines of long-term credit, the Company re-entered the market for mortgage loans for housing needs of the Maldivian Citizens. HDFC is unique as the only specialized housing finance institution in the Maldives. In a market where seven commercial banks too are offering mortgage housing loan,

*“The Only
dedicated financial
institute for
Housing Finance in
Maldives ”*

HDFC's competitive rates and 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 stands over 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 creating 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 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. This is very important as a market characteristic, especially in the light of the 2008 financial crisis faced by developed economies of the world.

The structure of the shareholding in the privatized HDFC Plc.



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 home loans and other savings and investment products managed professionally and profitably to the highest International Standards, and to the complete satisfaction of all stakeholders.

Pledge

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

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 diversify its portfolio in a cost-effective manner, and grow its marketshare and profits.

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 Window to a full-fledged entity offering Islamic financing facilities.



Housing Development Finance Corporation Plc.

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.

Corporate Information

Managing Director: Dr. A. D. P. Baddevithana
Company Secretary: Ms. Raheema Saleem
Auditors: KPMG (External) / PWC (Internal)
Legal Counsel: Mazlan & Murad Law Associates

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
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Board of Directors

The Board of HDFC comprises five Nominee Directors from the shareholders; the Government of Maldives, 2 Directors; Asian Development Bank; International Finance Corporation and HDFC Investments Ltd. (India), each represented by a nominee Director; and the Managing Director (non-voting) functions in an executive capacity.

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

As per the shareholders agreement, the Chairman of the Board is appointed on rotation from the experienced and qualified Board of Directors. The present Board has the following Nominee Directors and Alternate Directors:

Nominated Directors

Non - Executive

Mr. Ismail Ali Manik	Government of Maldives (Chairman since 6 Feb 2016)
Mr. Hussain Suhail	Government of Maldives
Ms. Renu Sud Karnad	HDFC Investments Ltd. (India)
Mr. Sanjaya Gupta	Asian Development Bank (ADB)
Mr. Russell De Mell	International Finance Corporation (IFC)

Alternate Directors

Non - Executive

Mr. Conrad D'Souza	HDFC Investments Ltd. (India)
Mr. Hamid Sodique	Government of Maldives
Mr. Mohamed Shifau	Government of Maldives
Mr. Asif Cheema	Asian Development Bank

Mr. Ismail Ali Manik

(Chairman since 6th Feb 2016)

Non-Executive

Mr. Ismail Ali Manik was appointed as a non-executive Director by the Government of Maldives on 6 February, 2016.

Mr. Ismail Ali Manik, has represented the Government of Maldives, as a Nominee Director since privatization of HDFC. He served as the Chairman of the Board in 2013 before retiring due to his appointment to the Board of the Maldives Monetary Authority.


He started his professional career in the Ministry of Finance and Treasury and worked on fiscal policy, public financial management and economic policy matters. He has served in the government public service for over twenty years. In addition he has also served in the World Bank, Washington DC office. He also served as Permanent Secretary of the Ministry of Finance and Treasury and as Board Director of Maldives Monetary Authority.

Mr. Ali Manik did his Master's Degree in Public Administration majoring in Economic Policy Management from the Columbia University, New York. In addition, he holds a Bachelor of Economics Degree from the University of Adelaide, Australia. Further, he has participated at various international seminars and workshops conducted by the World Bank, ADB and other multilateral agencies.

Other appointments - Managing Partner at A2I Consulting LLP, a Business and Management Consultancy Firm.

HDFC Board Committees - Audit Committee (Since 6 February 2016)

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



Mr. Hussain Suhail

Nominee Director, Non-Executive

Mr. Hussain Suhail was appointed as a non-executive director by the Government of Maldives on 8 January 2014. He counts more than 11 years of experience in HR Management. He holds a Bachelor's degree in Business Management.

He currently serves as the Head of Human Recourses at Island Aviation Services Ltd. (IAS)

HDFC Board Committees - Nomination and Remuneration Committee, Audit Committee

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

Ms. Renu Sud Karnad

Nominee Director, Non-Executive

Ms. Renu Sud Karnad, was appointed as the non-executive Director by HDFC Investments Ltd. India, on 9 September, 2008.

Ms. Karnad has more than 38 years of experience in Housing Mortgage Finance. She joined HDFC India in 1978. Having spent 20 years in various post of the Company, Ms. Karnad was instated on to the Board as Executive Director in 2000 and was re-designated as Managing Director from January 1st 2010. She is a Pravin Fellow-, Woodrow Wilson School of International Affairs, Princeton, and University, USA. She holds Master's Degree in Economics from Delhi University and is also a Law Graduate from the University of Mumbai.

Over the years, Ms. Karnad has received numerous awards and accolades.

Other appointments - Managing Director at Housing Development Finance Corp. Ltd, Mrs. Karnad is a member on the following Committees of the Board of the Bank:

- Stakeholders' Relationship Committee
- Corporate Social Responsibility Committee (Chairperson)
- Risk Policy and Monitoring Committee (Chairperson)
- Premises Committee (Chairperson)

HDFC Board Committees - None

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



Mr. Russell De Mel

Nominee Director, Non-Executive,
Independent

Mr. Russell De Mel was appointed as the nominee director by the International Finance Corporation on 12 April 2014.

Mr. De Mel has been with the National Development Bank for over 30 years and retired as the Bank's CEO in 2013. As the CEO of the bank Mr. De Mel led new initiatives some being, the MOU with DBS Bank, Singapore, and amalgamation of Retail & SME banking into Branch Banking with greater focus on SME, Project & Infrastructure Financing, Livelihood Development Programmes and positioning NDB Group as Knowledge Hub, with focus on Advisory Services. These won NDB Group many accolades from many international Magazines. Mr. De Mel, was also awarded a Lifetime accolade by International Finance Magazine, UK, for his outstanding contribution to the Banking Sector. He 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), Sri Lanka.

Other appointments: Independent and Non-Executive Board Director of Singer Finance Lanka Plc. and AIA Insurance Lanka Plc.

HDFC Board Committees - Audit Committee

He does not hold any shares in any company in the Maldives that has a conflict of interest with HDFC PLC.

Mr. Sanjaya Gupta

Nominee Director, Non-Executive,
Independent

Mr. Sanjaya Gupta was appointed as the non-executive Director appointed by the Asian Development Bank since 22 March 2010 and his term ended on 31 March 2016.

He is a senior professional with more than 25 years of work experience, he has coordinated with international financial institutions (IFC, ADB, and KFW), and with various central and state Government departments to augment the Indian real estate/retail mortgage space. His professional career started with HDFC Ltd. of India 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. He also was the Vice President –Business Head Mortgage Operations for ABN AMRO NV. He was the Chief Executive Officer & Managing Director for American International Group Inc. He has also co-promoted a housing Finance company, for the urban poor in India – India Shelter Finance Corporation Ltd. – a first of its type company in the country.

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

Other appointments - Managing Director – PNB Housing Finance Limited

HDFC Board Committees- Audit Committee

He does not hold any shares in any company in the Maldives that has a conflict of interest with HDFC PLC.

Mr. Conrad D'Souza

Alternate Director, Non-Executive

Mr. Conrad D'Souza was appointed as the Alternate Director by the HDFC Investments Ltd. India on 9 September 2008.

Mr. D'Souza has more than 30 years of experience in the field of Housing Finance. He joined HDFC Investment Ltd. (India) in 1984 and he was the Treasure of HDFC India and was responsible for resource mobilization for both domestic and international and asset liability management. Mr. D'Souza has been a consultant in the housing finance to UNAID/UNDP and IFC (Washington) and has undertaken assignments in Asia, Africa and Eastern Europe. He is a member of the National Stock Exchange of India Limited's Committee on Currency Derivatives and a member of the Association of Finance Professionals of India. Mr. D'Souza has Masters' Degree in Commerce and MBA and is a Senior Executive Program (SEP) graduate of the London Business School.

Other appointments: Senior General Manager, Management Services and Investor Relations. He also is a Board Director in the following companies. HDFC Holding Ltd., HDFC Investments Ltd., Chalet Hotels Pvt. Ltd, HDFC Education & Development Services Pvt. Ltd. HDFC Sales Pvt. Ltd., Association of Finance Professionals of India., Kooh Sports Pvt. Ltd., and Nationals Trust Bank Plc. Sri Lanka.

HDFC Board Committees - Audit Committee

He does not hold any shares in any company in the Maldives that has a conflict of interest with HDFC PLC.

Mr. Hamid Sodique

Alternate Director, Non-Executive,
Independent

Mr. Hamid Sodique was appointed as the Alternate Director by the Government of Maldives on 10th April 2011.

He has over 15 years of experience in Consultation work in Project and Management area and was a member of the Maldives Pension Administration Office and served in the Investment Committee of the Board until August 2011. He started his Professional career in the Maldives Monetary Authority in 2006 and since then has worked at prominent positions in well-known Organization such as UNESCO. He has executed many national and international projects on business management, strategic planning, Entrepreneurship Skills Training and Mentoring. Mr. Sodique holds a Master 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.

Other appointments – Chief Executive Officer of FJS Consulting Pvt. Ltd.

HDFC Board Committees- None

He does not hold any shares in any company in the Maldives that has or will be perceived as a conflict of interest with HDFC PLC. He holds 1480 shares of Bank of Maldives PLC. and 145 shares of State Trading Organization.

Mr. Mohamed Shifau

Alternate Director, Non-Executive

Mr. Mohamed Shifau was appointed as the Alternate Director by the Government of Maldives on 24 February 2014.

Mr. Shifau was the Manager of Mayaafushi Resort for two years, where he was charged with the day to day operations of the resort. In 1991, he joined Dhiraagu, as an Assistant Product Manager then as supervisor at cybercafé and outlet supervisor, and left Dhiraagu in 2005 for further studies in the field of Business Marketing. On return he re-joined Dhiraagu and played an active role in launching various products of Dhiraagu. In 2009 he left Dhiraagu to further strengthen and develop his family business, Fahi Enterprises. He is co- applicant to a HDFC housing loan. Mr. Shifau holds Bachelor of Business and Marketing degree from Edith Cowan University, Australia through (ACBT) Colombo, Sri Lanka.

Other appointments - Head of Sales, at Maldives Gas

HDFC Board Committees - Nomination and Remuneration Committee (Since 6 February 2016)

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. Asif Cheema

Alternate Director, Non-Executive

Mr. Asif Cheema was appointed as the Alternate Director by the Asian Development Bank on April 2015.

Mr. Cheema started his career at Deutsche Bank Securities, New York as an Equity Research Associate in 1996. Before joining ADB Asif has worked in various financial institutions including J.P. Morgan Securities, New York, HSBC Investment Bank, Dubai and London, Nomura International, Dubai as Executive Director, Corporate Finance and Investment Banking. He also has worked at Alpen Capital, Dubai, and UAE. Mr. Asif, holds a Master's degree in Business Administration (MBA) from Yale University and course work in International Affairs from Columbia University and Bachelor of Science in accounting and finance from New York Institute of Technology, New York

Other Appointments- Financial Institutions Investment Specialist at the Asian Development Bank.

HDFC Board Committees - None

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.

Dr. A.D. P. Baddevithana

Managing Director, HDFC PLC.

Dr. Anil Dilruk Priyanka Baddevithana counts more than 35 years of experience, with 25 years in Senior 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 on 4 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, Chelsea and Westminster District Finance Office, the Housing Corporation of England and Wales, Clerical Medical Investments Ltd. of the Halifax Group UK, and in 1997 in Sri Lanka, 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 Director

Ms. Raheema Saleem

She is the Operations Director and the Company Secretary since 1 October 2014. Prior to privatisation of the Company she was the founding Managing Director. Ms. Raheema has served the Ministry of Finance and Treasury for more than 16 years at various senior positions. She had served as the Chairperson of the National Oil Company and Board of Director at the State Trading Organisation and also as a Board Director at HDFC before and after privatisation. She holds Master of Management from Monash University and Master of Tourism from Monash University Australia and Bachelor of Commerce in Accounting and Marketing (Double Major) from Curtin University, Australia.

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

Head of Finance & Business Development

Mr. Mohamed Shafeeq

Mr. Mohamed Shafeeq joined HDFC in 2009. Prior to joining the company he was the Finance Director at the Society for Health Education (SHE). He holds MBA from the University of Ballarat, Australia through Unity College International, Malaysia, in addition to a BA(Hons) Accounting and Finance by University of East London, UK, obtained through HELP University College, Malaysia, he also holds Association of Chartered Certified Accounts (ACCA) through Inthi International University of Malaysia. He is a member of ACCA and a senior member of the Certified Practising Accountants of Maldives (CPA Maldives). He is also the Information Officer of this Company.

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

Chief Technical Officer (CTO)

Mr. Abdulla Musthafa

Mr. Abdulla Musthafa joined HDFC in 2014. Prior to joining HDFC he has worked in several local and international agencies, including Dhiraagu, Maldives Monetary Authority, Maldives Stock Exchange, and UNICEF Maldives. He holds Master's Degree in Information Technology from Open University of Malaysia through Villa College, Maldives and Bachelor's Degree in Computer Application from Bangalore University, India. He is achiever of Special Government Award for top Academic Achievements abroad in 2008.

