

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2024**

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

FOR THE YEAR ENDED 31ST DECEMBER 2024

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

Opinion

We have audited the financial statements of Housing Development Finance Corporation PLC (“the Company”), which comprise the statement of financial position as at 31st December 2024, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statements, comprising material accounting policies and other explanatory information set out in pages 5 to 65.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December 2024 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards), (“IESBA Code”), together with the ethical requirements relating to the audit of Financial Statements in the Republic of Maldives and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Allowance for expected credit losses

(Refer to the accounting policies and critical accounting estimates, assumptions and judgments in note 4.2.4 of the financial statements)

The key audit matter	How the matter was addressed in our audit
IFRS 9 Financial Instruments requires impairment based on expected credit losses (“ECL”). High degree of complexity and judgement are involved in estimating expected credit loss of MVR 75,189,641/- against loans and advances as at 31 st December 2024.	We performed audit procedures to gain assurance on the process of estimating the impairment allowance on loans advances. Our response in this area included, evaluating the accounting interpretations for compliance with IFRS 9 and testing the adjustments and disclosures.



Key Audit Matters (Continued)

1. Allowance for expected credit losses (Continued)

The key audit matter	How the matter was addressed in our audit
<p>Allowance for expected credit losses is a key audit matter due to the significance of the receivable to the financial statement and the inherent complexity of the Company's ECL model used to measure ECL allowances.</p> <p>Key judgements and estimates in respect of the timing and measurement of ECL include;</p> <ul style="list-style-type: none"> - Judgments over the grouping of loans and advances based on the similar risk characteristics. - Allocation of assets to stage 1, 2, or 3 using criteria in accordance with the accounting standard; - Accounting interpretations and modelling assumptions used to build the models that calculate the ECL; - Completeness and accuracy of data used to calculate the ECL; - Inputs and assumptions used to estimate the impact of multiple economic scenarios; - Measurements of individually assessed impairment allowance including the assessment of multiple scenarios; and - Accuracy and adequacy of the financial statement disclosures. 	<ul style="list-style-type: none"> - Assessing the design, implementation and operating effectiveness of key controls over impairment allowance of loans and advances. - Evaluating the management process over identifications contracts to be assessed, evaluation of the inputs, assumptions and adjustments to the ECL. - Challenging the criteria used to allocate an asset to stage 1, 2 or 3 in accordance with IFRS 9; this includes peer benchmarking to assess staging levels. Testing loans and advances in stage 1, 2 and 3 to verify that they were allocated to the appropriate stage. - Challenging the key assumptions, evaluating the reasonableness of the key judgments and estimates used by the management with the assistance of own IFRS 9 specialists. This includes assessing the appropriateness of model design, formulas used, recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models. - Assessing the completeness, accuracy and relevance of data used for the ECL calculation. - Assessing appropriateness of the accounting policies based on the requirements of IFRS 9 and the adequacy and appropriateness of disclosures for compliance with the accounting standards.

Other Information

The Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include in the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free to be reviewed from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued).

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Ali Maaaz
Audit License No: IACM-IL-FQ1
For and on behalf of KPMG Maldives

24th April 2025

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

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2024 MVR	2023 MVR
Interest income	6.1	136,633,636	144,110,421
Interest expense	6.3	(36,401,592)	(45,355,915)
Net interest income		<u>100,232,044</u>	<u>98,754,506</u>
Net income on shari'ah products	7	46,516,875	34,752,146
Fee income	8	4,124,615	4,165,890
Other income	9	1,969,396	1,953,884
Total operating income		<u>152,842,930</u>	<u>139,626,426</u>
Salaries and personnel expenses	10	(13,422,014)	(11,904,237)
Recognition of allowance for impairment loss on loans and advances	11	(13,186,794)	(11,340,010)
Reversal / (recognition) of modification loss on loans and advances	12	1,264,703	(2,209,324)
Other operating expenses	13	(9,746,028)	(9,511,604)
Total operating expenses including impairment allowance		<u>(35,090,133)</u>	<u>(34,965,175)</u>
Profit before income tax		117,752,797	104,661,251
Tax expense	14	(18,282,003)	(16,443,469)
Profit for the year		<u>99,470,794</u>	<u>88,217,782</u>
Basic earning per share	15	<u>6.24</u>	<u>5.54</u>

The 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 5 to 65. The Report of the Independent Auditors is given on pages 1 to 4.



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

AS AT 31ST DECEMBER

	Notes	2024 MVR	2023 MVR
ASSETS			
Cash and cash equivalents	16	338,946,473	285,031,820
Loans and advances	17	1,603,822,730	1,595,575,022
Financial assets at amortized cost	18	171,985,156	310,676,963
Property, plant and equipment	19	3,435,306	2,594,251
Right-of-use assets	20	2,975,248	4,276,355
Intangible assets	21	1,513,101	2,119,193
Other assets	22	6,557,191	6,067,162
Deferred tax asset	14.4	11,301,829	8,966,361
Total asset		<u>2,140,537,034</u>	<u>2,215,307,127</u>
LIABILITIES			
Deposits from customers	23	87,555,131	81,834,466
Debt securities in issue	24	498,141,897	536,084,617
Other borrowed funds	25	350,167,133	446,628,834
Other liabilities	26	310,157,576	284,416,492
Lease liabilities	27	4,836,212	6,299,932
Current tax liabilities	14.3	10,799,525	6,524,645
Total liabilities		<u>1,261,657,474</u>	<u>1,361,788,986</u>
SHAREHOLDERS' EQUITY			
Share capital	28	159,375,000	159,375,000
General reserve	28.4	15,000,000	15,000,000
Capital reserve	28.5	50,000,000	50,000,000
Retained earnings		654,504,560	629,143,141
Total shareholders' equity		<u>878,879,560</u>	<u>853,518,141</u>
Total equity and liabilities		<u>2,140,537,034</u>	<u>2,215,307,127</u>

The figures in bracket 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 5 to 65. The Report of the Independent Auditors is given on pages 1 to 4.

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



Aishath Shizna
Chief Financial Officer

24th April 2025



Ahmed Zeenad
Managing Director



Ahmed Asad Hashim
Audit Committee Chairman



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

FOR THE YEAR ENDED 31ST DECEMBER 2024

	Share capital MVR	General reserve MVR	Capital reserve MVR	Retained earnings MVR	Total Equity MVR
Balance as at 01 st January 2023	159,375,000	15,000,000	-	590,925,359	765,300,359
Comprehensive income for the year					
Profit for the year	-	-	-	88,217,782	88,217,782
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,217,782</u>	<u>88,217,782</u>
Trasfered to capital reserve(Note 28.5)	-	-	50,000,000	(50,000,000)	-
Balance as at 31 st December 2023	<u>159,375,000</u>	<u>15,000,000</u>	<u>50,000,000</u>	<u>629,143,141</u>	<u>853,518,141</u>
Balance as at 01 st January 2024	159,375,000	15,000,000	50,000,000	629,143,141	853,518,141
Comprehensive income for the year					
Profit for the year	-	-	-	99,470,794	99,470,794
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,470,794</u>	<u>99,470,794</u>
Transactions with owners of the Company					
Dividends (Note 28.3)	-	-	-	(74,109,375)	(74,109,375)
Total transaction with owners of the Company	<u>-</u>	<u>-</u>	<u>-</u>	<u>(74,109,375)</u>	<u>(74,109,375)</u>
Balance as at 31 st December 2024	<u>159,375,000</u>	<u>15,000,000</u>	<u>50,000,000</u>	<u>654,504,560</u>	<u>878,879,560</u>

The figures in bracket 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 5 to 65. The Report of the Independent Auditors is given on pages 1 to 4.



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

FOR THE YEAR ENDED 31ST DECEMBER

	Notes	2024 MVR	2023 MVR
Cash flows from operating activities			
Profit before income tax		117,752,797	104,661,251
<i>Adjustments for:</i>			
Depreciation on property, plant and equipment	19	736,360	728,053
Depreciation on right-of-use assets	20	789,325	1,047,174
Impairment losses made on financial asset:	11	13,186,794	11,340,010
(Reversal) / Recognition of modification loss on loans and advances	12	(1,264,703)	2,209,324
Amortization of intangible assets	21	606,092	311,559
Interest expense on lease liabilities	6.3	488,061	601,137
Loss on disposal of property, plant and equipment	13	1,046	3,290
Reversal of the interest income of stage 3 customers	17.2	(120,421)	212,524
Interest expenses and amna investors' profit share		71,226,382	83,090,707
Interest / profit income from shari'ah products		<u>(204,154,032)</u>	<u>(214,775,120)</u>
Operating loss before working capital change:		(752,299)	(10,570,091)
<i>Changes in working capital:</i>			
(Increase) / decrease in loans and advances to customers		(17,023,499)	23,519,184
(Increase) / decrease in other asset:		(490,029)	1,214,819
Decrease in other liabilities:		(11,799,721)	(74,091,916)
Increase in deposits from customers:		<u>5,418,037</u>	<u>3,872,204</u>
Cash used in operating activities		<u>(24,647,511)</u>	<u>(56,055,800)</u>
Interest / profit received		202,975,340	217,576,383
Interest / profit paid		(74,257,738)	(86,026,117)
Income tax paid	14.3	<u>(16,342,591)</u>	<u>(19,467,179)</u>
Net cash generated from operating activities		<u>87,727,500</u>	<u>56,027,287</u>
Cash flows from investing activities			
Purchases of property, plant and equipment	19	(1,580,057)	(447,268)
Net investment made in investment measured at amortized cost		136,844,620	(104,720,568)
Purchases of intangible assets	21	-	(496,867)
Proceed from disposal of property, plant and equipment		<u>1,596</u>	<u>5,306</u>
Net cash generated from / (used in) investing activities		<u>135,266,159</u>	<u>(105,659,397)</u>
Cash flows from financing activities			
Repayments of debt securities in issue		(38,697,346)	(25,058,784)
Repayments of other borrowed funds		(93,610,770)	(278,128,903)
Proceeds from other borrowed funds		749,618	126,498,800
Dividend paid		(36,568,570)	(35,990,980)
Repayment of lease liabilities	27	<u>(951,938)</u>	<u>(838,863)</u>
Net cash used in financing activities		<u>(169,079,006)</u>	<u>(213,518,730)</u>
Net increase / (decrease) in cash and cash equivalents		53,914,653	(263,150,840)
Cash and cash equivalents at beginning of the year		<u>285,031,820</u>	<u>548,182,660</u>
Cash and cash equivalents at end of the year	16	<u><u>338,946,473</u></u>	<u><u>285,031,820</u></u>

The figures in bracket 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 5 to 65. The Report of the Independent Auditors is given on pages 1 to 4.



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

1. REPORTING ENTITY

Housing Development Finance Corporation Public Limited Company (the “Company”) was incorporated and domiciled in the Republic of Maldives since 28th January 2004. Initially the Company was incorporated as a stated own enterprise (Housing Development Finance Corporation) on 28th January 2004, by a Presidential Decree and presently governed under the Companies Act No. 10 of 1996 and presently governed under new Companies Act No. 07 of 2023.

The Company was registered as a public limited company on 9th February 2006 and privatized on 23rd July 2008 by signing of a shareholders’ agreement between Government of Maldives, International Finance Corporation, Asian Development Bank and HDFC Bank Limited (formerly HDFC Investments, India.) The registered office of the Company is at 4th Floor, H. Mialani, Sosun Magu, Male', Republic of Maldives. The Company is engaged 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 Measurement

The financial statements have been prepared on the historical cost other than assets and liabilities measured at fair value and amortised cost.

(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.

(d) Use of Estimates and Judgements

The preparation of the 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.

A. Judgements

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



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

2. BASIS OF PREPARATION (CONTINUED)

(d) Use of Estimates and Judgements (Continued)

A. Judgements (Continued)

- establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL. (Refer note 30.1.2)

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPP on the principal amount outstanding. (Refer note 4.2.4)

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31st December 2024 is included in the following notes.

- impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information. (Refer note 30.1.2.3)

(e) Going Concern

The Board has made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and it does not intend either to liquidate or to cease operations of the Company. Therefore, the financial statements continue to be prepared on the going concern basis.

3. CHANGES IN MATERIAL ACCOUNTING POLICIES

The Company does not have changes in material accounting policies in the current annual reporting period.

4. MATERIAL 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 except if mentioned otherwise in note 3 to the Financial Statements.

4.1. Transactions in Foreign Currency

Transactions in currencies other than Maldivian Rufiyaa are translated to Maldivian Rufiyaa at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in currencies other than Maldivian Rufiyaa are translated to Maldivian Rufiyaa at the exchange rate ruling at the reporting date. Foreign exchange differences arising on translations are recognized in profit or loss.



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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.1. Transactions in Foreign Currency (Continued)

Non-monetary assets and liabilities, which are measured at historical cost, denominated in currencies other than Maldivian Rufiyaa, are translated to Maldivian Rufiyaa at the exchange rates ruling at the dates of transactions. Non monetary assets and liabilities, which are stated at fair value, denominated in currencies other than Maldivian Rufiyaa, are translated to Maldivian Rufiyaa at the exchange rates ruling at the dates the values were determined.

4.2. Financial assets and liabilities

4.2.1. Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principle repayments, plus or minus the cumulative amortisation using effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and, the loan processing fees since the amount is immaterial. When the Company revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial.

4.2.2. Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for the financial assets that have subsequently become credit-impaired (or stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

4.2.3. Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits purchase or sell the asset.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, as described in note 4.2.4, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:



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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2. Financial assets and liabilities (Continued)

4.2.3. Initial recognition and measurement (Continued)

- (a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- (b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

4.2.4. Financial assets

(i) Classification

The Company classifies its financial assets at amortised cost. The classification requirements for debt instruments are described below:

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

- a. The Company's business model for managing the asset; and
- b. The cash flow characteristics of the asset

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit ("SPPP").

Financial assets measured at amortised cost comprise receivables from Murabaha, Istisna'a, Diminishing Musharaka, Education Financing, balances with Maldives Monetary Authority ("MMA"), cash in hand and balances with banks.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. Accordingly, the Company has irrevocably elected to present subsequent changes in fair value in OCI.



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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2. Financial assets and liabilities (Continued)

4.2.4. Financial assets (Continued)

(i) Classification (Continued)

Financial assets designated at FVOCI comprise Company's investments in equity shares.

All other financial assets are classified as measured at FVTPL.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and profit

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition.

'Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are solely payments of principal and profit, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, The Company considers:



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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2. Financial assets and liabilities (Continued)

4.2.4. Financial assets (Continued)

(i) Classification (Continued)

Assessment of whether contractual cash flows are solely payments of principal and profit (Continued)

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse financing facilities); and
- features that modify consideration of the time value of money (e.g. periodical reset of profit rates).

The Company holds a portfolio of long-term fixed rate financing facilities for which the Company has the option to propose to revise the profit rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the finance facility subject to rebate policy of the Company. The Company has determined that the contractual cash flows of these financing facilities are solely payments of principal and profit because the option varies the profit rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

(ii) Subsequent measurement

Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 30.1.2 Interest income from these financial assets is included in 'Profit and Interest income' using the effective interest rate method.

(iii) Impairment

The Company assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt instrument assets carried at amortised cost with the exposure arising from loan commitments. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.



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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2. Financial assets and liabilities (Continued)

4.2.4. Financial assets (Continued)

(iii) Impairment (Continued)

- (i) The time value for money; and
- (ii) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- other financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn finance commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover.



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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2. Financial assets and liabilities (Continued)

4.2.4. Financial assets (Continued)

(iii) Impairment (Continued)

Measurement of ECL (Continued)

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit-impaired (POCI) financial assets: the original effective profit rate or an approximation thereof;
- POCI assets: a credit-adjusted effective profit rate;
- undrawn finance commitments: the effective profit rate, or an approximation thereof, that will be applied to the financial asset resulting from the finance commitment; and
- financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Restructured Financial Assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- if the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate if the existing financial asset.

Credit-Impaired Financial Assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a finance facility by the Company on terms that the Company would not consider otherwise;



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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2. Financial assets and liabilities (Continued)

4.2.4. Financial assets (Continued)

(iii) Impairment (Continued)

Credit-Impaired Financial Assets (Continued)

- it is becoming probable that the borrower will enter bankruptcy or other financial recognition;
or
- the disappearance of an active market for a security because of financial difficulties.

A financing facility that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a financing facility provided to an individual customer that is overdue for 120 days or more is considered credit-impaired even when the regulatory definition of default is different.

Purchased or Originated Credit-Impaired (POCI) Financial Assets

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- finance commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Company cannot identify the ECL on the finance commitment component separately from those on the drawn component: the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Refer Note 30.1.2 for more details of how the expected credit loss allowance is measured.

Write-off

Financing and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.



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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2. Financial assets and liabilities (Continued)

4.2.4. Financial assets (Continued)

(iii) Impairment (Continued)

Loan commitments

Loan commitments provided by the Company are measured as the amount of the loss allowance (calculated as described in note 30.1.2.3). The Company has not provided any commitment to provide loans at a below market interest rate, or that can be settled in cash or by delivering or issuing another financial instrument.

(iv) Modification of loans

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, The Company assesses whether or not the new terms are substantially different to the original terms. The Company does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Company derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred.

However, the Company also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss.



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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2. Financial assets and liabilities (Continued)

4.2.4. Financial assets (Continued)

(iv) Modification of loans (Continued)

The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

(v) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of the ownership, or (ii) the Company neither transfers nor retains substantially all the risk and rewards of ownership and the Company has not retained the control.