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

Senior Manager, Information Technology

Mr. Mohaamed Fathy

Mr. Fathy joined HDFC Plc. in March 2004 as part of the initial team. He began his career in 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 headed the Internal Audit Division as well as the IT Division, in addition he has provided numerous contributions in the development of internal controls and systems. He holds M.Sc. in IT Management from Asia Pacific University Malaysia and Bachelor of Commerce from Bangalore University of India.

He does not hold any shares in any company in Maldives that has a conflict of interest with HDFC PLC., except at Bank of Maldives PLC. at which he holds 50 Shares.

Senior Manager Credit

Ms. Aishath Rasheedha

She joined the HDFC Plc. in March 2004 as part of the initial team. Ms. Rasheedha began her career with the Maldives Monetary Authority, 1990 and spend 14 years serving as a Banking Officer in the Banking Section of the Authority. She joined HDFC as a credit officer in 2004 and promoted as a Credit Manager in 2008, and as a Senior Credit Manager in 2012. She holds Master of Business Administration from Cardiff Metropolitan University, UK through International College of Business Technology (ICBT) Mount Lavinia, Sri Lanka. She is also the Anti Money Laundry (AML) Officer of the Company.

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

Senior Manager, Corporate & Islamic Finance

Mr. Ibrahim Didi

Mr. Ibrahim Didi, joined HDFC Plc. in 2008. He began his career in the Ministry of Planning in 1998, later joined the Island Aviation Service Ltd. Prior to joining HDFC he was the Finance Operations Manager at Wataniya Telecom Maldives Pvt Ltd. for three years. He holds Masters in Islamic Finance through INCEIF, Malaysia and is a passed finalist of Managerial Level of CIMA.

Mr. Didi, 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 first ever listed Conventional Bond in the Maldives. He resigned from HDFC PLC. on being appointed the Managing Director of the newly formed Maldives Centre for Islamic Finance by the Government of Maldives.

He does not hold any shares in any company in the Maldives that has a conflict of interest with HDFC PLC. other than 83 shares in the Bank of Maldives.

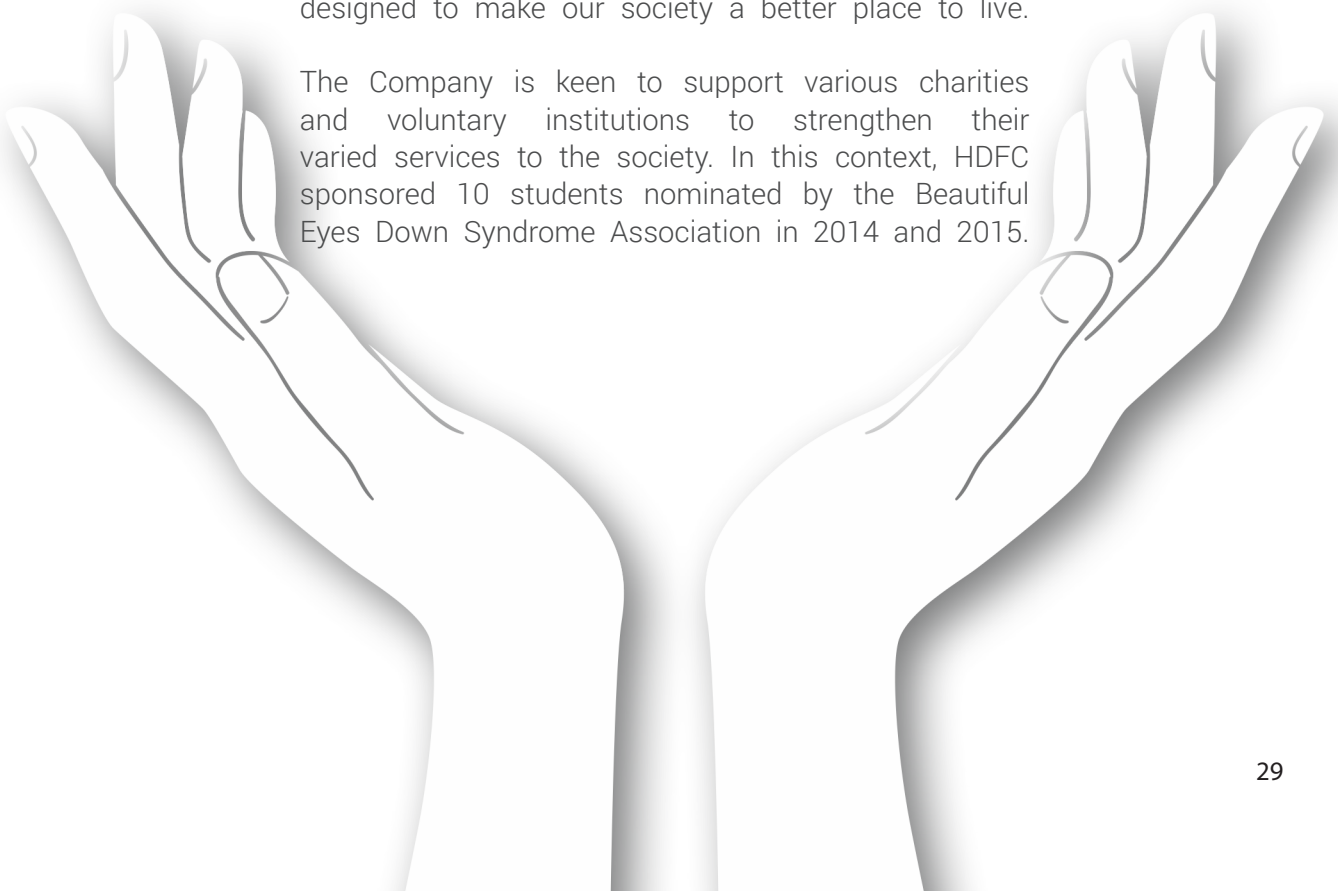


Corporate Social Responsibility

As a practitioner of Responsible Finance, HDFC PLC's Corporate Social Responsibility (CSR) framework in the year 2015 was very much in line with the core purpose of the Company, 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.

The Company is keen to support various charities and voluntary institutions to strengthen their varied services to the society. In this context, HDFC sponsored 10 students nominated by the Beautiful Eyes Down Syndrome Association in 2014 and 2015.





Affordable products

HDFC PLC's products are designed for all segments of society, depending on affordability and sources of income. These products are positioned as Standard, Million Plus, Rent Option, Salary Benefit, Renovation and Islamic Finance.

HDFC has been a partner with the Ministry of Housing and Infrastructure since 2008 to execute a joint social performance strategy to improve lives of the low income segments with affordable housing finance. A new initiative under this partnership was launched with the name of "Gedhoruverikurun". This scheme is mainly focused on improving housing for the communities living in the outer islands. This is an Islamic facility funded from the state budget.

Academic and Economic Events

HDFC supported several activities that took place including academic forums and conferences. During 2015, HDFC effectively contributed to a number of economic conferences and meetings that were held to discuss economic, investment and financial issues in order to promote the capabilities of the institutions involved in these areas. Among the events that Company sponsored during 2015 were, the Financial Expo organised by the Maldives Monetary Authority, the KPMG 3rd Annual IFRS workshop and 2nd Maldives Islamic Banking Financial Institution (MBFI) conference organised by UTO Group of Companies.



HDFC Staff

In an endeavour to maintain continuous and the positive employee relations, the senior management of HDFC held a number of meetings during 2015 to share the vision, mission and strategies of the Company. During the meetings, senior management attentively listened to employees' feedback and suggestions to improve and develop best practices. These meetings includes discussions on the overall

upkeep of the premises, company's business plan for the year 2016 and how the targets can be achieved. In addition meetings were held to identify difficulties the staff face in delivering our service effectively and solutions were provided. The Company's management was also keen to honour all employees on occasions such as the "maahefun" a traditional event to mark the beginning of the holy month of Ramadan.



Environmental Sustainability

Today many companies have accepted their responsibility to conserve the environment. In keeping with the strategy for Environmental Management, in 2015 the Company signed the “Maldives Intended Nationality Determined Contribution (INDC)” initiated by the Ministry of Environment and Energy. We have established the Green Initiatives in terms of recyclability, minimising the usage of water and electricity by all staff.

In order to become a Social-responsible institution, we have established the following:

- Encouraging the establishment of a mindset for business ethics and corporate social responsibility through internal training of our staff;
- Protecting the rights of customers by setting up avenues for customers to address complaints through internal management, suggestion box and also by establishing a grievance committee composed of two Board Directors supporting the Managing Director.



Directors' Report

Your Directors have the pleasure of presenting the 12th Annual Report of HDFC PLC- Maldives with the Financial Statements prepared in accordance with IFRS for the Financial Year ended 31 December 2015.

The Company successfully completed its 11th year, in which a significant milestone was achieved by crossing the threshold of MVR 1 Billion in its total active loan portfolio. The Company maintained the AA (MLD) rating issued by Care Ratings of India in 2013 for the first ever Public Listing of Bonds by a Company in the Maldives' Stock Market. Since Privatization, HDFC PLC's Annual Operating Profit has grown from MVR 10.45 Million (USD 670,000) in 2008, to MVR 71.5 Million (USD 4.6 Million) in 2015, with a respective growth in the loan book from MVR 156.4 Million (USD 10.1 Million) to MVR 1.1 Billion (USD 71.3 Million), while maintaining sound asset quality with Net NPAs below 1%, which makes the Company stand out among the other players in the financial services sector of the Maldives.

Financial Highlights

(IN MVR MILLION)	2015	2014
Total Income	130.3	121.4
Profit Before Tax	71.5	64.6
Profit After Tax ^{*1}	60.5	54.9
Net worth	455.2	434.5
Loans and Advances to customers	1,086.5	941.5

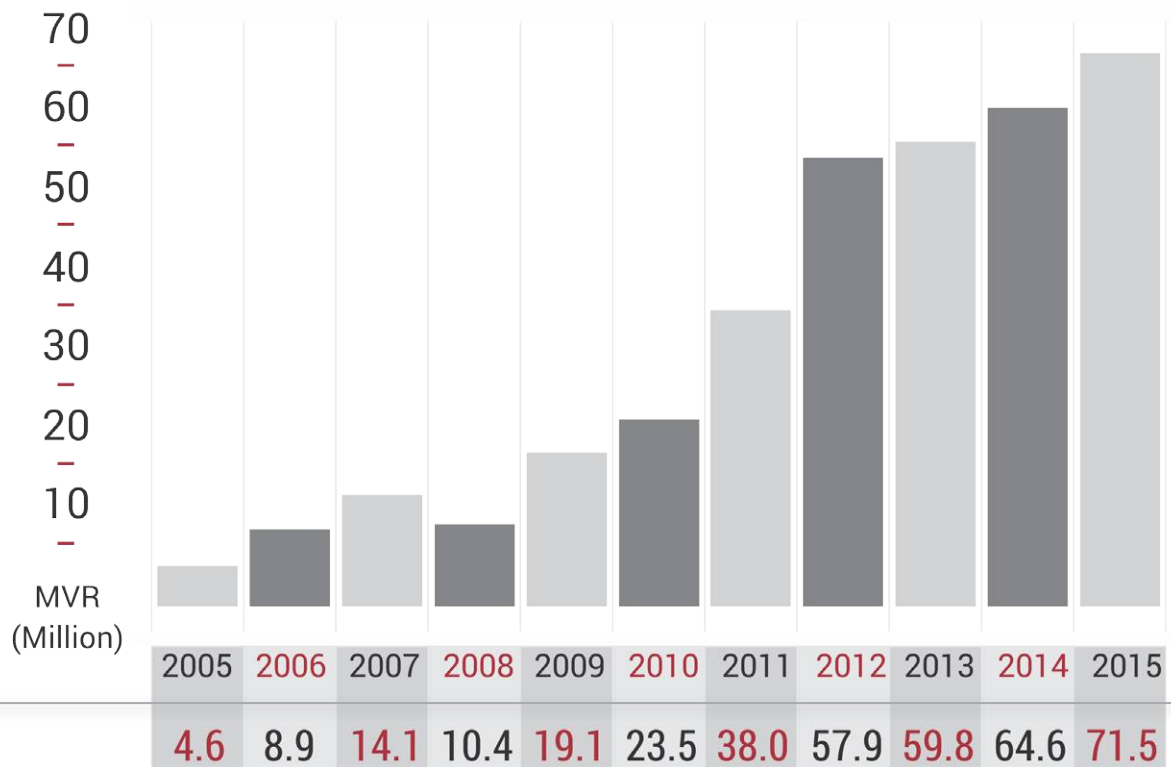
FINANCIAL RATIOS	2015	2014
ROAE	14%	13%
Earnings/(loss) per share	37.99	34.44
Dividend Per Share	17.5	25.00
Dividend (%)	46%	73% ^{*2}
Net Assets value per Share	285.63	272.65
Debt/Equity ratio	134%	131%
Interest Cover	2.91	2.75

*1. 15% Business profit Tax Act of 18 January 2011 came into force on 16 July 2011.

*2. An Annual Dividend of 15% and a Special Dividend of 10% declared to mark the 10th Anniversary of the Company.in 2014, made it a total dividend of 25%.

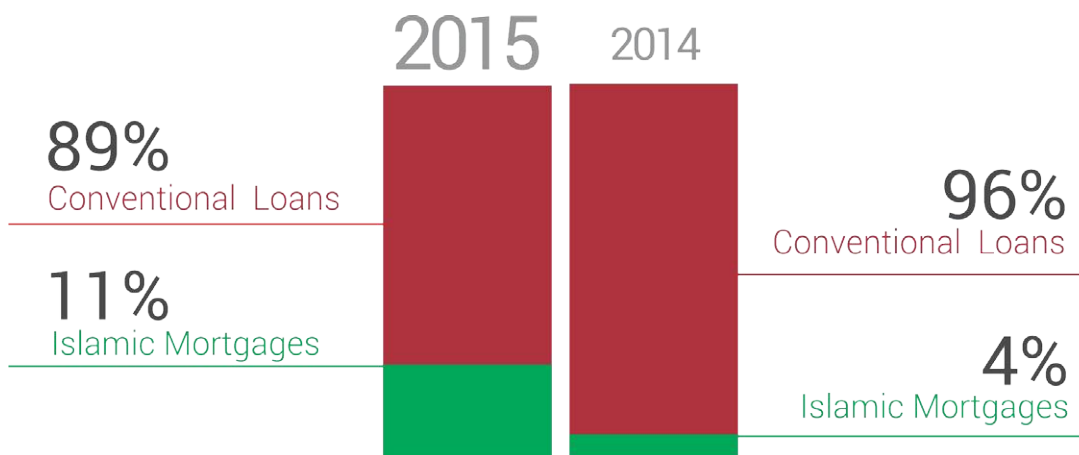
Performance at a Glance - Past 10 years (Profit before Tax)

HDFC Maldives 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.



Business Overview

HDFC has positioned itself as a Specialist in providing Home Mortgage Solutions catering to Maldivian citizens from all segments of society. To that end, HDFC has developed and launched a number of products since its privatization and achieved a total housing mortgage portfolio of MVR 1.1 Billion from both conventional and Islamic housing facilities.



The Islamic Window, HDFC AMNA has progressed tremendously during the year 2015 by increasing its share in the portfolio from 4% in 2014 to 11% in 2015.

Loan Performance

During the year ended December 31, 2015, the Company's total value of loans and advances increased by 15.41% with a loan attrition rate of 8%. In order to mitigate the attrition rate and the potential exposure to credit risk, HDFC focused more on finding ways to make a positive customer experience, and lending for home construction based on sound collateral and strong repayment capacity from employment and other business or stable rental income.

HDFC's total loan portfolio at the end of 2015 stood at MVR 1,100,523,856 (MVR 1,086,539,803 net of provisions). During the year, the Company crossed the threshold of MVR 1 Billion to become the frontrunner for Home Finance with more than 50% market-share. However, the credit culture of the Maldives continued to present a formidable challenge, especially in the light of the average NPL percentage of the Maldives' banking sector, which has exceeded 15% by Q4 of 2015 as reported in the Maldives Monetary Authority's Quarterly Economic Bulletin of December 2015. HDFC's success in managing a low level of NPA 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 effective relationships with each and every customer. With an enhanced IT infrastructure, the Company plans to expand operations without compromising this personal touch that has worked well in the past.

During 2015, the Company sanctioned total loans to the value of MVR 453 Million and disbursed MVR 235 Million. The gap between approvals and disbursements is primarily the result of large-scale housing development projects to be constructed over periods twelve to eighteen months being approved for funding according to a disbursement schedule. There were separate approvals of MVR 37 Million for the Government Sponsored Social Housing Program known as "Gedhoruverikurun", which is managed by HDFC. The Company was able to reach the targeted profit for the year with a growth of 11% over 2014.

Asset Quality

The Company improved its asset quality substantially during 2015 compared to the previous year of 2014. HDFC maintains an internal credit rating system for loans that are neither past due nor impaired. At the end of the year 2014 the loan value falling under category A+ was 96.19% and this has improved to 96.39% by the end of the year 2015. In order to minimise the potential increase of the credit risk exposure, HDFC focused on customers with a strong repayment capacity from employment, sound business income or regular rental income.

Impairment Provision

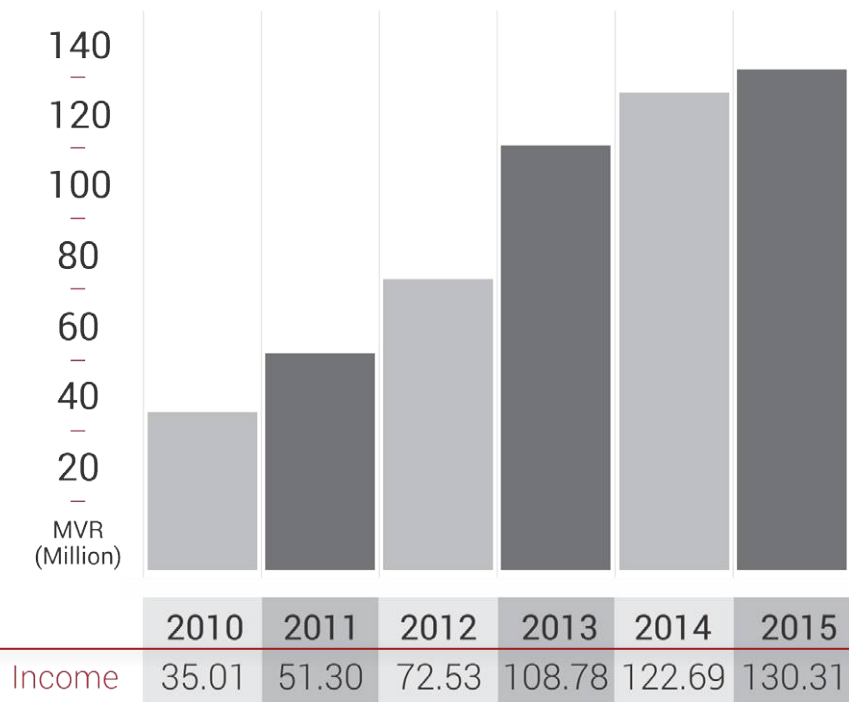
The Collective Impairment Provision computed in compliance with IFRS stood at MVR 13,984,053 and during the year the Company did not write off or reschedule any non-performing loans.

Expenditure

The total operating expenditure was MVR 16.51 Million as compared to MVR 17.97 Million in the previous year, which is a reduction of 8%, which was mainly due to the effective management of the Company overheads.

Growth of Income

The Company's total income grew from 2009 as follows:



The Company's Net Interest Income from conventional finance grew by 7.01% (MVR 117.45 Million for 2015 compared to MVR 104.20 Million for 2014). Additionally, for the Islamic Finance Window, the Shari'ah Profit grew by 131.22% (MVR 6.58 Million compared to MVR 3.43 Million the previous year), which showcased the progress of the Islamic Finance Window HDFC AMNA.

Short term Investment Income for the year was MVR 3.66 Million, which is less compared to 2014 (MVR 5.71 Million) mainly due to the T-Bill rate reduction by almost 30% from the average that prevailed during the year 2014.

Dividend

Your Directors propose MVR 17.5 per share, which is a 46% payout from the net profit for year 2015. This has to be compared with the 15% Annual Dividend and a Special Dividend of 10% declared to mark the 10th Anniversary of the Company in 2014, which made it a total dividend of MVR 25 per share with a payout ratio of 73% as mentioned under Financial Highlights.

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 providing housing development finance. The Company complied 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 and the Capital Market Development Authority. 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. An ERP implementation project that continued during the year will see HDFC moving onto an Oracle Platform. HDFC has invested in training and development of 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 the training need assessment 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.

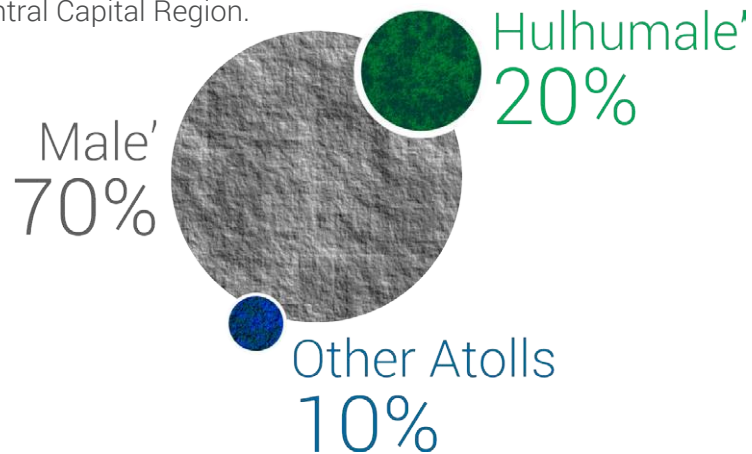
Environmental Scan and the Way Forward

Maldives is home to approximately 350,000 Maldivians living in 187 islands dispersed over 90,000 sq. km. In terms of an environmental scan that will influence the direction and goals of the Company, which is the only specialized housing finance institution in the Maldives, such a dispersion presents a formidable due to the diverse needs of the population. The socio-economic character is changing rapidly with the Government prioritizing a high level of investment in infrastructure to promote economic development and growth in this nascent democracy. Over the last eleven years of HDFC's operation, successive Governments have identified the need to provide decent homes and adequate housing for the people of Maldives as one of the top most priorities demanding a sustainable solution.

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 Hulhumale' into a modern and sustainable community by providing housing development finance to match the pace of its infrastructure development. In April 2016, the Government of Maldives announced the second phase of "Gedhoruverikurun" to extend financial strength to the people of Male', Hulhumale, and Villimale to develop decent homes through this special funding program facilitated by HDFC.

The underlying market-value of housing developed from HDFC Home Finance is pivotal to a vibrant mortgage program. An Outreach Program exists to achieve a widespread geographic distribution of home finance among 12 islands where the level of investment and critical mass are sufficient to sustain this initiative. The Outreach Program had 10% share of the total loan portfolio by the end of 2016.

There is hope for the future of HDFC's Outreach Program with the present Government's concept of developing economic zones, which was unveiled in 2014, that will create centralized demand for housing. 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. In those economic zones of the North and South of Maldives, there will be more opportunities for people to improve their levels of income to generate a sustainable demand for housing, which has hitherto been the purview of the Central Capital Region.



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 was no unexpired service contract 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 the annual 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

- During the period under review, the ADB replaced its Alternative Director Ms. Christine Engstrom with Mr. Asif Cheema on 1 April 2015.

Auditors

KPMG has been the statutory auditors for 2015 and are eligible for re-appointment at the AGM.

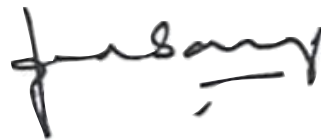
The Appointment and Remuneration of the Auditors will be considered by the Board of Directors and recommended at the AGM for adoption.

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 the management and staff for sustainable efforts to take the Company to greater heights.



Ismail Ali Manik
Chairman of the Board



Conrad D'Souza
Director



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

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

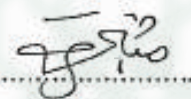
Based on the random cases reviewed and management representation, we, **Dr. Ibrahim Zakariyya Moosa, Dr. Rusni Binti Hassan and Dr. Aishath Muneeza**, being the members of the Shari'ah Committee of HDFC Amna, do hereby confirm, that in our opinion, the operations of the HDFC Amna, to the extent that has been communicated to us, for the financial year ended 31 December 2015, 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)



Managing Director's Review

The continued success of the Housing Development Finance Corporation PLC of the Maldives (HDFC) with a strong performance in 2015 reflects the strength of the foundation laid by the shareholders, led by the International Finance Corporation, upon privatization in July 2008. It was a privilege for me to have been the Managing Director to rollout the new business plan after privatization and embark on a new path of sustainable and responsible finance at HDFC, firmly grounded on principles of client protection. It was also a rewarding experience to rise to the challenge of seeking long-term funding lines from multilateral partners to sustain the growth and development of a vibrant housing finance program, which is both affordable and meaningful to the people of Maldives.

The Company made an operating profit of MVR 71.5 million (USD 4.6 million) for 2015, continuing its upward trajectory. The theme we established in 2015, "REWARDING LOYALTY & MOVING FORWARD TO GREATER AFFORDABILITY" speaks volumes about what HDFC stands for in terms of proven resilience, customer centrality and innovation of products for investment and lending. HDFC's ability to transform ahead of the trends in the most proactive manner made it possible for the Company to survive and prosper in the Maldives economy considered to be an emerging market in the global arena. We have built a strong brand image grounded on trust and confidence so that, to the thousands of our loyal customers, HDFC represents the best and the most appealing Housing Finance solution in the Maldives to make their dream of living in a decent home come true. HDFC has been a significant contributor to the economic growth and the quality of life for the people of Maldives, and this Annual General Meeting 2016 is a significant milestone on the path of progress of our organization.