4.2.5. Financial liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified and subsequently measured at amortized cost except for loan commitments.

Interest expenses

Interest expense is recorded using the Effective Interest Rate (EIR) method. EIR is the rate that estimated future cash payments through the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial liability.

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired). The exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modification of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of term is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.



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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2. Financial assets and liabilities (Continued)

4.2.5. Financial liabilities (Continued)

(ii) Derecognition (Continued)

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

4.3. Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all Company placements with original maturities of less than three months.

Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

4.4. Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	-	10 years
Furniture and fixtures	-	5 years
Computer equipment	-	5 years
Motor Vehicles	-	4 years
Office equipment	-	3 to 8 years

Leasehold improvements consist of partitions and fixtures on the leasehold properties. These assets are depreciated over the shorter of their useful life or the lease term, unless the entity expects to use the assets beyond the lease term. The charge for the depreciation commences from the date on which the assets are available for use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating income or other operating expenses, as the case may be, in the income statements.



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.5. Impairment of non-financial assets

Property, plant and equipment and intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

4.6. Intangible assets

Intangible assets acquired by the Company are stated at cost less accumulated amortization and impairment losses. The carrying amount of intangible asset is reviewed annually and adjusted for permanent impairment where it is considered necessary. Amortization methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

Subsequent Expenditure

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

Amortization

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of the assets unless such lives are indefinite. The estimated useful lives are as follows:

Computer Software	Over 4 years
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4.7. Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

Payments made under operating leases are recognized in profit or loss on accrual basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.7. Leases (Continued)

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises right-of-use assets and a lease liabilities at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use assets reflect that the Company will exercise a purchase option. In that case the right-of-use assets will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liabilities.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liabilities comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.



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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.7. Leases (Continued)

(i) As a lessee (Continued)

The lease liabilities are measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in "Right-of-Use Asset" and lease liability in "Lease Liability" in the statement of financial position.

4.8. Debt securities in issue

Debt securities in issue include bonds and sukuk issued by the Company. Debt securities are stated at amortised cost. If the Company purchases its own debt securities in issue, they are removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from early retirement of debt.

The obligation to make future payments of principal and interest to bondholders is carried at amortised cost until extinguished on maturity of the bonds.

4.9. Other borrowed funds

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of the loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of comprehensive income as other income or finance costs.



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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.9. Other borrowed funds (Continued)

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

4.10. Customer deposits

Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

4.11. Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

4.12. Trade and other payables

Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

4.13. Share Capital

Ordinary shares are classified as equity.

4.14. Dividends

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the Company's shareholders.

4.15. Fiduciary Activities

The Company commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of Ministry of Housing, Land and Urban Development (MHUD) formerly Ministry of Housing and Infrastructure (MHI). These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Company.



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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.16. Current and deferred tax

The tax expenses for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax computation with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The provisions for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Income Tax Act.

The Company is liable to income tax at rate of 15%, if the taxable profit of the year exceeds MVR 500,000/-.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred tax assets are recorded to the extent that realisation of the related tax benefit is probable.

The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

4.17. Fees, Commissions and other income and expenses

Fees, commissions and other income and expenses items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.



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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.18. Employee Benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Company contributes 7% of members' salary into the scheme with an additional, minimum, 7% of salary being contributed by the members.

(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.

4.19. Segment Reporting

Segments are reported in a manner consistent with the internal reporting provided to the board of Directors of the Company. Segments whose revenue results or assets are 10 percent or more of all the segments are reported separately.

4.20. Presentation of statement of financial position in order of liquidity

The Company does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, analysis of assets and liabilities by their expected maturities is presented in Note 30.2.2

31 st December 2024	Amounts expected to be recovered or settled		
	Within 12 months of the reporting period (MVR)	After 12 months of the reporting period (MVR)	Total (MVR)
Assets			
Cash and cash equivalents	388,946,473	-	388,946,473
Financial assets at amortised cost	171,985,156	-	171,985,156
Loans and advances	116,682,826	1,503,462,758	1,603,822,730
Property, plant and equipment	-	3,435,306	3,435,306
Intangible assets	-	1,513,101	1,513,101
Right-of-use assets	-	2,975,248	2,975,248
Deferred tax assets	-	11,301,829	11,301,829
Other assets	-	6,557,191	6,557,191
Total assets	677,614,455	1,462,922,579	2,140,537,034



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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.20. Presentation of statement of financial position in order of liquidity (Continued)

31st December 2024	Amounts expected to be recovered or settled		
	Within 12 months of the reporting period (MVR)	After 12 months of the reporting period (MVR)	Total (MVR)
Liabilities			
Deposits from customers	11,733,153	75,821,978	87,555,131
Debt securities in issue	49,223,385	448,918,512	498,141,897
Other borrowed funds	115,637,226	234,529,907	350,167,133
Other liabilities	-	310,157,576	310,157,576
Lease liabilities	1,074,043	3,762,169	4,836,212
Current tax liabilities	10,799,525	-	10,799,525
Total liabilities	188,467,332	1,073,190,142	1,261,657,474

After 12 months of the reporting period

31st December 2023	Amounts expected to be recovered or settled		
	Within 12 months of the reporting period (MVR)	After 12 months of the reporting period (MVR)	Total (MVR)
Assets			
Cash and cash equivalents	285,031,820	-	285,031,820
Financial assets at amortised cost	310,676,963	-	310,676,963
Loans and advances	37,670,634	1,557,904,388	1,595,575,022
Property, plant and equipment	-	2,594,251	2,594,251
Intangible assets	-	2,119,193	2,119,193
Right-of-use assets	-	4,276,355	4,276,355
Deferred income tax assets	-	8,966,361	8,966,361
Other assets	-	6,067,162	6,067,162
Total assets	633,379,417	1,581,927,710	2,215,307,127

Liabilities			
Deposits from customers	4,742,100	77,092,366	81,834,466
Debt securities in issue	53,005,894	483,078,723	536,084,617
Other borrowed funds	90,143,011	356,485,823	446,628,834
Other liabilities	-	284,416,492	284,416,492
Lease liabilities	966,737	5,334,195	6,299,932
Current tax liabilities	6,524,645	-	6,524,645
Total liabilities	155,382,387	1,206,407,599	1,361,788,986



**HOUSING DEVELOPMENT FINANCE CORPORATION PLC
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5. ACCOUNTING STANDARDS EFFECTIVE BUT NOT YET EFFECTIVE

A number of amendments to International Accounting Standards are effective for annual period beginning after 01st January 2024 and earlier adoption is permitted; however, the Company has not adopted or early adopted following amended standards in preparing these financial statements.

The following amendments and interpretations are not expected to have a significant impact on the Company's financial statements.

- Classification and measurement of financial instruments (Amendments to IFRS 9 and IFRS 7).
- Lack of Exchangeability (Amendments to IAS 21).
- Presentation and Disclosure in Financial Statements (IFRS 18).
- Sustainability disclosure (IFRS S1 and S2).



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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6 NET INTEREST INCOME	2024	2023
	MVR	MVR
Interest income (Note 6.1)	136,633,636	144,110,421
Less: interest expense (Note 6.3)	(36,401,592)	(45,355,915)
Net interest income	100,232,044	98,754,506
6.1 Interest income calculated using effective interest rate method		
Loans and advances (Note 6.2)	123,446,380	129,262,239
Investments in treasury bills	13,187,256	14,848,182
	136,633,636	144,110,421
6.2 Interest income from loans and advances		
Housing loans and advances	123,115,847	128,925,072
Staff loans	330,533	337,167
	123,446,380	129,262,239
6.3 Interest expenses		
Other borrowed funds	26,713,582	34,428,759
Debt securities in issue	8,338,092	9,431,518
Deposits from customers	861,857	894,501
Interest on lease liabilities (Note 27)	488,061	601,137
	36,401,592	45,355,915
7 NET INCOME ON SHARI'AH PRODUCTS	2024	2023
	MVR	MVR
Revenue from housing facilities	72,603,260	65,375,917
Revenue from short term investments	2,815,205	5,288,782
Profit on islamic treasury bill	3,256,272	-
Fee income	3,087,036	2,423,376
Amna investors' profit share	(35,244,898)	(38,335,929)
	46,516,875	34,752,146
8 FEE INCOME	2024	2023
	MVR	MVR
Housing loan processing fees	318,644	530,439
Other fee income	157,885	201,212
Management fees	3,648,086	3,434,239
	4,124,615	4,165,890
9 OTHER INCOME	2024	2023
	MVR	MVR
Penalty interest	1,750,318	1,797,415
Insurance commissions	219,078	156,469
	1,969,396	1,953,884



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FOR THE YEAR ENDED 31ST DECEMBER 2024

10 SALARIES AND PERSONNEL EXPENSES	2024	2023
	MVR	MVR
Salaries and allowances	11,726,698	10,456,086
Contribution to employees pension fund	510,422	244,440
Employee benefit expense amortization	144,910	144,708
Ramadan allowances and bonus	797,162	881,961
Staff medical insurance	242,822	177,042
	<u>13,422,014</u>	<u>11,904,237</u>

11 ALLOWANCE FOR IMPAIRMENT LOSS ON LOANS AND ADVANCES	2024	2023
	MVR	MVR
Allowance recognised during the year(Note 17.2)	<u>13,186,794</u>	<u>11,340,010</u>

12 MODIFICATION LOSS ON LOANS AND ADVANCES

The following table includes summary information for loans and advances whose cashflows were modified during the year.