“ Company made an operating profit of MVR 71.5 million (USD 4.6 million) for 2015”

The reporting year of 2015 also marked the Golden Jubilee of National independence in the Republic of Maldives, and therefore, an extremely eventful year for the country as well as the financial services industry of the Maldives. There were many events of financial significance carried out to coincide with the celebrations, and the HDFC participated in all the relevant events. Maldives Monetary Authority (MMA) released new polymer banknotes to the market, attractively designed to reflect the cultural and natural appeal of the Maldives as one of the prime tourist destinations in the world.

The MMA reduced the minimum reserve requirement (MRR) for commercial banks from 20% to 10% in August 2015, and also brought down the T-Bill rates by almost 30% with caps introduced in October of the same year. Both these events had a positive impact on the Rufiyaa liquidity and enhanced competitiveness among financial institutions, which will in time; translate to better access to finance with greater affordability for the people of Maldives.

Based on Census 2014, the resident Maldivian population was 338,434 and 30% of the total population live in the Male' City Region. However, when it comes to the number of households, Census 2014 showed a total of 68,249 households in Maldives, out of which 26,739 or almost 40% were in Male' and 40,887 households in the 187 administrative islands in the Atolls. HDFC PLC estimates that there is a deficit of minimum 15,000 units of housing in the capital region alone. Based on the statistics for approvals and certificates of completion issued over the last seven years, the addition to the housing stock has been less than 500 units on average per annum. The demand-led pricing and rentals have been a major concern for mortgage lending institutions dominated by HDFC PLC and Bank of Maldives, but given the current trend, unless the second phase of Hulhumale' and the bridge project, which has already commenced to connect Male' and Hulhumale' add the necessary momentum for the annual delivery of greater numbers to swell the housing stock, the house prices will not go into decline to create a negative equity scenario, which has been the bane of the financial sector in the developed countries.

With the expansion of the economy, the construction industry marked a revival by an estimated YOY growth of over 20% compared to the sluggish performance of the past. Although the major part of this rebound was due to new resort projects, many real estate development projects too contributed in 2015, mainly in Hulhumale'. A landmark residential development project, Amin Avenue, with 279 apartments constructed by Amin Construction Pvt. Ltd. took the centre-stage with HDFC PLC as its sole Mortgage Finance Partner. The other major developers that partnered HDFC PLC to help relive population congestion in the capital city, Male' were Rainbow Construction, Damas Company, Jausa Construction Maldives, Wiz Company and state-owned Maldives Real Estate Development Corporation Pvt Ltd. This new trend of real estate development companies augmenting family-based construction projects on their own-land augurs well for the housing finance industry, and offers greater potential for HDFC's future growth.

A Significant Milestone in the Financial Services Sector of the Maldives

The announcement of a rate cut in the existing mortgage finance facilities and a rate reduction in all the products effective 1 April 2015 made it a landmark phenomenon in the financial services industry of the Maldives. All existing HDFC customers were rewarded for their loyalty to the Company with a rate cut of 25 bps. and for future customers a 50 bps lower in all the financial products offered by HDFC.

Moving forward to Greater Affordability



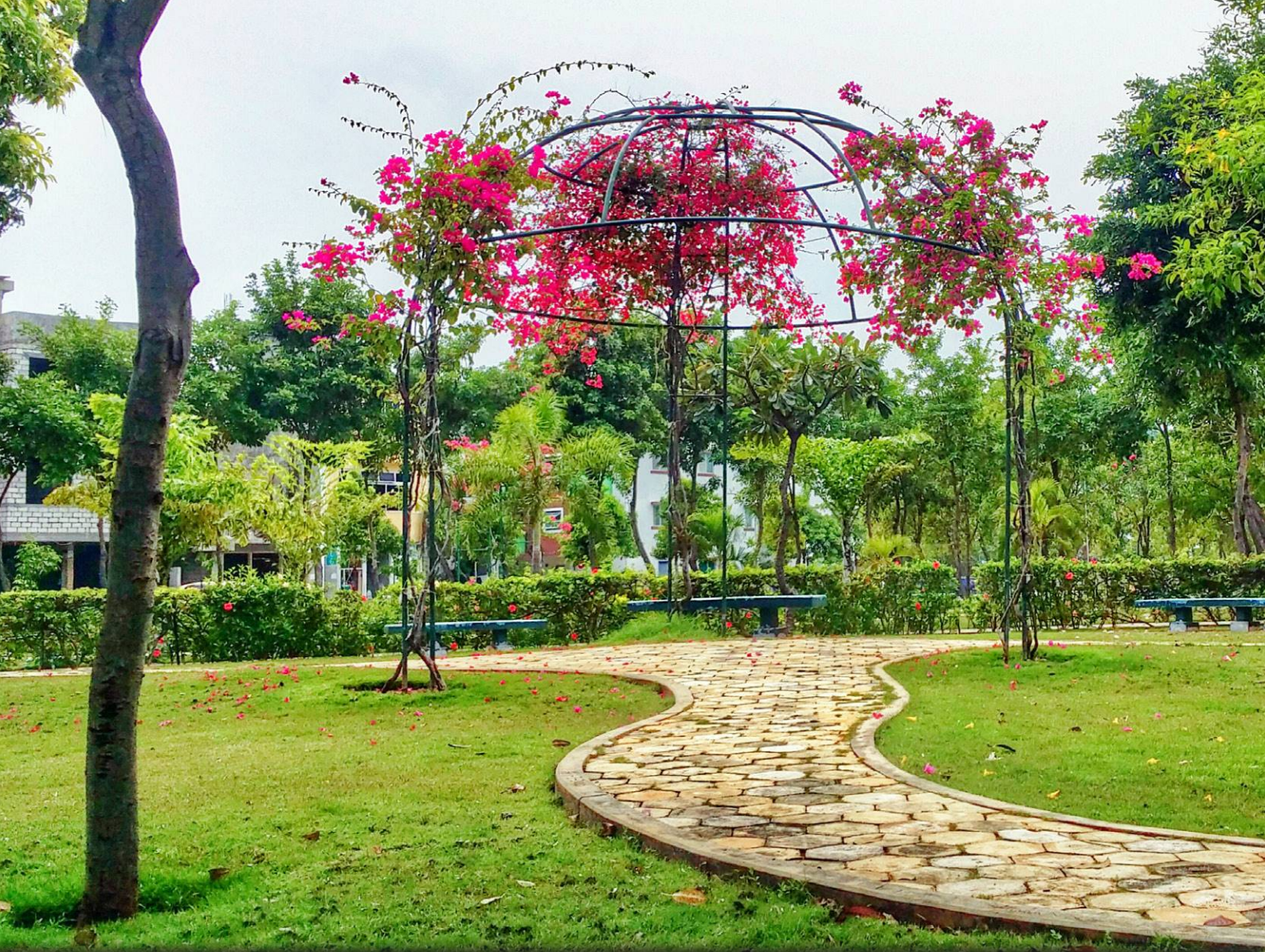
Effective 1 April 2015, the loan tenor was increased to 20 years, thereby making monthly instalments more affordable. Furthermore, under the Flexible Instalment Plan (FLIP) and Step-up Repayment Facility (SURF), monthly repayments can be structured for 25 years but paid off in 20 years, giving even greater affordability and flexibility to HDFC customers.

Loan Portfolio Review

In the month of May 2015, HDFC achieved a significant milestone with its loan portfolio crossing the threshold of 'One Billion' MVR. The average NPL ratio during 2015 was held at around 2%, which is 50% better than the compliance benchmark for the Company set by IFC and other multilateral lenders. The management remains confident that more resources being channeled to customer relationship management as well as a dynamic recovery team supported by an effective legal counsel will lead to a further improvement in the quality of the historical portfolio. At the same time, the credit appraisal techniques that will improve with better credit information expected in 2016 from the Maldives Credit Information Bureau would lead to enhanced asset quality going forward. From the perspective of Company's Risk Management, the Care Rating of AA (MLD) that was issued in 2012 has been held in all subsequent years including 2015.

Our Partners in Progress

Upon privatization, multilateral funding lines from the Asian Development Bank and International Finance Corporation initiated a mortgage lending program that addressed the backlog of demand built over the pre-privatization 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 improving lives with financial strength to develop decent homeownership. In addition there is a long list of organizations in our partnership network that effectively contributed to our efforts to provide access to meaningful and affordable housing finance. The Maldives Islamic Bank, the Bank of Maldives, HSBC, Maldives Pensions Administration Office, Allied Insurance Company and its Islamic Window Ayady-Takaful, Amana Takaful Insurance Company and the State Trading Organization are among the partners who helped us innovate solutions to the challenges of the financial services industry. From the construction sector there have been many reputed companies rising to the challenge of supplying decent homes towards filling the gap in the supply and demand of housing in the Maldives, especially in the Male' Region. We were able to extend end-user finance to our customers by forging partnerships through tripartite and quadripartite agreements with many reputed housing developers, notably HDC, Ensis Company, Amin Constructions, Rainbow Construction Pvt. Ltd, Dhamas Company, Jousa Construction Company, Lexon Pvt. Ltd and the Wiz Company.



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 Housing Development Corporation 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 2015 was significant for the commencement of many new projects that were approved for the supply of much-needed housing units to a market with growing demand for housing in the Male' region. 2015 also became a landmark year with the reclamation of the second phase of Hulhumale' development and the grand design for the Youth City unveiled by HDC, which has been the housing development partner of HDFC since its inception in 2004.

An Eventful Year

The year 2015 was significant for our Loan Portfolio as it crossed the major threshold of MVR 1 billion while sustaining the AA Rating by Care Ratings of India. The portfolio also recorded low NPL levels throughout the year while enhancing the asset quality through a review of the best practices in underwriting and risk management.

HDFC PLC continued with its contribution to the development of the Credit Information Bureau in the Maldives and made significant inroads to implementing the Oracle Solution to make HDFC's IT platform suitable for future expansion of the Company's business.

The year 2015 also saw operations commence in the Islamic Housing Finance Program branded as "Gedhoruverikurun" to empower low-income segments of society. This program represents HDFC's shared mission with the Ministry of Housing and Infrastructure that began in 2008, especially to provide decent homes in the under-served provincial Islands.

The President's Office and the Ministry of Economic Development conferred a unique recognition on HDFC PLC at the launching of "The Corporate Resident Maldives" scheme to acknowledge the contribution of foreign investment to the development of Maldives that has been secured through the HDFC PLC.

We completed our CSR program that commenced in 2014 with the Beautiful Eyes Down Syndrome Association of Maldives. We are most grateful to the Association for their efficiency and transparency in administering our sponsorship and delivering excellent results. While the satisfactory conclusion of this phase of the Beautiful Eyes project augurs well for our future partnership with this worthy cause, we have also approved a proposal from the Disability Division of the Ministry of Law and Gender for the procurement of appropriate assistive devices for children with mobility limitations. The new CSR project will commence in 2016.

Words of Appreciation

I wish to thank my Team, the management and staff who came together as a family to share HDFC's passion for improving lives with access to meaningful and affordable home finance products that are designed to help people achieve their dreams. Also on behalf of the management and staff, it is my duty and privilege to extend our appreciation to our Shareholders, as well as the Maldives Monetary Authority, along with the Ministry of Housing, Finance and the Ministry of Economic Development for their support, and HDFC's Board of Directors for their guidance. It would be remiss not to mention our Professional Partners for their expertise, and all the Stakeholders for the confidence they have in HDFC PLC to provide solutions in Housing Finance that add value to our customers who are our raison d'etre, and to whom we extend our utmost gratitude for selecting us to make their dream home, a reality.

Yours sincerely,



Anil D. Priyanka Baddevithana



Housing Development Finance Corporation Plc.

Board of Directors

“The quality of the Company’s Board has now become an important evaluation for Institutional Investors”

Russel Reynolds (1997)





Corporate Governance

Sound Corporate Governance practices and responsible corporate behaviour contribute to long term performance of companies. Best practices on governance issues are a continuing process. There is no one single model to delineate good governance.

The Corporate Governance Policy in the Company is governed by Capital Market Development Authority's "Corporate Governance Code". Importantly, focus on the integrity, transparency and equality in whatever the Company does and what it basically aims at achieving is a complete adherence to the applicable statutes while at the same time ensuring complete commitment to values and the highest ethical standards in every facet of its operations and in each of the functional areas. This in turn ensures that the best in class concept of Corporate Governance practices become a way of life in the Company.

In line with the type of operations of the Company, the Corporate Governance framework in HDFC is based on the following key principles.

Key Principles

- Constitution of a Board of Directors of appropriate composition, size, varied experience and commitment to discharge their responsibilities and duties.
- Transparency and independence in the functions of the Board.
- Ensuring timely flow of information to the Board and its Committees to enable them to discharge their functions effectively.
- Conduct all affairs adhering to the highest standards of ethics, transparency, accountability, honesty and integrity.
- Comply with the applicable laws, rules and regulations.
- Independent verification and assured integrity of financial reporting.
- Timely and balanced disclosure of all material information concerning the Company to all stakeholders and protection of their rights and interests.