	2024	2023
	MVR	MVR
Reversal of Modification loss recognized during the year(Note 12.1)	1,264,703	3,662,007
Recognition of the modification loss on the loans and advances(Note 12.2)	-	(5,871,331)
	<u>1,264,703</u>	<u>(2,209,324)</u>

12.1 During the year ended 31st December 2024, the Company has recognized a modification reversal of MVR 1,264,703/- on loans and advances after remeasurement of amortized cost based on expected future cash flows from moratorium interest receivables as at 31st December 2024. (2023 : MVR 3,662,007/-)

12.2 Following the decision rendered by the Board of Directors during the convened meeting on the 15th of May 2023, the Company has proposed three options for customers to settle outstanding Moratorium Interest payable balances to HDFC.

These options include the full settlement of the balance on or before the 30th of September 2023, an adjustment of Equated Monthly Installments (EMI) to align with the total payable amount without altering the tenure, or an extension of the tenure to harmonize with the total payable amount without modifying the Equated Monthly Installment (EMI).

As a result of selection of the above options by customers, it is imperative to acknowledge the necessity of identifying modification losses related to loans and advances. This identification stems from the revision of cash flows associated with pertinent financial assets, encompassing considerations of both the amount and timing of cash flows occurrences. A significant loss from modification of the loans and advances arise due to the any of three options were selected by the AMNA customers and expected to settle the moratorium interest at the end of the original loan tenure.

13 OTHER OPERATING EXPENSES	2024	2023
	MVR	MVR
Depreciation on right-of-use asset (Note 20)	789,325	1,047,174
Professional fees	1,086,134	1,081,928
Listing expenses	620,251	686,373
Amna expenses	609,337	1,532,722
Other expenses	1,183,608	953,962
IPO expenses	429,006	115,650
Depreciation on property, plant and equipment (Note 19)	736,360	728,053
Communication expenses	360,776	372,303
Premises, equipment and establishment expenses	461,750	411,396
IT expenses	1,077,877	1,161,104
Board remuneration and meeting expenses	890,551	615,307
Amortization on intangible assets (Note 21)	606,092	311,559
Printing and stationary expenses	113,927	195,400
Advertising and marketing expenses	606,446	215,119
Irrecoverable withholding tax	148	23,334
Bank charges	80,284	56,930
Business development expenses	93,110	-
Loss on disposal of property, plant and equipment	1,046	3,290
	<u>9,746,028</u>	<u>9,511,604</u>



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14 TAX EXPENSES	2024 MVR	2023 MVR
Income tax		
Income tax expense (Note 14.1)	20,617,471	17,964,220
Deferred tax		
Recognition of temporary differences (Note 14.4.1)	(2,335,468)	(1,520,751)
	<u>18,282,003</u>	<u>16,443,469</u>

14.1 Reconciliation between accounting profit and taxable income :

	2024 MVR	2023 MVR
Profit before tax	117,752,797	104,661,251
Aggregate disallowable items	101,899,149	99,952,388
Aggregate allowable items	(81,702,139)	(84,352,174)
Tax free allowance	(500,000)	(500,000)
Taxable income for the year	<u>137,449,807</u>	<u>119,761,465</u>
Income tax expense at 15%	<u>20,617,471</u>	<u>17,964,220</u>
Effective income tax rate	15%	15%
Effective current tax rate (Note 14.2)	15.53%	15.71%

The taxable profits and income of the Company is liable at the rate of 15% in terms of provisions of the Income Tax Act No 25 of 2019 which is effective from 1st January 2020, relevant regulations and amendments thereto. (2023 : 15%)

14.2 Reconciliation of effective income tax rate

	2024		2023	
	%	MVR	%	MVR
Profit before income tax	-	117,752,797	-	104,661,251
Income tax for the period	15%	17,662,920	15%	15,699,188
Impact from reconciliation of accounting profit to taxable income	2.51%	2,954,551	2.16%	2,265,032
Deferred taxation	-1.98%	(2,335,468)	-1.45%	(1,520,751)
Total income tax expense (Note 14)	15.53%	18,282,003	15.71%	16,443,469

14.3 Current tax liabilities

	2024 MVR	2023 MVR
Balance as at 1 st January	6,524,645	8,027,604
Provisions made during the year (Note 14.1)	20,617,471	17,964,220
Payments made during the year	(16,342,591)	(19,467,179)
Balance as at 31 st December	<u>10,799,525</u>	<u>6,524,645</u>



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FOR THE YEAR ENDED 31ST DECEMBER 2024

14 TAX EXPENSES (CONTINUED)

14.4 Net deferred tax asset

14.4.1 Deferred income tax is calculated on all difference under the liability method. The movement in deferred income tax asset account is as follows:

	2024	2023
	MVR	MVR
Balance as at 1 st January	8,966,361	7,445,610
Recognized in profit or loss		
Deferred tax asset recognized for the year (Note 14)	2,335,468	1,520,751
Balance as at 31 st December	<u>11,301,829</u>	<u>8,966,361</u>

14.4.2 Movement in deferred tax balances

	Property, plant and equipment	Intangible asset	Allowance for impairment on loans and advances	Net deferred tax asset
	MVR	MVR	MVR	MVR
Balance as at 31 st December 2023	281,482	(63,320)	8,748,199	8,966,361
Recognized in profit or loss	(164,474)	(30,305)	2,530,247	2,335,468
Balance as at 31 st December 2024	<u>117,008</u>	<u>(93,625)</u>	<u>11,278,446</u>	<u>11,301,829</u>

15 BASIC EARNINGS PER SHARE

The calculation of the basic earning per share is based on profit after tax attributable to the equity shareholders and the weighted average number of ordinary shares outstanding during the year.

	2024	2023
Profit attributable to the ordinary shareholders of the Company (MVR)	99,470,794	88,217,782
Weighted average number of ordinary shares (Nos.)	15,937,500	15,937,500
Basic earning per share (MVR)	<u>6.24</u>	<u>5.54</u>

16 CASH AND CASH EQUIVALENTS

	2024	2023
	MVR	MVR
Cash in hand	6,500	6,500
Balances with other banks	42,956,980	105,146,629
Short term investments (Note 16.1 and 18.1)	100,796,999	70,444,110
Investment in treasury bills (Note 16.2 and 18.1)	195,185,994	109,434,581
Cash and cash equivalents for the purpose of statement of cash flows	<u>338,946,473</u>	<u>285,031,820</u>

16.1 Short term investments in "General Investments Account" at Maldives Islamic Bank PLC amount to MVR 75,796,999/- (2023 : 70,444,110/-) for a period of 3 months and are entitled for a profit share in the range of 3% to 4% per annum. (2023 : 3% to 4%). Additionally, the Company has invested MVR 25,000,000/- in three months fixed deposit account in Habib Bank Limited which carries annual interest of 3.92% as at 31st December 2024.

16.2 The Company has invested in both treasury bills and islamic treasury bills in Ministry of Finance amounting to MVR 195,185,994/- (2023 : MVR 109,434,581/-) for a period of 1- 3 months which carry interest/profit rates from 3.5% to 3.87% (2023 : 3.5% to 3.87%)



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FOR THE YEAR ENDED 31ST DECEMBER 2024

17 LOANS AND ADVANCES CARRIED AT AMORTISED COST	2024	2023
	MVR	MVR
Gross loans and advances (Note 17.1)	1,679,012,371	1,658,426,248
Less: impairment loss allowance (Note 17.2)	(75,189,641)	(62,851,226)
Net loans and advances	<u>1,603,822,730</u>	<u>1,595,575,022</u>

17.1 Loans and advances - Product wise Analysis	2024	2023
	MVR	MVR
Conventional housing loans to customers	1,019,232,665	1,081,568,230
Housing loans to staff	3,550,519	3,674,282
Diminishing Musharakah	393,689,520	266,332,189
Murabaha	223,170	289,246
Istisna'	262,316,497	306,562,301
	<u>1,679,012,371</u>	<u>1,658,426,248</u>
Less: Impairment loss allowance (Note 17.2)	(75,189,641)	(62,851,226)
Net loans and advances	<u>1,603,822,730</u>	<u>1,595,575,022</u>

The Company has granted staff loans at 5% interest rate and the staff loan balances are measured at fair value.

17.2 Movement of allowance for impairment loss on loans and advances	2024	2023
	MVR	MVR
Balance as at 1 st January	62,851,226	53,381,868
Allowance recognized during the year (Note 11)	13,186,794	11,340,010
Allowance recognized for unrecognized interest income on non-performing loans and advances	(120,421)	212,524
Write-off specific allowance during the year	(727,958)	(2,083,176)
Balance as at 31 st December	<u>75,189,641</u>	<u>62,851,226</u>

18 INVESTMENT SECURITIES MEASURED AT AMORTISED COST	2024	2023
	MVR	MVR
Investments in treasury bills (Note 18.2)	171,985,156	209,884,896
Short term investments (Note 18.3)	-	100,792,067
	<u>171,985,156</u>	<u>310,676,963</u>

18.1 Movement during the year	2024			2023		
	Investment in treasury bills MVR	Short term investments MVR	Total MVR	Investment in treasury bills MVR	Short term investments MVR	Total MVR
Balance as at 01 st January	319,319,477	171,236,177	490,555,654	565,158,935	185,453,764	750,612,699
Investment made during the year	1,288,516,841	265,000,000	1,553,516,841	591,136,589	675,000,000	1,266,136,589
Interest / profit income for the year	16,443,529	2,815,205	19,258,734	14,927,495	4,514,359	19,441,854
Interest / profit received during the year	(17,734,853)	(3,254,383)	(20,989,236)	(17,310,008)	(3,731,946)	(21,041,954)
Investment matured during the year	(1,239,373,843)	(335,000,000)	(1,574,373,843)	(834,593,534)	(690,000,000)	(1,524,593,534)
Balance as at 31 st December	<u>367,171,151</u>	<u>100,796,999</u>	<u>467,968,150</u>	<u>319,319,477</u>	<u>171,236,177</u>	<u>490,555,654</u>

18.2 The Company has invested in both treasury bills and islamic treasury bills in Ministry of Finance amounting to MVR 171,985,156/- (2023 : MVR 209,884,896/-) for 6 months to 12 months which carry interest/profit rates from 4.23% to 4.6%. (2023 : 4.23% to 4.6%).

18.3 As per the Company's policy, short-term investments with a maturity of 90 days or less are classified as cash and cash equivalents, while investments with a maturity of more than 90 days are classified as securities measured at amortized cost. As of the 31st December 2024, the Company holds no short-term investments with maturities exceeding 90 days (2023: MVR 100,792,067/-).



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AS AT 31ST DECEMBER 2024

19 PROPERTY, PLANT AND EQUIPMENT

	Office equipment		Computer equipment		Vehicles		Furniture and fixtures		Leasehold improvements		Work in progress		Total	
	MVR		MVR		MVR		MVR		MVR		MVR		MVR	
Cost														
Balance as at 01 st January	1,210,113		5,158,216		66,250		998,298		871,653					8,304,530
Additions during the year	98,488		418,009		-		113,688		-			949,872		1,580,057
Disposals during the year	(83,978)		-		-		(126,613)		-			-		(210,591)
Balance as at 31 st December	1,224,623		5,576,225		66,250		985,373		871,653			949,872		9,673,996
Accumulated depreciation														
Balance as at 01 st January	(819,906)		(3,108,478)		(66,250)		(914,270)		(801,375)					(5,710,279)
Charge for the year	(88,834)		(589,425)		-		(46,388)		(11,713)					(736,360)
Disposals during the year	112,579		-		-		95,370		-					207,949
Balance as at 31 st December	(796,161)		(3,697,903)		(66,250)		(865,288)		(813,088)					(6,238,690)
Net carrying value														
Balance as at 31 st December	428,462		1,878,322		-		120,085		58,565			949,872		3,435,306

19.1 During the year ended 31st December 2024, property, plant and equipment with a cost of MVR 6,221,010/- have been fully depreciated and continue to be in use by the Company.

19.2 Capital work in progress represents the costs incurred for the renovation and structural modifications of the office premises.



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19 PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Computer equipment	Vehicles	Furniture and fixtures	Leasehold improvements	Total
	MVR	MVR	MVR	MVR	MVR	2023 MVR
Cost						
Balance as at 01 st January	1,136,207	5,195,963	66,250	973,817	871,653	8,243,890
Additions during the year	155,567	267,220	-	24,481	-	447,268
Disposals during the year	(81,661)	(304,967)	-	-	-	(386,628)
Balance as at 31 st December	1,210,113	5,158,216	66,250	998,298	871,653	8,304,530
Accumulated depreciation						
Balance as at 01 st January	(817,413)	(2,828,292)	(66,250)	(858,640)	(789,662)	(5,360,257)
Charge for the year	(84,154)	(576,556)	-	(55,630)	(11,713)	(728,053)
Disposal during the year	81,661	296,370	-	-	-	378,031
Balance as at 31 st December	(819,906)	(3,108,478)	(66,250)	(914,270)	(801,375)	(5,710,279)
Net carrying value						
Balance as at 31 st December	390,207	2,049,738	-	84,028	70,278	2,594,251

19.3 During the year ended 31st December 2023, property, plant and equipment with a cost of MVR. 4,794,400/- have been fully depreciated and continue to be in use by the Company.



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20 RIGHT-OF-USE ASSETS

Right-of-Use assets related to leased properties that do not meet the definition of investment property are presented as Right-of-Use asset (See note 4.8).

	2024		2023	
	Building MVR	Total MVR	Building MVR	Total MVR
Cost				
Balance as at 01 st January	9,452,650	9,452,650	10,666,204	10,666,204
Modification during the year (Note 27.2)	(511,782)	(511,782)	(1,213,554)	(1,213,554)
Balance as at 31 st December	8,940,868	8,940,868	9,452,650	9,452,650
Accumulated depreciation				
Balance as at 01 st January	5,176,295	5,176,295	4,129,121	4,129,121
Charge for the year	789,325	789,325	1,047,174	1,047,174
Balance as at 31 st December	5,965,620	5,965,620	5,176,295	5,176,295
Net carrying value	2,975,248	2,975,248	4,276,355	4,276,355

21 INTANGIBLE ASSETS

	2024		2023		Total MVR
	Computer Software MVR	Total MVR	Computer software under development MVR	Computer software MVR	
Cost					
Balance as at 01 st January	4,135,911	4,135,911	1,927,500	1,711,544	3,639,044
Additions during the year	-	-	496,867	-	496,867
Transferred during the year	-	-	(2,424,367)	2,424,367	-
Balance as at 31 st December	4,135,911	4,135,911	-	4,135,911	4,135,911
Accumulated amortization					
Balance as at 01 st January	2,016,718	2,016,718	-	1,705,159	1,705,159
Amortisation for the year	606,092	606,092	-	311,559	311,559
Balance as at 31 st December	2,622,810	2,622,810	-	2,016,718	2,016,718
Net carrying value	1,513,101	1,513,101	-	2,119,193	2,119,193

21.1 The Company has purchased computer softwares and cost of the same has recognized as intangible assets and amortized over 4 years.

21.2 The "Computer Software Under Development" represents a ERP system which was developed in 2023. ERP refers to a type of software that will be used to manage day to day business activities as a core operational system which include accounting, loan management, procurement, CRM, fixed assets and budget control.

22 OTHER ASSETS

	2024 MVR	2023 MVR
Pre-payments	4,034,488	4,158,470
Staff loans	1,834,512	1,412,832
Accounts receivable	688,191	495,860
	6,557,191	6,067,162

23 DEPOSITS FROM CUSTOMERS

	2024 MVR	2023 MVR
Equated monthly installment deposits	79,218,454	78,134,524
Borrowers deposits	8,336,677	3,699,942
	87,555,131	81,834,466

Equated monthly installment deposits are held as contingency to settle the monthly installments in case the borrowers fail to pay. Equated monthly installment deposits carry fixed interest rate at 1% & 2.5 % per annum. (2023: 1% & 2.5%)



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24 DEBT SECURITIES IN ISSUE	2024 MVR	2023 MVR
Listed corporate bonds (Note 24.1)	110,137,189	124,510,246
Listed sukuk (Note 24.2)	388,004,708	411,574,371
	<u>498,141,897</u>	<u>536,084,617</u>

Maturity analysis of debt securities in issue

Payable within one year	49,222,889	22,319,307
Payable after one year	448,919,008	513,765,310
	<u>498,141,897</u>	<u>536,084,617</u>

	2024			2023		
	Listed bonds MVR	Listed sukuk MVR	Total MVR	Listed bonds MVR	Listed sukuk MVR	Total MVR
Balance as at 01 st January	124,510,246	411,574,371	536,084,617	152,689,876	411,583,905	564,273,781
Interest / profit during the year	8,338,092	30,921,935	39,260,027	9,431,518	32,478,439	41,909,957
Interest / profit paid during the year	(6,579,803)	(31,925,598)	(38,505,401)	(12,552,364)	(32,487,973)	(45,040,337)
Capital Repayments	(16,131,346)	(22,566,000)	(38,697,346)	(25,058,784)	-	(25,058,784)
Balance as at 31 st December	<u>110,137,189</u>	<u>388,004,708</u>	<u>498,141,897</u>	<u>124,510,246</u>	<u>411,574,371</u>	<u>536,084,617</u>

24.1 Listed corporate bonds

Listed bonds of MVR 81,390,000/- was raised in July 2018. These bonds carry an interest rate of 7% per annum for 10 years from the allotment date. Interest payments are made every six months after the date of allotment, until the bond is fully redeemed. The cumulative redemption as at 31st December 2024 equals to MVR 46,813,224/-.