Shareholding Structure

The HDFC has four major shareholders; Government of Maldives (49%), Asian Development Bank (18%), International Finance Corporation (18%), HDFC Investments Ltd., India (15%). There are nine initial shareholders with one share each, and the Managing Director who holds a qualifying share required under Company's Act 10/96.

Board Membership and Its Composition

The Board consisted of five Nominee Directors, four alternate Directors and one Ex-officio who is the Managing Director, without voting rights. With the exception of one Alternate Director vacancy for the Government of Maldives', all the shareholders have one Nominee Director for each of their Nominee Director.

The Board members possess skills and experience with a proven track record in either housing finance or business administration and other diverse fields including banking and finance.

Role of the Board and the Chairperson

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

HDFC's Board is headed by the Chairperson, who ensures that the Board fulfils its obligations under the Company's Articles of Association and under the relevant laws and regulations, through effective leadership and guidance to the Board and the Company. The Board has delegated responsibility for the day-to-day management of the Company to the Managing Director.

The Chairman to the Board Directors is appointed on rotation. The current Chairman is Mr. Ismail Ali Manik who was nominated as a Director on 4 February, 2016 and subsequently appointed as Chairman at the Board of Directors Meeting held on 6 February 2016 and He will continue to hold office for one year. Prior to that Mr. Conrad D'Souza served as the Chairman of the Board from 11 January 2014 till 6 February 2016.

Board Meetings

The Board meets at least once in every three months to review the Company's performance and to address specific or urgent matters requiring Board direction and approval. Where appropriate, the Board liaises with senior management through electronic media and conference calls address to any gaps in communication.

Directors	No. of meetings held	No. of meetings attended
Mr. Hussain Suhail (GOM)	4	4
Mr. Mohamed Shifau (GOM)	4	4
Mr. Conrad D'Souza (HDFC Investment)	4	4
Mr. Sanjaya Gupta (ADB)*	4	4
Mr. Russell De Mel (IFC)	4	4
Mr. ADP Baddevithana (HDFC/MD)	4	4

* (Mr. Sanjaya Gupta's Term ended 31 March 2016)

Annual General Meeting

The Annual General Meeting (AGM) of the Shareholders requires a quorum comprising of shareholders holding a majority of shares of the Company. The AGM for 2016 is scheduled to be held on the 21st of May 2016.

Committees of the Board

The Board has constituted two Committees, in the guise of Audit Committee and Nomination and Remuneration. In 2015 there were 2 Audit committee meetings and no meetings were held by the Nominations and Remuneration committee.



Audit Committee

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

Objectives of the Committee

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

- Review the effectiveness of HDFC's internal risk control and risk management systems;
- Validate the integrity of HDFC's interim and annual financial statements including the disclosures made and the context in which the financial statements have been prepared.
- 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;
- Engagement of internal and external auditors, and review of both the internal and external audit functions;
- Evaluate the independence and effectiveness of the work of the external auditors; and
- Ensure the compliance requirements are adhered to and are being reported in a timely manner.

Audit Committee shall have the mandate to investigate within its terms of reference, and shall have full discretion to invite any director or executive officer to attend its meetings, and can utilise reasonable resources to enable it to discharge its function appropriately.

There were two meetings of the Audit Committee in 2015. Matters arising of the Audit Committee were also discussed across the Board. Membership and details of attendance are as follows.

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

With the re appointment of the Government of Maldives Directors the Audit Committee has been re-constituted on the 6 February, 2016 as follows.

Directors	Capacity
Mr. Conrad D' Souza (HDFC Investment Ltd, India)	Chairman
Mr. Russell De Mel (IFC)	Member
Mr. Sanjaya Gupta (ADB)	Member *
Mr. Hussain Suhail (GOM)	Member
Mr. Ismail Ali Manik (GOM)	Member

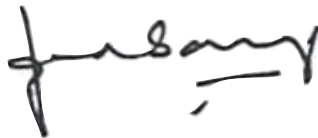
* Mr. Sanjaya Gupta's term ended 31 March 2016

External Auditor

KPMG (Chartered Accountants) was appointed as the Company's External Auditors for 2015.

Internal Auditors

PricewaterhouseCoopers was appointed as the Company's Internal Auditors for 2015. The Audit was conducted on quarterly basis all through the year. In addition, a limited review was also undertaken. The Internal Auditors also undertook a "post migration" audit, where their findings were presented to the Board of Directors.



Conrad D'Souza
Chairman of the Audit Committee

Auditors



KPMG
External Auditors



PricewaterhouseCoopers
Internal Auditors



Nomination & Remuneration Committee

The Nomination and Remuneration Committee was established in accordance with the Articles of the Association 123 of HDFC PLC, and Article II of the Shareholders Agreement on 23 July 2008. The Nomination and the Remuneration Committee comprises of the following members.

Member	Capacity
Mr. Hussain Suhail	Chairman
Mr. Mohamed Shifau*(Member till 6th Feb. 2016)	Member
Dr. ADP Baddevithana (Managing Director)	(Mediator)
Ms. Raheema Saleem	Company Secretary

Objectives of the Committee

The prime objective of the Nomination and Remuneration Committee is to assist the Board in fulfilling its overall responsibilities and shall include the following functions;

- Set and review staff remuneration
- Review the organizational structure
- Endorse HR Policies
- Adopt best HR Practices for training, retention and development of staff
- Set and recommend new staff benefit schemes to the board
- Review, staff appraisals
- Identify and shortlist suitable candidates to be recruited to the senior level positions of the company.

Note: Nomination and Remuneration Committee did not hold any meeting during the year 2015.



Shari'ah Committee

The HDFC Amna Department is managed and systemised to ensure proper Shari'ah governance mechanism both within the department and among its shareholders. A Shari'ah Committee. Shari'ah Committee consisting of three members has been established to advise the Board of Directors of HDFC on Shari'ah related matters. The Shari'ah Committee comprises of the following members. On 1 April 2015, one meeting of the Shari'ah Committee was held.

Member	Capacity
Dr. Ibrahim Zakariyya Moosa	Chairman
Assoc. Professor De. Rusni Hassan	Member
Dr. Aishath Muneeza	Member
Mr. Ibrahim Didi	Secretary (until 14 April 2016)

Declaration of Interests

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

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

Information Rights

The Company furnishes the following information to its Shareholders;

- Audited Annual Financial statements within 120 days after the end of each Financial Year, and the related statements of income, equity and cash flow, in accordance with the International Financial Reporting Standard (IFRS).
- Within 45 days after the end of each quarter of each Financial Year, quarterly financial statements
- Proposed Business Plan for the Financial Year

In addition the Company also provides to each Shareholder any information on request with regard to any material developments in or affecting the Company's business.

Under the Right to Information Act of Maldives (No: 01/2014), the Company has appointed Mr. Mohamed Shafeeq, Senior Manager, Head of Finance and Business Development as the Information Officer. Each year he independently presents his report to the Commission.

Safeguarding the Social & 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 Financial Year, an annual monitoring report is delivered to ADB, consistent with the requirements of the Shareholders' Agreement, confirming compliance with 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 such deficiency.

Sanctionable Practices

All Shareholders other than the International Investors have pledged that neither they nor their affiliates shall engage in any sanctionable practice as stipulated in the Shareholders' Agreement.

Affirmative Covenants



The Company adheres to the following covenants:

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

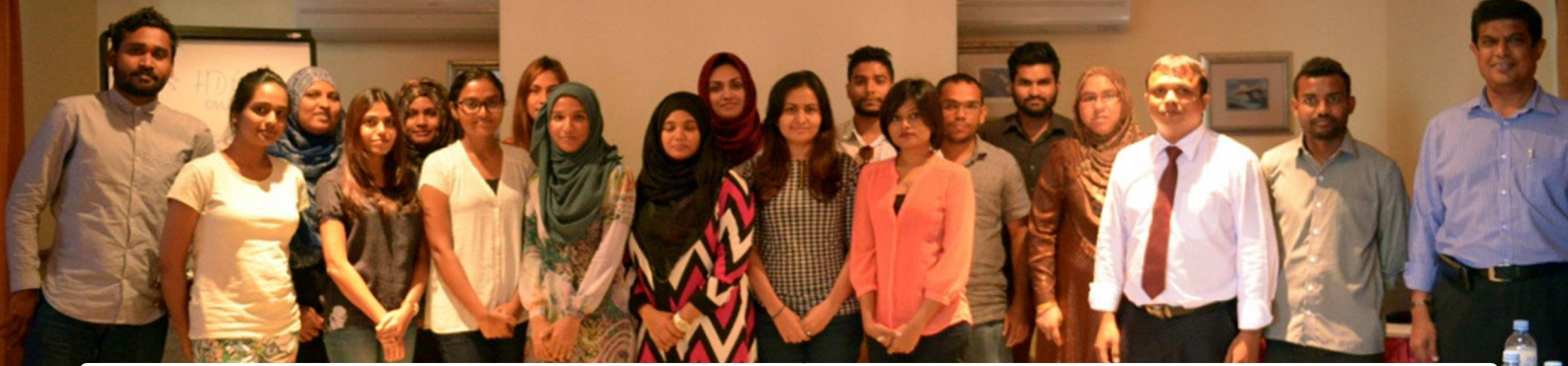


Anti-money laundering & compacting the finance terrorism

The Company complies with the (Law no. 10/2014) PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM ACT which was gazetted on 13 April 2014. The main objectives of the Act are as follows:

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 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 who reports to Maldives Monetary Authority.



Human Resources Development

HDFC strongly believes that its term of management and staff is key to driving performance and developing a competitive advantage. The emphasis has been on proper recruitment of talent and empowerment while devoting resources for their continuous development as a team of dedicated employees who work with passion and a sense of belongingness. The HDFC team plays a defining role in accelerating the growth of the Company.

Our productivity is driven by our team. We value our employees and ensure roles and responsibilities are assigned as per the interest and specialisation of each employee. This has created a strong foundation of a dedicated and determined workforce. We focus on Financial Strength, Health and Security, Work-Life-Balance, and Personal Development.

Providing Financials Strength

We provide financial assistance to all the staff to improve their living standards. As a responsible lending institution, HDFC provides a range of financial assistance to all permanent employees. Such assistance includes, home loans, personal loans and study loans.

Health and Security

We offer medical insurance to our employees, which gives them the ability to maintain their health. In 2015, the medical insurance was provided through Amana Takaful Insurance Company.

HDFC is a member of the State Pension Scheme, whereby the employer contributes 7% of the basic salary of each employee to the Pension Fund.

Work –life Balance

We encourage our staff to maintain a healthy work-life balance by using their annual leave in a constructive manner with proper cover and spend such quality time in suitable fashion.

Training and Development

The Company conducts regular training and development sessions for our workforce to develop them as Professionals who can provide superior services to our customers. During the year, training programs were designed with both in-house and international training through seminars and workshop held in the Maldives such as the Islamic Finance Forum of 2015.



Technology Absorption

Digital medium is revolutionizing customer service and offering a new platform to enhance customer convenience. At HDFC, we have been continuously refining our approach to make the most of what the digital medium has to offer. We are committed to integrate technology in all our processes, to enrich our user experience. We have adopted innovative, simple and comprehensive technology to automate our business operations which has helped us achieve higher efficiency and data integrity. We have also implemented various security tools to ensure data security and while using the IT solutions, we have adopted best-in-class practices. We have integrated high-end technology platform, Oracle E Business Suit R12 in our processes and operations to boost efficiency, productivity and deliver uninterrupted user experience.



Audit Report 2015

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2015**

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

FOR THE YEAR ENDED 31ST DECEMBER 2015

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Notes to the Financial Statements	6-37



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**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 31st December-2015, 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 37.

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 31st December 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants

10th April 2016
Male'

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

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2015 Mrf.	2014 Mrf.
Interest Income	6	114,146,641	109,902,521
Interest Expense	6	<u>(37,379,712)</u>	<u>(36,940,650)</u>
Net Interest Income	6	76,766,929	72,961,871
Net Income on Shari'ah Products	7	6,054,653	1,214,093
Fee Income	8	7,364,119	8,687,903
Other Income	9	<u>122,001</u>	<u>184,412</u>
Operating Income		90,307,702	83,048,279
Provision for Impairment Loss on Loans and Advances	17.1	(1,860,044)	(502,038)
Personnel Expenses	10	(10,439,354)	(10,208,467)
Other Operating Expenses	11	<u>(6,522,812)</u>	<u>(7,766,263)</u>
Profit Before Tax		71,485,492	64,571,511
Tax Expense	12	(10,942,716)	(9,676,005)
Profit for the Year		<u><u>60,542,776</u></u>	<u><u>54,895,506</u></u>
Basic and Diluted Earnings Per Share	13	37.99	34.44

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 37. 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	2015 MRF.	2014 MRF.
ASSETS			
Cash and Cash Equivalents	14	49,891,605	25,824,389
Financial Assets Held to Maturity	15	84,917,179	113,487,195
Derivative Asset	16	3,007,608	10,479,366
Loans and Advances to Customers	17	1,086,539,803	941,492,776
Property, Plant and Equipment	18	1,478,654	1,560,770
Intangible Assets	19	11,609	41,310
Deferred Tax Asset	12.2	48,101	61,841
Other Assets	20	11,359,556	10,428,160
Total Assets		<u>1,237,254,115</u>	<u>1,103,375,807</u>
LIABILITIES			
Deposits from Customers	21	59,436,466	39,831,957
Borrowings	22	609,453,952	567,317,419
Other Liabilities	23	113,136,289	61,698,049
Total Liabilities		<u>782,026,707</u>	<u>668,847,425</u>
EQUITY			
Share Capital	24	159,375,000	159,375,000
Advance for Share Capital	24.4	51,407,100	51,407,100
General Reserve	25.1	15,000,000	15,000,000
Staff Education Reserve	25.2	1,731,381	2,122,626
Retained Earnings		227,713,927	206,623,656
Total Equity		<u>455,227,408</u>	<u>434,528,382</u>
Total Liabilities and Equity		<u>1,237,254,115</u>	<u>1,103,375,807</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 37. The Report of the Independent Auditors is given on page 1.