Listed bonds of MVR 80,000,000/- were issued in December 2019. These bonds carry an interest rate of 7% per annum for 10 years from the allotment date. Interest payments are made every six months after the date of allotment, until the bond is fully redeemed. The cumulative redemption as at 31st December 2024 equals to MVR 35,016,086/-.

The Company has issued corporate bonds to Allied Insurance Company of the Maldives Private Limited of MVR 25,000,000/- with two years maturity and carry an interest rate of 7% per annum during the year ended 31st December 2023.

24.2 Listed Sukuk

- (i) On 27th January 2014, the Company has allotted Mudarabah Sukuk amounting to MVR 22,566,000/- (45,132 Sukuk at a price of MVR 500/- per sukuk) for ten (10) years. Profit is paid every six months from the allotment date until maturity date. The sukuk was matured and fully redeemed on 27th January 2024.
- (ii) On 25th October 2017, the Company has allotted Mudarabah Sukuk No. 2, amounting to MVR 89,036,000/- (89,036 Sukuk at a price of MVR 1,000/- per sukuk) for ten (10) years. The profit is paid every six months after the date of allotment, until the maturity date.
- (iii) On 5th December 2019, the Company has allotted Mudarabah Sukuk No. 3, amounting to MVR 126,931,000/- (126,931 Sukuk at a price of MVR 1,000/- per sukuk) for ten (10) years. The profit is paid every six months after the date of allotment, until the maturity date.
- (iv) On 2nd December 2021, the Company has issued Mudarabah Sukuk No. 4, amounting to MVR 168,403,000/- (168,403 Sukuk at a price of MVR 1,000/- per sukuk) for ten (10) years. The profit is paid every six months after the date of allotment, until the maturity date.

The funds received from Mudarabah Sukuk No 1, 2, 3 & 4 are utilized in order to fund shari'ah compliant mortgage housing finance operations under principles and rules of Shari'ah. The profit is shared between Sukuk holder (Rabb al Mal) and the Company (Mudarib) at a rate of 65% and 35% respectively.



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25 OTHER BORROWED FUNDS	2024 MVR	2023 MVR
Balance as at 01 st January	446,628,834	594,024,042
Borrowings during the year	749,618	343,582
Interest / profit charged during the year	31,104,498	40,135,466
Interest / profit paid during the year	(34,705,047)	(35,900,571)
Capital repayments during the year	(93,610,770)	(151,973,685)
Balance as at 31 st December	<u>350,167,133</u>	<u>446,628,834</u>
25.1 Sources of finance	2024 MVR	2023 MVR
Bank of Ceylon Male' Branch (Note 25.2)	91,933,878	140,057,856
Bank of Maldives PLC (Note 25.3)	166,170,235	190,842,732
Habib Bank Limited (Note 25.4)	-	2,235,623
Wakala facilities (Note 25.5)	66,200,000	66,677,037
Pension benefit scheme fund (Note 25.6)	4,857,014	4,305,586
State Bank of India Limited (Note 25.7)	21,006,006	42,510,000
	<u>350,167,133</u>	<u>446,628,834</u>
Maturity analysis of other borrowed funds		
Payable within one year	97,789,593	90,143,011
Payable after one year	252,377,540	356,485,823
	<u>350,167,133</u>	<u>446,628,834</u>

25.2 Bank of Ceylon - Male' Branch

The Company has obtained a loan facility of MVR 150,000,000/- per the agreement dated 20th June 2021 from Bank of Ceylon for the purpose of providing mortgage housing loans. The loan carries an interest at the rate of 1 month treasury bill rate + 2.3% which is 5.8% per annum during the grace year and second year onwards an interest at 6 months treasury bill rate + 2.3% which is 6.53% per annum (floating a floor rate of 5.5% per annum will be applied). This loan is repayable in semi-annual installments commencing after one year grace period and ending in December 2027. The Company shall ensure a minimum 150% security coverage. Further, the Company received remaining amount of the loan amounting to MVR 126,500,000/- during the year 2022. The borrowing is denominated in Maldivian Rufiyaa.

25.3 Term loans from Bank of Maldives PLC

The Company has obtained a loan of MVR 150,000,000/- 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 (November 2013) for 10 years ending on October 2023. The loan is secured by the Company's mortgage portfolio created out of proceeds of this facility. The borrowing is denominated in Maldivian Rufiyaa. This loan was fully settled during 2023.

The Company has also obtained a loan of MVR 100,000,000/- per the agreement dated March 2019 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 (March 2019) for 10 years ending in March 2029. The loan is secured by the Company's mortgage portfolio created out of proceeds of this facility. The borrowing is denominated in Maldivian Rufiyaa.



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25 OTHER BORROWED FUNDS (CONTINUED)

25.3 Term loans from Bank of Maldives PLC (Continued)

Further, the Company has obtained a loan of MVR 150,000,000/- per the agreement entered in December 2020 from Bank of Maldives for the purpose of providing mortgage housing loans. The loan carries an interest at a rate of 9% per annum and repayable in monthly instalments for a 10 years period commencing from December 2020 to November 2030. The Company has received second disbursement on 19th April 2021 and third disbursement on 30th June 2021 by MVR 50,000,000/- each. The loan is secured by the Company's mortgage portfolio created out of proceeds of this facility. The borrowing is denominated in Maldivian Rufiyaa.

25.4 Habib Bank Limited (HBL)

The Company has obtained a loan facility of MVR 22,500,000/- per the agreement dated 4th July 2019 from Habib Bank Limited for the purpose of providing mortgage housing loans. The loan carries an interest rate of 8% or 6 month T-Bill rate + 2.3% per annum, whichever is higher. Interest rate is reset semi-annually (January and July) by taking the 6 month T-Bill rate of the last day of the preceding month (if the T-Bill rate is on the higher side). The loan is repayable in ten semi-annual installments starting from December 2019 and the interest is payable on a monthly basis. The Company shall ensure a security coverage ratio of at least 150% of the outstanding loan amount. The borrowing is denominated in Maldivian Rufiyaa. The loan was fully paid on 30th June 2024.

25.5 Wakala facilities

During 2015 and 2016 Maldives Hajj Corporation Limited has invested MVR 60,000,000/- with the Company with a target yield of 10% - 11% per annum for 5 years. After the end of the initial investment period, such facilities have been renewed for another 5 years.

In May 2019, Amana Takaful Plc invested MVR 5,000,000/- for two years with a target yield of 6.5%. This facility has been renewed for another 2 years in May 2021. In October 2018 MVR 5,000,000/- was invested by Amana Takaful with a maturity of two years with a target yield of 6% and renewed for another 2 years upon maturity. This facility has been fully settled in October 2022. Further in February 2019 MVR 7,000,000/- was invested by Amana Takaful with a maturity of two years. This has a target yield of 6%. Such facility has been renewed for another 2 years in February 2021. The total facility fully settled during the year 2023.

During the year 2017, Bank of Maldives has invested MVR 17,188,262/- in an approved investment amounting MVR 50,000,000/- with a profit target of 8% per annum. Upon maturity this has been rolled over for two more years in June 2019. Bank of Maldives invested the balance undrawn Wakala facility of MVR 20,632,646/- and MVR 12,179,092/- in January 2019 and February 2019 respectively. This Wakala facility from BML Islamic can be rolled over for maximum tenor of 10 years from the initial date of disbursement. The wakala facilities are denominated in Maldivian Rufiyaa. The total facility fully settled during the year 2023.

Ayady Takaful invested MVR 5,000,000/- with the Company in April 2021 for two years with a target yield of 7% and the Company has renewed this facility on 5th April 2023 for another two years.



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25 OTHER BORROWED FUNDS (CONTINUED)

25.6 Pension Benefit Scheme Fund

The Company has signed an MOU with Maldives Pension Administrative Office (MPAO) to establish a general working arrangement between MPAO and the Company to facilitate the collateralization of accumulated Retirement Saving Account (RSA) for the purpose of paying the down payment in obtaining home finance for the members of MRPS. Under this scheme, eligible applicants are able to collateralize the accumulated savings in RSA as down payment for home finance (end user). The amount that can be collateralized (“collateralized amount”) as down payment will be determined by MPAO and disbursed to the Company. The determination of the eligibility for home finance and acceptability of collateralized amount will be made and decided by the Company. Accrued interest at 4.9% per annum is payable to MPAO semi-annually. Also, the amount received from MPAO will be repaid over the tenure of the individual loans to the end user semi-annually.

25.7 State Bank of India (SBI)

The Company has obtained a loan of MVR 150,000,000/- per the agreement dated 5th October 2017 from SBI for the purpose of providing mortgage housing loans. The loan carries an interest at a rate of 8% per annum and repayable in 8 years on semi-annual basis. The SBI loan is secured by the Company’s mortgage portfolio created out of proceeds of this facility. The borrowing is denominated in Maldivian Rufiyaa.

26 OTHER LIABILITIES	2024 MVR	2023 MVR
Ministry of Housing and Infrastructure - GED Islamic fund (Note 26.1)	3,822,970	2,542,607
Ministry of Housing and Infrastructure - MHI Islamic fund (Note 26.2)	31,269,764	22,543,424
Ministry of Housing and Infrastructure - MHUD Conventional fund (Note 26.3)	9,211,300	6,092,837
Ministry of Housing and Infrastructure 704 - Conventional fund (Note 26.4)	95,474,146	58,841,253
Ministry of Housing and Infrastructure CMEC - Housing funds (Note 26.5)	11,137,754	26,716,775
Ministry of Housing and Infrastructure GED Con - Housing funds (Note 26.6)	67,580,491	115,348,199
Social scheme fine receivables	-	90,975
Insurance premium payable	6,691,711	5,055,555
Amounts received from customers in advance	15,294,698	14,267,604
Accruals and other liabilities	4,701,701	5,502,214
Employees pension contribution	83,512	66,325
Dividends payable	64,889,529	27,348,724
	<u>310,157,576</u>	<u>284,416,492</u>

26.1 Ministry of Housing and Infrastructure - GED Islamic fund

In accordance with the agreement dated 16th February 2014, the Company manages and administers loan schemes under which the Company, as a custodian receives funds from the Ministry of Housing, Land and Urban Development (MHUD) formerly Ministry of Housing and Infrastructure (MHI). The purpose of the fund is to construct houses in islands under the Company Amna's Islamic outreach program. The initial Islamic Housing Fund approved for this program was MVR 100,000,000/- treated as a revolving grant for investment with a profit share of 65% to the Company and 35% to the Islamic Housing Finance Scheme Fund. The fee income earned from the fund is included in Net income on shari'ah products.



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26 OTHER LIABILITIES (CONTINUED)

26.2 Ministry of Housing and Infrastructure - MHI Islamic fund

- (i) The Company has been appointed as the sole representative to act on behalf of the Ministry of Housing, Land and Urban Development (MHUD) formerly Ministry of Housing and Infrastructure (MHI) in matters related to the scheme as a collecting agent. the Company to use their best effort to obtain monthly instalments due under the Islamic financing facility and all records of collections should be maintained separately. The accumulated fund after deducting the agency fee shall be released to the Ministry upon receiving written request from the Ministry.
- (ii) The Company has started managing new housing loans / facilities during December 2017. The Company was appointed as the sole representative to act on behalf Housing, Land and Urban Development (MHUD) formerly Ministry of Housing and Infrastructure (MHI) in matters related to the scheme as a collecting agent. the Company to use their best effort to obtain monthly instalments due and all records of collections should be maintained separately. The accumulated fund after deducting the agency fee shall be released to the Ministry upon receiving written request from the Ministry. This scheme is for 25 years period.

26.3 Ministry of Housing and Infrastructure - MHUD Conventional fund

Since 2008, the Company manages and administers conventional loan scheme under which the Company, as a custodian received funds from the Ministry of Housing, Land and Urban Development (MHUD) formerly Ministry of Housing and Infrastructure (MHI). The Company receives a management fee of 1.75% per annum on the outstanding balance of the loan at the end of every month.

26.4 Ministry of Housing and Infrastructure - 704 - Conventional fund

The Company has been appointed as the sole representative to act on behalf of the Ministry of Housing, Land and Urban Development (MHUD) formerly Ministry of Housing and Infrastructure (MHI) in matters related to the scheme as a collecting agent. the Company to use their best effort to obtain monthly instalments due under the facility and all records of collections should be maintained separately. The accumulated fund after deducting the agency fee shall be released to the Ministry upon receiving written request from the Ministry.

26.5 Ministry of Housing and Infrastructure - CMEC - Conventional fund

The Company has been appointed as the sole representative to act on behalf of the Ministry of Housing, Land and Urban Development (MHUD) formerly Ministry of Housing and Infrastructure (MHI) in matters related to the scheme as a collecting agent. the Company to use their best effort to obtain monthly instalments due under the facility and all records of collections should be maintained separately. The accumulated fund after deducting the agency fee shall be released to the Ministry upon receiving written request from the Ministry.

26.6 Ministry of National Planning, Housing and Infrastructure - GED, MHUD, 704 Flat & MHI

The Ministry of Housing, Land and Urban Development (MHUD) formerly Ministry of National Planning, Housing and Infrastructure ("MNPHI"), on behalf of the Government of Maldives, has decided to offer an affordable limited loan scheme under the name, "Gedhoruveriya Loan". In accordance with the agreement dated 8th August 2021, the Company has received funds amounting to MVR 175,000,000/-. The Company has to manage and administrate each loan granted under this loan scheme. The management fee of MVR 250/- will be charged per active account on monthly basis.



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27 LEASE LIABILITIES	2024	2023
	MVR	MVR
Balance as at 01 st January	6,299,932	8,352,349
Interest expense for the year (Note 6.3)	488,061	601,137
Modification during the year (Note 27.2)	(511,782)	(1,213,554)
Principal repayment during the year	(951,938)	(838,863)
Interest repayment during the year	(488,061)	(601,137)
Balance as at 31 st December	<u>4,836,212</u>	<u>6,299,932</u>

27.1 Extension options

Some property leases contain extension options exercisable by the Company up to one to ten years before the end of the non-cancellable contract period. The extensions held are exercisable only when both parties mutually agreed. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether is reasonably certain to exercise the option if there is a significant event or significant changes in circumstances within control.

27.2 Modification of lease liabilities

As per the Renewed lease agreement for the lease of 4A, 4B (4th floor), and Basement godown of H. Mialani, Sosun Magu, Malé, Republic of Maldives, the lessee and lessor have agreed to continue for another 5 years with the same lease installment as agreed in the previous agreement.

27.3 Maturity analysis

Current liability

Lease liabilities	<u>1,074,043</u>	<u>965,737</u>
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Non current liability

Lease Liabilities	<u>3,762,169</u>	<u>5,334,195</u>
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Amounts recognized in Statement of Comprehensive Income

- Depreciation on right of used assets	789,325	1,047,174
- Interest on lease liabilities	<u>488,061</u>	<u>601,137</u>

Amounts recognized in Statement of Cash Flows

	<u>1,439,999</u>	<u>1,440,000</u>
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27.4 Analysis of undiscounted cash flows and interest

	Future minimum lease payments		Interest	
	2024	2023	2024	2023
	MVR	MVR	MVR	MVR
Less than one year	1,440,000	1,461,000	365,957	495,263
Between one and five years	3,811,000	5,824,000	513,921	927,570
More than five year	-	455,000	-	17,235
	<u>5,251,000</u>	<u>7,740,000</u>	<u>879,878</u>	<u>1,440,068</u>

28 SHARE CAPITAL

28.1 Authorized

The authorized share capital comprises of 32,125,000 ordinary shares of MVR. 10/- each (2023 : 32,125,000 ordinary shares of MVR. 10/- each). During the year ended 31st December 2023 the company had registered a share split of 1:10 increasing the number of shares from 3,212,500 of MVR 100/- each to 32,125,000 shares of MVR 10 each which was approved by the shareholders in the year 2022.

28.2 Issued and fully Paid

Issued and fully paid share capital comprises 15,937,500 of MVR 10/- each as at 31st December 2024. (2023 : 15,937,500 of MVR 10/-).

28.3 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.

A final dividend from the profits earned during the year ended 31st December 2023 of MVR 35,062,500/- was declared on 26th May 2024 and an interim dividend of MVR 39,046,875 was declared on 15th December 2024 from the profits of the year ended 31st December 2024

28.4 General reserves

General reserve represents the amount set aside from the Company's profits to meet future (known or unknown) obligations. The general reserve are not used to declare dividends.



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28 SHARE CAPITAL (CONTINUED)

28.5 Capital reserve

Capital Reserve represents the amount set in accordance with the Regulation on Finance Business (2021/R-132) issued by the Maldives Monetary Authority (MMA) which is MVR 50,000,000/- as the minimum capital reserve. The company maintains an equal amount to the licensee's minimum required capital.