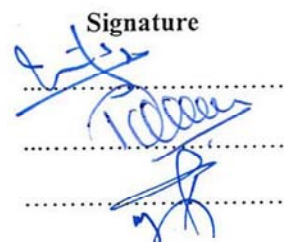
These Financial Statements were approved by the Board of directors and signed on its behalf by:

Name of the Director

Mr. Ismail Ali Manik/ Chairman

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

Mr. Mohamed Shafeeq/ Head of Finance and Business Development

Signature


10th April 2016

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

FOR THE YEAR ENDED 31ST DECEMBER 2015

	Share Capital	Advance for Share Capital	General Reserve	Staff Education Reserve	Retained Earnings	Total
	MRf.	MRf.	MRf.	MRf.	MRf.	MRf.
As at 1st January 2014	159,375,000	51,407,100	15,000,000	2,122,626	167,665,650	395,570,376
Total Comprehensive Income						
Profit for the Year	-	-	-	-	54,895,506	54,895,506
	-	-	-	-	54,895,506	54,895,506
Transactions with Owners, Recorded Directly in Equity						
Dividend Paid (Note 24.3)	-	-	-	-	(15,937,500)	(15,937,500)
	-	-	-	-	(15,937,500)	(15,937,500)
As at 31st December 2014	<u>159,375,000</u>	<u>51,407,100</u>	<u>15,000,000</u>	<u>2,122,626</u>	<u>206,623,656</u>	<u>434,528,382</u>
As at 1st January 2015	159,375,000	51,407,100	15,000,000	2,122,626	206,623,656	434,528,382
Total Comprehensive Income						
Profit for the Year	-	-	-	-	60,542,776	60,542,776
	-	-	-	-	60,542,776	60,542,776
Utilized During the Year	-	-	-	(391,245)	391,245	-
Transactions with Owners, Recorded Directly in Equity						
Dividend Paid (Note 24.3)	-	-	-	-	(39,843,750)	(39,843,750)
	-	-	-	(391,245)	(39,452,505)	(39,843,750)
As at 31st December 2015	<u>159,375,000</u>	<u>51,407,100</u>	<u>15,000,000</u>	<u>1,731,381</u>	<u>227,713,927</u>	<u>455,227,408</u>

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 37. 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 31ST DECEMBER

	Note	2015 Mrf.	2014 Mrf.
Cash Flow from Operating Activities			
Profit Before Tax		71,485,492	64,571,511
<i>Adjustments for:</i>			
Depreciation on Property, Plant and Equipment	18	606,554	568,210
Amortization of Intangible Assets	19	29,701	185,399
Gain on Disposals of Property, Plant and Equipment	9	(12,799)	-
Provision for Impairment on Loan and Advances	17.1	1,860,044	502,038
Net Interest Income	6	<u>(82,821,582)</u>	<u>(74,175,964)</u>
Operating Cash Flow Before Working Capital Changes		<u>(8,852,590)</u>	<u>(8,348,806)</u>
Working Capital Changes			
Change in Loans and Advances to Customers		(143,358,681)	(99,731,757)
Change in Other Assets		(931,396)	(2,113,088)
Change in Other Liabilities		50,614,691	(14,760,808)
Change in Deposits from Customers		19,604,509	105,538
Change in Derivatives Held for Risk Management		<u>7,471,758</u>	<u>7,770,104</u>
Cash Used in Operations		<u>(75,451,709)</u>	<u>(117,078,817)</u>
Interest Received		120,800,219	113,709,455
Interest Paid	22	(41,019,036)	(39,228,335)
Income Tax Paid		<u>(10,105,638)</u>	<u>(4,581,824)</u>
Net Cash Used in Operating Activities		<u>(5,776,164)</u>	<u>(47,179,521)</u>
Cash Flows from Investing Activities			
Acquisition of Property, Plant and Equipment	18	(530,215)	(450,602)
Acquisition of Intangible Asset	19	-	(7,844)
Proceeds on Disposal of Property, Plant and Equipment		18,576	-
Payments for Purchase of Investments		-	(69,310,303)
Investments Matured During the Year		<u>28,349,883</u>	<u>-</u>
Net Cash from/ (Used in) Investing Activities		<u>27,838,244</u>	<u>(69,768,749)</u>
Cash Flows from Financing Activities			
Repayments of Borrowing During the Year	22	(145,149,846)	(120,754,558)
Borrowings During the Year	22	186,998,521	220,789,352
Dividend Paid	24.3	<u>(39,843,539)</u>	<u>(15,937,733)</u>
Net Cash from Financing Activities		<u>2,005,136</u>	<u>84,097,061</u>
Net Increase/ (Decrease) in Cash and Cash Equivalents		24,067,216	(32,851,209)
Cash and Cash Equivalents at the Beginning of the Year		<u>25,824,389</u>	<u>58,675,598</u>
Cash and Cash Equivalents at End of the Year	14	<u><u>49,891,605</u></u>	<u><u>25,824,389</u></u>

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 37. 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 4th 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 except for the following item, which are measured on an alternative basis.

Items	Measurement Basis
Derivative Financial instrument at fair value through profit or loss	Fair value

(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.

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

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.

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)

3.5 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.

3.6 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)

3.6 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)

3.6 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 recongnised.

(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)

3.6 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.

3.7 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.

3.8 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.

3.9 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.

3.10 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)

3.11 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	3 - 8 Years

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

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 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
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Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.13 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.

3.14 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
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 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.

3.16 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.

3.17 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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st January 2016. 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.
- IFRS 16 – Leases.
- Amendment to IAS 1 – Disclosure Initiative.
- Amendment to IAS 16 and IAS 38 – Classification of Acceptable methods of Depreciation and Amortization.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2015

6 NET INTEREST INCOME	2015 MRf.	2014 MRf.
Interest Income		
Housing Loans	111,579,951	104,196,825
Treasury Bill and Other Bank Deposits	2,566,690	5,705,696
Total Interest Income	114,146,641	109,902,521
Interest Expense		
Deposits from Customers	957,586	834,790
Borrowings	33,955,171	32,619,108
Bonds	2,466,955	3,486,752
Total Interest Expense	37,379,712	36,940,650
Net Interest Income	76,766,929	72,961,871
7 NET INCOME ON SHARI'AH PRODUCTS	2015 MRf.	2014 MRf.
Revenue from Housing Facilities	7,940,809	3,434,245
Revenue from Short Term Investments	627,505	228,822
Fee Income	1,413,521	251,307
Amna Investors' Profit Share	(3,927,182)	(2,700,281)
	6,054,653	1,214,093
8 FEE INCOME	2015 MRf.	2014 MRf.
SWAP Commitment Fees (Note 8.1)	3,676,410	4,984,534
Housing Loan Processing Fee (Note 8.2)	1,861,142	1,932,587
Fee Income on Late Payments	1,159,958	1,037,523
Management Fee (Note 8.3)	666,609	733,259
	7,364,119	8,687,903

8.1 SWAP Commitment Fees

SWAP commitment fees are computed on a daily basis on the outstanding US\$ 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.

8.2 Housing Loan Processing Fee

Housing Loan Processing Fee is computed based on the approved loan value subject to a maximum amount of MRf. 50,000/-.

8.3 Management Fee

Management Fee is computed based on the outstanding due to Ministry of Housing and Urban Development fund as at the end of each month at a rate of 1.75% per annum.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2015

9 OTHER INCOME	2015	2014
	MRf.	MRf.
Fair Value Gain on Currency SWAP	-	94,829
Insurance Commission	109,202	89,583
Gain on Disposal of Property, Plant and Equipment	12,799	-
	<u>122,001</u>	<u>184,412</u>
10 PERSONNEL EXPENSES	2015	2014
	MRf.	MRf.
Salaries	6,542,349	6,259,325
Allowances and Bonus	3,401,590	3,533,311
Staff Insurance	102,150	98,000
Provident Fund Contribution	310,474	299,399
Amortization of Prepaid Staff Cost	82,791	18,432
	<u>10,439,354</u>	<u>10,208,467</u>
11 OTHER OPERATING EXPENSES	2015	2014
	MRf.	MRf.
Professional Fees	985,101	626,630
Premises, Equipment and Establishment Expenses	1,287,188	1,250,373
Board Remuneration and Meeting Expenses	830,213	762,984
Advertising and Marketing Expenses	378,261	668,153
Depreciation on Property, Plant and Equipment	606,554	568,210
Amortization on Intangible Assets	29,701	185,399
Other Expenses	2,405,794	3,704,514
	<u>6,522,812</u>	<u>7,766,263</u>
12 TAX EXPENSE	2015	2014
	MRf.	MRf.
Tax Expense (Note 12.1)	10,928,976	9,672,338
Reverse of Deferred Tax Asset (Note 12.2)	13,740	3,667
	<u>10,942,716</u>	<u>9,676,005</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%.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2015

12 TAX EXPENSE (CONTINUED)

12.1 Reconciliation Between Accounting Profit and Taxable Income:	2015	2014
	MRf.	MRf.
Profit Before Tax	71,485,492	64,571,511
Aggregate Disallowable Items	5,169,206	4,336,880
Aggregate Allowable Items	(3,294,859)	(3,926,138)
Tax Free Allowance	(500,000)	(500,000)
Taxable Income	<u>72,859,839</u>	<u>64,482,253</u>
Income Tax @ 15%	<u>10,928,976</u>	<u>9,672,338</u>
12.2 Deferred Tax Assets	2015	2014
	MRf.	MRf.
As at 1st January	61,841	65,508
Reversal During the Year	(13,740)	(3,667)
As at 31st December	<u>48,101</u>	<u>61,841</u>

Deferred Tax Asset is Attributable to the Following Temporary Differences:

	<u>31/12/2015</u>		<u>31/12/2014</u>	
	Temporary Differences	Tax Effect	Temporary Differences	Tax Effect
	MRf.	MRf.	MRf.	MRf.
Property, Plant and Equipment	329,667	49,450	432,250	64,838
Intangible Asset	(8,994)	(1,349)	(19,980)	(2,997)
	<u>320,673</u>	<u>48,101</u>	<u>412,270</u>	<u>61,841</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 Year.

	2015	2014
Profit for the year Attributable to Shareholders (MRf.)	60,542,776	54,895,506
Weighted Average Number of Ordinary Shares in Issue	1,593,750	1,593,750
Basic and Diluted Earnings Per Shares (MRf.)	<u>37.99</u>	<u>34.44</u>

14 CASH AND CASH EQUIVALENTS

	31/12/2015	31/12/2014
	MRf.	MRf.
Cash in Hand	9,500	9,500
Balances with Other Banks	49,882,105	25,814,889
	<u>49,891,605</u>	<u>25,824,389</u>

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
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FOR THE YEAR ENDED 31ST DECEMBER 2015

15 FINANCIAL ASSETS HELD TO MATURITY	31/12/2015	31/12/2014
	MRf.	MRf.
Fixed Deposits	-	4,510,357
Investments in Treasury Bills (Note 15.1)	59,847,413	88,897,387
General Investments (Note 15.2)	25,069,766	20,079,451
	<u>84,917,179</u>	<u>113,487,195</u>

15.1 Treasury Bills will mature on 11th and 18th January 2016 and 28th March 2016 and carry an interest rate of 3.5% and 3.87% per annum.

15.2 HDFC Amna investments in the Maldives Islamic Bank are made for three-month maturity with a profit share of 70:30 between MIB and HDFC respectively, from the profit earned by MIB from their trade using the amount invested in the General Investment Account (GIA).

16 DERIVATIVE ASSET	2015	2014
	MRf.	MRf.
As at 1st January	10,479,366	18,249,470
Fair Value Gain Recognized During the Year	-	94,829
Fair Value Realized During the Year	(7,471,758)	(7,864,933)
As at 31st December	<u>3,007,608</u>	<u>10,479,366</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.

17 LOANS AND ADVANCES TO CUSTOMERS	31/12/2015	31/12/2014
	MRf.	MRf.
Housing Loans to Customers	975,931,470	914,295,186
Housing Loans to Staff	3,198,299	3,831,234
Amna Assets	121,394,087	35,490,365
	<u>1,100,523,856</u>	<u>953,616,785</u>
Less: Collective Impairment Provision (Note 17.1)	(13,984,053)	(12,124,009)
	<u>1,086,539,803</u>	<u>941,492,776</u>

17.1 Collective Impairment Provision

As at 1st January	12,124,009	11,621,971
Provision for the Year	1,860,044	502,038
As at 31st December	<u>13,984,053</u>	<u>12,124,009</u>

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FOR THE YEAR ENDED 31ST DECEMBER 2015

18 PROPERTY, PLANT AND EQUIPMENT

	Office Equipment MRf.	Computer Equipment MRf.	Furniture and Fixtures MRf.	Motor Vehicles MRf.	Leasehold Improvements MRf.	Total 2015 MRf.	Total 2014 MRf.
Cost							
As at 1st January	821,638	2,148,204	626,351	98,750	1,003,144	4,698,087	4,247,485
Additions During the Year	122,226	394,607	10,382	-	3,000	530,215	450,602
Disposal During the Year	(47,487)	(129,675)	(5,960)	(32,500)	-	(215,622)	-
As at 31st December	896,377	2,413,136	630,773	66,250	1,006,144	5,012,680	4,698,087
Accumulated Depreciation							
As at 1st January	439,792	1,588,868	472,170	49,063	587,424	3,137,317	2,569,107
Charge for the Year	85,239	344,924	59,290	16,562	100,539	606,554	568,210
Disposal During the Year	(41,710)	(129,675)	(5,960)	(32,500)	-	(209,845)	-
As at 31st December	483,321	1,804,117	525,500	33,125	687,963	3,534,026	3,137,317
Net Carrying Value							
As at 31st December 2015	413,056	609,019	105,273	33,125	318,181	1,478,654	
As at 31st December 2014	381,846	559,336	154,181	49,687	415,720		1,560,770

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FOR THE YEAR ENDED 31ST DECEMBER 2015

19 INTANGIBLE ASSETS	2015	2014
	MRf.	MRf.
Cost		
As at 1st of January	744,214	736,370
Additions During the Year	-	7,844
As at 31st December	<u>744,214</u>	<u>744,214</u>
Accumulated Amortization		
As at 1st of January	702,904	517,505
Amortization During the Year	29,701	185,399
As at 31st December	<u>732,605</u>	<u>702,904</u>
Net Book Value	<u>11,609</u>	<u>41,310</u>

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

20 OTHER ASSETS	31/12/2015	31/12/2014
	MRf.	MRf.
Accounts Receivable	1,917,166	1,617,850
Pre-payment of Fees	8,048,161	7,744,993
Advance Paid to Supplier	745,446	389,666
Advances to Staff	648,783	675,651
	<u>11,359,556</u>	<u>10,428,160</u>
21 DEPOSITS FROM CUSTOMERS	31/12/2015	31/12/2014
	MRf.	MRf.
Monthly Installment Deposits (21.1)	52,991,012	38,628,045
Borrowers Deposits	6,445,454	1,203,912
	<u>59,436,466</u>	<u>39,831,957</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.

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22 BORROWINGS	31/12/2015	31/12/2014
	MRf.	MRf.
As at 1st of January	567,317,419	466,870,029
Borrowings During the Year	186,998,521	220,789,352
Repayments During the Year	(145,149,846)	(120,754,558)
Interest Expenses for the Year	41,306,894	39,640,931
Interest Paid During the Year	(41,019,036)	(39,228,335)
As at 31st December	<u>609,453,952</u>	<u>567,317,419</u>
22.1 Sources of Funds		
International Finance Corporation (Note 22.3)	12,382,668	37,063,807
Asian Development Bank (Note 22.4)	10,674,422	32,004,109
Netherlands Development Finance Company (FMO) (Note 22.5)	85,818,942	107,290,056
Corporate Bond (Note 22.6)	29,302,115	39,539,626
Wakala Facilities (Note 22.7)	76,186,632	30,559,590
Term Loan from The Hongkong and Shanghai Banking Corporation Limited (Note 22.8)	75,126,595	105,089,178
Term Loan from Bank of Maldives PLC (Note 22.9)	119,250,000	123,321,479
Listed Sukuk (Note 22.10)	23,320,939	22,838,227
Deutsche Investitions und Entwicklungs Gesellschaft MBH (DEG) (Note 22.11)	177,391,639	69,611,347
	<u>609,453,952</u>	<u>567,317,419</u>
22.2 Maturity Analysis of Borrowings		
Payable Within One Year	181,849,307	166,051,418
Payable After One Year	427,604,645	401,266,001
	<u>609,453,952</u>	<u>567,317,419</u>

22.3 International Finance Corporation (IFC)

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.

22.4 Asian Development Bank (ADB)

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.

22.5 Netherlands Development Finance Company (FMO)

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.

22.6 Corporate Bond

During 2010, HDFC renewed bonds amounting to MRf. 280,000/- with a maturity period of 5 years, carrying interest of 6% per annum. During 2013, HDFC issued bonds amounting to MRf. 51,970,000/- with a maturity period of 5 years carrying an interest of 7.5% per annum.

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22 BORROWINGS (CONTINUED)

22.7 Wakala Facilities

During 2012, Maldives Islamic Bank has invested MRf. 20,000,000/- with HDFC under a Wakalah arrangement with a profit target of 11.5% for a period of 12 months. This has been rolled over for the fourth term during 2015. Amana Takaful Maldives has invested a total of MRf. 10,000,000/- during 2012 under a wakalah arrangement with an annual profit target of 11.5% for a period of 12 months and this has been rolled over for the third term during 2015.

During 2015, Maldives Hajj Corporation Limited has invested MRf. 30,000,000/- with HDFC with a profit target of 8% per annum for a period of 5 years. During the year Maldives Islamic Bank has invested MRf. 10,000,000/- under a wakalah arrangement with a profit 8.5% per annum for a period of 1 year. Amana Takaful Maldives has invested MRf. 5,000,000/- with a profit target of 8% for a period of 1 year under a wakalah for granting home financing facilities in accordance with the rules and principles of Sharia.

22.8 Term Loan from The Hongkong and Shanghai Banking Corporation Limited (HSBC)

The 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 Term Loan from Bank of Maldives PLC.

The 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 providing mortgage housing loans. The loan carries an interest at a rate of 8.5% per annum and repayable in monthly instalments commencing from the first utilization date for 5-years, ending in 2018.

22.10 Listed Sukuk

The 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 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.

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23 OTHER LIABILITIES	31/12/2015	31/12/2014
	MRf.	MRf.
Ministry of Housing and Urban Development Fund (Note 23.1)	18,394,665	46,475,652
Ministry of Housing and Infrastructure Fund (Note 23.2)	70,000,000	-
MHI Social Housing Fund	5,275,217	2,912,612
Amounts Received from Customers in Advance	5,498,916	2,412,217
Tax Payable	6,003,328	5,179,990
Dividends Payable	247	36
Insurance Premium Payable	7,279,139	4,573,853
Employees Pension Contribution	44,924	51,425
Accruals and Other Liabilities	639,853	92,264
	<u>113,136,289</u>	<u>61,698,049</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.

23.2 Ministry of Housing and Infrastructure Fund

As per the agreement dated 16th February 2014, HDFC manages and administers loan schemes under which HDFC, as a custodian receives funds from the Ministry of Housing and Infrastructure (MHI) and the Ministry of Housing and Urban Development Fund (MHUD) amounting to MRf. 40,000,000/- and MRf. 30,000,000/- respectively. Purpose of the fund is to construct houses in islands under HDFC Amna's Islamic outreach program and disburse such funds to beneficiaries. The initial Islamic Housing Fund approved for this program will be MRf. 100,000,000/- treated as a revolving grant for investment with a profit share of 65% to HDFC and 35% to the Islamic Housing Finance Scheme Fund.

24 SHARE CAPITAL

24.1 Authorized

The authorized share capital comprises of 3,187,500 Ordinary Shares (2014: 3,187,500). All shares are at par value of MRf. 100/-.

24.2 Issued and Fully Paid

The issued and fully paid share capital comprises of 1,593,750 Ordinary Shares (2014: 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.

At the Annual General Meeting held on 30th May 2015, a dividend in respect of 2014 of MRf. 25/- per share (2014: declared dividend MRf. 10/- per share in respect of 2013) amounting to a total of MRf. 39,843,750/- (2014: declared MRf. 15,937,500/-) was declared and approved by the shareholders and accounted for in shareholders' equity as an appropriation of retained earnings in the year ended 31st December 2015.

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 11th 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.

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25 RESERVES

25.1 General Reserve

General reserve has been created by the discretion of the board of directors 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.

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, Operations Director, Head of Finance, Senior Manager Credit, Senior Manager Islamic Finance and Senior Manager IT 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.

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26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 2015 and 31 December 2014, without taking account of any collateral

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:

- All the housing loans are backed by collateral.
- 97.25% of the loans and advances portfolio are considered to be neither past due nor impaired (31 December 2014: 95.69%);

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

	31/12/2015	31/12/2014
	Mrf.	Mrf.
Neither Past Due or Nor Impaired	1,070,313,189	912,518,646
Past Due but Not Impaired	7,414,935	24,955,458
Impaired	22,795,732	16,142,681
Gross Loans and Advances	<u>1,100,523,856</u>	<u>953,616,785</u>
Less: Provision for Impairment	<u>(13,984,053)</u>	<u>(12,124,009)</u>
Net Loans and Advances	<u><u>1,086,539,803</u></u>	<u><u>941,492,776</u></u>

During the year ended 31 December 2015, the Company's total value of loans and advances increased by 15.41% (year ended 31 December 2014: 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.

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26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

26.4 Impairment and Provisioning Policies (Continued)

**Maximum Exposure to Credit Risk Before Collateral Held or Other Credit Enhancements
(Continued)**

(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)	31/12/2015		31/12/2014	
		Loans to customers MRf.	Percentage of Total Loans MRf.	Loans to Customers MRf.	Percentage of Total Loans MRf.
A+	0.2%	1,031,693,894	96.39%	877,720,163	96.19%
A	0.2% to 0.5%	10,635,368	0.99%	3,336,783	0.37%
A-	0.5% to 1%	6,513,665	0.61%	7,987,220	0.88%
B+	1% to 1.5%	5,036,014	0.47%	14,069,243	1.54%
B	1.5% to 2%	6,953,762	0.65%	-	0.00%
C	above 2%	9,480,486	0.89%	9,405,237	1.03%
		<u>1,070,313,189</u>	<u>100%</u>	<u>912,518,646</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:

31 December 2015 (MRf. '000)	Male'	Hulhumale	Outer Atoll	Total
Past Due 31 - 60 days	1,771	898	1,681	4,350
Past Due 61 - 90 days	414	2,164	487	3,065
Total	<u>2,185</u>	<u>3,062</u>	<u>2,168</u>	<u>7,415</u>
31 December 2014 (MRf. '000)	Male'	Hulhumale	Outer Atoll	Total
Past Due 31 - 60 days	11,344	6,136	960	18,440
Past Due 61 - 90 days	1,104	4,925	486	6,515
Total	<u>12,448</u>	<u>11,061</u>	<u>1,446</u>	<u>24,955</u>

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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. 22,795,732/- (as compared to on 31 December 2014 when impaired loans and advances to customers were MRf. 16,142,681/-).

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

31 December 2015 (MRf. '000)	Male'	Hulhumale'	Outer Atoll	Total
Impaired Loans	14,505	3,767	4,524	22,796
31 December 2014 (MRf. '000)	Male'	Hulhumale'	Outer Atoll	Total
Impaired Loans	8,214	6,283	1,646	16,143

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.

	31/12/2015 MRf.	31/12/2014 MRf.
Residential - Conventional	976,026,010	908,456,724
Residential - Islamic	120,257,411	35,490,365
Commercial	4,240,435	9,669,696
Grand Total	1,100,523,856	953,616,785

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).

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26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

26.7 Foreign Exchange Risk

All the transactions except transactions carried out in local currency, Maldivian Rufiyaa (MRf.), are carried out mainly in United States Dollars (US\$) 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\$ = MRf. 10.28/- to MRf. 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 out of total US\$ 7.5 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\$ = MRf. 12.85/-. 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/- MRf. to honour the US\$ requirement of HDFC.

HDFC has also borrowed balance US\$ 3.5 million out of total US\$ 7.5 million from International Finance Corporation (IFC) and US\$ 7 million from Netherlands Development Finance Company (FMO). 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\$ = MRf. 15.38/- and 1 US\$ = MRf. 15.42/- 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\$ = MRf. 15.38/- and MRf. 15.42/-.

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\$ 18,441,977/-, against which the amounts of US\$ to be purchased from STO PLC is US\$ 19,538,268/-.

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

	31/12/2015	31/12/2014
	US\$	US\$
Assets		
Cash and Balances with Other Banks	92,027	187,135
Derivative Financial Instruments	195,046	679,596
Total Assets	<u>287,073</u>	<u>866,731</u>
Liabilities		
Borrowings	18,441,977	15,787,667
Total Liabilities	<u>18,441,977</u>	<u>15,787,667</u>
Net on-Balance Sheet Financial Position	<u>(18,154,904)</u>	<u>(14,920,936)</u>
Commitments	<u>19,538,268</u>	<u>16,456,458</u>
Net	<u><u>1,383,364</u></u>	<u><u>1,535,522</u></u>

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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 2015 (MRf. '000)

	1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non - Interest Bearing	Total
Assets							
Cash and Balances with Other Banks	14,787	-	-	-	-	35,104	49,891
Financial Assets Held to Maturity	54,969	20,039	9,909	-	-	-	84,917
Loans and Advances to Customers	3,879	9,849	64,899	295,559	712,354	-	1,086,540
Derivative Financial Instruments	1,578	1,163	267	-	-	-	3,008
Other Assets	-	-	-	-	-	11,360	11,360
Total Financial Assets	75,213	31,051	75,075	295,559	712,354	46,464	1,235,716
Liabilities							
Deposits from Customers	-	-	-	-	50,719	8,717	59,436
Borrowings	19,177	40,288	120,696	347,833	81,460	-	609,454
Other Liabilities	-	-	-	-	-	113,136	113,136
Total Financial Liabilities	19,177	40,288	120,696	347,833	132,179	121,853	782,026
Total Interest Repricing Gap	56,036	(9,237)	(45,621)	(52,274)	580,175	(75,389)	453,690

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
Assets							
Cash and Balances with Other Banks	16,895	-	-	-	-	8,929	25,824
Financial Assets Held to Maturity	59,849	9,836	43,802	-	-	-	113,487
Loans and Advances to Customers	5,080	10,292	42,111	220,308	663,701	-	941,492
Derivative Financial Instruments	1,838	1,838	3,675	3,128	-	-	10,479
Other Assets	-	-	-	-	-	10,428	10,428
Total Financial Assets	83,662	21,966	89,588	223,436	663,701	19,357	1,101,711
Liabilities							
Deposits from Customers	-	-	-	-	38,577	1,255	39,832
Borrowings	15,545	32,067	92,748	345,460	81,497	-	567,318
Other Liabilities	-	-	-	-	-	61,698	61,698
Total Financial Liabilities	15,545	32,067	92,748	345,460	120,074	62,953	668,848
Total Interest Repricing Gap	68,117	(10,101)	(3,160)	(122,024)	543,627	(43,596)	432,863

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26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

26.8 Interest Rate Risk (Continued)

Exposure to Interest Rate Risk – Loans and Advances
Sensitivity Analysis of Net Interest Income

	<u>31/12/2015</u> <u>1% Increase</u> <u>MRf.</u>	<u>31/12/2015</u> <u>1% Decrease</u> <u>MRf.</u>	<u>31/12/2014</u> <u>1% Increase</u> <u>MRf.</u>	<u>31/12/2014</u> <u>1% Decrease</u> <u>MRf.</u>
Average for the Year	10,865,398	(10,865,398)	9,414,928	(9,414,928)

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.

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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 2015</i> <i>(MRf. '000)</i>	Carrying Amount	Gross Nominal Inflow/	1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years
Liabilities							
Deposits	59,436	(70,848)	-	-	(8,717)	-	(62,131)
Borrowings	609,454	(670,852)	(14,651)	(41,549)	(142,185)	(385,792)	(86,675)
Other Liabilities	113,136	(103,378)	-	-	-	(103,378)	-
Total Liabilities	782,026	(845,078)	(14,651)	(41,549)	(150,902)	(489,170)	(148,806)
Assets							
<i>Non-Derivative Assets</i>							
Cash and Balances with Other Banks	49,892	49,892	49,892	-	-	-	-
Financial Assets Held to Maturity	84,917	85,157	55,030	30,127	-	-	-
Loans and Advances to Customers	1,086,540	1,918,914	12,382	24,764	111,438	594,336	1,175,994
Derivative Asset	3,008	6,531	1,254	1,255	1,854	2,168	-
Other Assets	11,360	14,063	-	-	-	-	14,063
Total Assets	1,235,717	2,074,557	118,558	56,146	113,292	596,504	1,190,057
Net		1,229,479	103,907	14,597	(37,610)	107,334	1,041,251
As at 31 December 2014 <i>(MRf. '000)</i>							
	Carrying Amount	Gross Nominal Inflow/	1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years
Liabilities							
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)	-
Total Liabilities	668,227	(739,732)	(21,378)	(15,604)	(159,850)	(456,396)	(86,504)
Assets							
<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 to Customers	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
Total Assets	1,103,369	1,779,682	100,343	37,198	155,979	532,956	953,206
Net		1,039,950	78,965	21,594	(3,871)	76,560	866,702

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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 2015. HDFC complied with all of the externally imposed capital requirements to which they are subjected.

	31/12/2015	31/12/2014
	MRF.	MRF.
Capital		
Share Capital	159,375,000	159,375,000
Advance for Share Capital	51,407,100	51,407,100
Retained Earnings	227,713,927	206,623,656
Reserves	16,731,381	17,122,626
Total Qualifying Capital	<u>455,227,408</u>	<u>434,528,382</u>
Total Capital	<u>455,227,408</u>	<u>434,528,382</u>
Risk-Weighted Assets		
On-Balance Sheet	571,382,788	498,159,091
Total Risk-Weighted Assets	<u>571,382,788</u>	<u>498,159,091</u>
Basel Ratio	<u>80%</u>	<u>87%</u>

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26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

26.11 Analysis of Financial Instruments by Measurement Basis

As at 31st December 2015

Financial Assets	Fair Value Through Profit or Loss	Held-to-Maturity	Loan and Receivables	Total MRF.
Cash and Cash Equivalents	-	-	49,891,605	49,891,605
Financial Assets Held to Maturity	-	84,917,179	-	84,917,179
Derivative Asset	3,007,608	-	-	3,007,608
Loans and Advances to Customers	-	-	1,086,539,803	1,086,539,803
Total	3,007,608	84,917,179	1,136,431,408	1,224,356,195

Financial Liabilities	Other Liabilities	Total MRF.
Borrowings	609,453,952	609,453,952
Deposits from Customers	59,436,466	59,436,466
Total	668,890,418	668,890,418

As at 31st December 2014

Financial Assets	Fair Value Through Profit or Loss	Held-to-Maturity	Loan and Receivables	Total MRF.
Cash and Cash Equivalents	-	-	25,824,389	25,824,389
Financial Assets Held to Maturity	-	113,487,195	-	113,487,195
Derivative Asset	10,479,366	-	-	10,479,366
Loans and Advances to Customers	-	-	941,492,776	941,492,776
Total	10,479,366	113,487,195	967,317,165	1,091,283,726

Financial Liabilities	Other Liabilities	Total MRF.
Borrowings	567,317,419	567,317,419
Deposits from Customers	39,831,957	39,831,957
Total	607,149,376	607,149,376

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 2015

Assets	Level 1	Level 2	Total
Financial Assets Held to Maturity	84,917,179	-	84,917,179
Derivative Asset	-	3,007,608	3,007,608
Total	84,917,179	3,007,608	87,924,787

As at 31st December 2014

Assets	Level 1	Level 2	Total
Financial Assets Held to Maturity	113,487,195	-	113,487,195
Derivative Asset	-	10,479,366	10,479,366
Total	113,487,195	10,479,366	123,966,561

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 1 US\$ = MRf. 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.

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26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

26.13 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:

	31/12/2015	31/12/2015	31/12/2014	31/12/2014
	Carrying	Fair Value	Carrying	Fair Value
	Amount	MRf.	Amount	MRf.
	MRf.	MRf.	MRf.	MRf.
Assets Carried at Fair Value				
Derivative Asset	3,007,608	3,007,608	10,479,366	10,479,366
Assets Carried at Amortized Cost				
Cash and Cash Equivalents	49,891,605	49,891,605	25,824,389	25,824,389
Financial Assets Held to Maturity	84,917,179	84,917,179	113,487,195	113,487,195
Loans and Advances to Customers	1,086,539,803	1,086,539,803	941,492,776	941,492,776
	<u>1,221,348,587</u>	<u>1,221,348,587</u>	<u>1,080,804,360</u>	<u>1,080,804,360</u>
Liabilities Carried at Amortized Cost				
Deposits from Customers	59,436,466	59,436,466	39,831,957	39,831,957
Borrowings	609,453,952	609,453,952	567,317,419	567,317,419
	<u>668,890,418</u>	<u>668,890,418</u>	<u>607,149,376</u>	<u>607,149,376</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.

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27 RELATED PARTY TRANSACTIONS

Name of Related Party	Relationship	Nature of Transactions	Amount	Amount	Balance	Balance
			2015 MRf.	2014 MRf.	Due from/ (to) As at 31/12/2015 MRf.	Due from/ (to) As at 31/12/2014 MRf.
Asian Development Bank	Shareholder (18%)	Loan Repayments Interest for the Year Dividend Paid	21,025,170 (672,438) 7,171,875	21,025,170 (1,441,650) 2,868,750	(10,674,422)	(32,004,109)
Government of Maldives	Shareholder (49%)	Dividend Paid	19,523,200	7,809,280	-	-
International Finance Corporation	Shareholder (18%)	Loan Repayments Interest for the Year Dividend Paid	24,329,333 (675,963) 7,171,875	24,329,333 1,467,194 2,868,750	(12,382,668)	(37,063,807)
HDFC Investments Limited (India)	Shareholder (15%)	Dividend Paid	5,976,550	2,390,620	-	-

27.1 Transactions with Key Management Personnel

The Managing Director, Board of Directors, Chief Financial Officer and Operational Director/ Secretary of the Company are the members of the key management personnel. The Company has paid MRf. 4,118,521/- (2014: MRf. 4,174,521/-) to the key management personnel during the year ended 31st December 2015 as follows,

	31/12/2015 MRf.	31/12/2014 MRf.
Executive Management Salaries (Note 27.2)	3,288,306	2,887,714
Sitting Fees	56,000	56,000
	<u>3,344,306</u>	<u>2,943,714</u>
27.2 Executive Management Salaries		
Managing Director	2,312,433	2,311,415
Operations Director/ Company Secretary	541,528	106,554
Chief Financial Officer/ Head of Finance	434,345	469,745
	<u>3,288,306</u>	<u>2,887,714</u>

28 EVENTS SUBSEQUENT TO THE REPORTING DATE

The board of directors of the Company has proposed a final dividend of MRf. 17.50 per share a total of MRf. 27,890,625/- which is to be approved at the meeting of the shareholders.

Except for the above no circumstances have arisen since the reporting date which require adjustments to/or disclosure in the Financial Statements.

29 DIRECTORS' RESPONSIBILITIES

The board of directors' of the Company 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.

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31 COMMITMENTS	31/12/2015	31/12/2014
	MRf.	MRf.
31.1 Undrawn/ Partly Drawn Facilities of Contracted Loans and Advances	<u>150,185,038</u>	<u>93,592,788</u>
31.2 Operating lease Commitment	31/12/2015	31/12/2014
	MRf.	MRf.
Not later than one year	660,000	660,000
Later than one year and not later than five years	<u>775,000</u>	<u>1,435,000</u>
	<u>1,435,000</u>	<u>2,095,000</u>

32 CONTINGENT LIABILITIES

The Company has terminated an employee for breach of contract in February 2012. Subsequently, the employee filed a case alleging wrongful termination with the Employment Tribunal, which decided in favor of the employee with reinstatement and compensation. The Company appealed this decision of the Tribunal at High Court and was successful in securing a favorable judgment that the Company's decision to terminate the employee was legitimate. However, the second part of the judgment requested that compensation be reviewed by the Employment Tribunal against which, the Company appealed at the Supreme Court challenging the High Court's decision to assess the quantum merit of damages to be awarded to the employee though it was proven that the termination was legitimate and legal. Appeal case at the Supreme Court is ongoing, and the Company is anticipating a favorable judgment. Nevertheless, if we take into consideration the scenario where the Supreme Court upholds the decision of the High Court, the Company will be able to challenge and argue as to what would be fair and just compensation to be awarded to the ex-employee during the sessions that will be held at the Employment Tribunal. Thus, giving leverage to minimize the compensatory damages to be awarded to the employee.

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

Housing facilities and their corresponding interest income / profit share based on geographical location is as follows;

Interest Income / Profit Share	2015	2014
	MRf.	MRf.
Male	80,472,744	67,518,701
Hulhumale	27,234,543	27,225,618
Other Atolls	<u>11,813,473</u>	<u>12,886,751</u>
	<u>119,520,760</u>	<u>107,631,070</u>
Housing Facilities (Gross)	31/12/2015	31/12/2014
	MRf.	MRf.
Male	755,583,729	613,586,209
Hulhumale	248,862,272	235,828,718
Other Atolls	<u>96,077,855</u>	<u>104,201,858</u>
	<u>1,100,523,856</u>	<u>953,616,785</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.

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