29 SEGMENT ANALYSIS

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the Board of Directors, and for which discrete financial information is available.

(a) Description of products and services from which each reportable segment is identified

The Company is organized on the basis of two main business segments:

- (i) Conventional financing service – representing conventional housing finance services; and
- (ii) Islamic services – representing Amna housing related scheme and sukuk and other shari'ah compliant

(b) Factors that management used to identify the reportable segments

The Company's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different strategies and service level.

(c) Measurement of operating segment profit or loss, assets and liabilities

The Board of Directors review financial information prepared based on the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

- (i) funds are generally allocated between segments;
- (ii) income taxes are not allocated to segments;
- (iii) loan provisions are recognized based on management judgement and availability of information, and
- (iv) commission income relating to lending is recognized immediately rather than deferred using the effective interest method; and

The board of directors evaluate the performance of each segment based on the net income before administrative expenses and tax.

(d) Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the period then ended on 31st December 2024 is set out below:

As at 31st December 2024	Conventional MVR '000	Islamic MVR '000	Unallocated MVR '000	Total MVR '000
Loans and advances	981,684	622,139	-	1,603,823
Cash and cash equivalents	178,946	160,000	-	338,946
Non-current assets	-	-	4,948	4,948
Financial assets at amortised cost	131,985	40,000	-	171,985
Right-of-use assets	-	-	2,975	2,975
Other assets	-	-	17,859	17,859
Total assets	1,292,614	822,139	25,782	2,140,537



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29 SEGMENT ANALYSIS (CONTINUED)

(d) Information about reportable segment profit or loss, assets and liabilities (Continued)

As at 31st December 2024	Conventional MVR 000	Islamic MVR 000	Unallocated MVR 000	Total MVR 000
Deposits from customers	53,961	33,594	-	87,555
Debt securities in issue	110,137	388,006	-	498,141
Other borrowed funds	283,967	66,200	-	350,167
Other liabilities	183,404	35,093	91,662	310,158
Lease liabilities	-	-	4,836	4,836
Current tax liabilities	-	-	10,800	10,800
Total liabilities	631,469	522,893	107,298	1,261,657
Capital expenditure	-	-	1,580	1,580

Capital expenditure represents additions to non-current assets other than financial instruments and deferred tax assets.

For the year ended 31st December 2024	Conventional MVR 000	Islamic MVR 000	Unallocated MVR 000	Total MVR 000
External revenues:				
- Interest / profit share	136,634	75,418	-	212,052
- Fee and commission income	4,125	3,087	-	7,212
- Other operating income	1,969	-	-	1,969
Total revenues	142,728	78,506	-	221,233
Interest expense / profit share	(36,402)	(35,245)	-	(71,647)
Reversal of allowance for impairment loss on loans and advances	(20,514)	7,327	-	(13,187)
Reversal of modification loss on loans and advances	-	1,265	-	1,265
Depreciation and amortization	-	-	(1,342)	(1,342)
Administrative and other operating expenses	(166)	(1,537)	(20,125)	(21,828)
Income tax expense	-	-	(18,282)	(18,282)
Profit for the year	85,646	50,316	(39,749)	96,212

Segment information for the reportable segments for the year and then ended on 31st December 2023 is set out below:

As at 31st December 2023	Conventional MVR 000	Islamic MVR 000	Unallocated MVR 000	Total MVR 000
Loans and advances	1,056,481	539,094	-	1,595,575
Cash and cash equivalents	153,952	131,080	-	285,032
Non-current assets	-	-	4,713	4,713
Financial assets held-to-maturity	310,677	-	-	310,677
Right-of-use assets	-	-	4,276	4,276
Other assets	-	-	15,034	15,034
Total assets	1,521,110	670,174	24,023	2,215,307



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29 SEGMENT ANALYSIS (CONTINUED)

(d) Information about reportable segment profit or loss, assets and liabilities (Continued)

As at 31st December 2023	Conventional MVR 000	Islamic MVR 000	Unallocated MVR 000	Total MVR 000
Deposits from customers	57,693	24,141	-	81,834
Debt securities in issue	124,510	411,575	-	536,085
Other borrowed funds	379,952	66,677	-	446,629
Other liabilities	206,999	25,086	52,331	284,416
Lease liabilities	-	-	6,300	6,300
Current tax liabilities	-	-	6,525	6,525
Total liabilities	769,154	527,479	65,156	1,361,789
Capital expenditure	-	-	447	447

Capital expenditure represents additions to non-current assets other than financial instruments and deferred tax

For the year ended 31st December 2023	Conventional MVR 000	Islamic MVR 000	Unallocated MVR 000	Total MVR 000
External revenues:				
- Interest / profit share	144,110	70,665	-	214,775
- Fee and commission income	4,166	2,423	-	6,589
- Other operating income	1,954	-	-	1,954
Total revenues	150,230	73,088	-	223,318
Interest expense / profit share	(45,356)	(38,336)	-	(83,692)
Reversal of provision for impairment loss on loans and advances	2,387	(13,727)	-	(11,340)
Recognition of modification loss on loans and advances	-	(2,209)	-	(2,209)
Depreciation and amortization	-	-	(1,040)	(1,040)
Administrative and other operating expenses	(17,651)	(2,725)	-	(20,376)
Income tax	-	-	(16,443)	(16,443)
Profit for the year	89,610	16,091	(17,483)	88,218

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(i) Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Company'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 an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.



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30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(i) Overview (Continued)

The Company's risk management policies are designed to identify and analyze 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. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

(ii) Risk management framework

Risk management is carried out by the Company under policies approved by the Board of Directors. The Company identifies and evaluates financial risks in close co-operation with the Company'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 risks.

30.1 Credit risk

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

Credit policies were formulated covering the Company'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.

30.1.1 Credit risk measurement

Loans and advances (including loan commitments)

The estimation of credit exposure for risk management purpose is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

30.1.2 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on change in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 30.1.2.1 for a description of how the Company determines when a significant increase in credit risk has occurred.



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30.1 Credit risk (Continued)

30.1.2 Expected credit loss measurement (Continued)

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 30.1.2.2 description of how the Company defines credit-impaired and default.
- Financial instruments in stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stage 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 30.1.2.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 30.1.2.4 includes an explanation of how the Company has incorporated this in its ECL models.

Further explanation is also provided of how the Company determines appropriate grouping when ECL is measured on a collective basis (refer note 30.1.2.5).

The following diagram summarises the impairment requirements under IFRS 9:

Change in credit quality since initial recognition		
Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since the initial recognition)	(credit impaired assets)
12 months expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The key judgements and assumptions adopted by the Company in addressing the requirements of the standard are discussed below:

30.1.2.1 Significant increase in credit risk

The Company considers loans and receivables have experienced significant increase in credit risk when the arrears are past due for more than 30 days.

30.1.2.2 Definition of default and credit-impaired assets

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired when the borrower is more than 90 days past due states on its contractual payments.

The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) throughout the Company's expected loss calculations.

30.1.2.3 Measuring the ECL - explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since the initial recognition on whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default(PD), Exposure at Default(EAD), and Loss Given Default(LGD), defined as follows:



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30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.1 Credit risk (Continued)

30.1.2 Expected credit loss measurement (Continued)

30.1.2.3 Measuring the ECL - explanation of inputs, assumptions and estimation techniques (Continued)

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Life time PD) of the obligation. PIT PD (Point-in-time Probability of Default) is calculated using duration or hazard rate approach (Makov chain approach) and TTC PD (Through-the-Cycle Probability of Default) is derived from average empirical matrix from 2015 to 2024.

EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

LGDs are determined based on the factors which impact the recoveries made post default. Historical LGD is used for facilities outside Male'. Since there were no adequate history of default in Male' facilities, LGD is computed based on the projected collateral values, historical discounts to market/book values to forced sales, time to repossession and recovery cost observed. When arriving the present value of cash flows after default, the Company applies 68% haircut to the market value of the collateral to estimate force sale values. Force sales values are then deducted from EAD to arrive LGD.

The ECL is determined by projecting the PD, LGD and EAD for each future year and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by the product type. For amortising loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. For the loan commitments, the EAD is predicted by taking current drawn balance and adding a " credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. Refer note 30.1.2.4 for an explanation of forward-looking information and its inclusion in ECL calculations.

30.1.2.4 Forward looking information incorporated in ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. the Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for the loan portfolio.



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30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.1 Credit risk (Continued)

30.1.2 Expected credit loss measurement (Continued)

30.1.2.4 Forward looking information incorporated in ECL models (Continued)

The Company has used a score card approach for further refining the ECL model in order to obtain a more realistic default rate. The score card incorporates qualitative and quantitative macro-economic factors which are selected based on the relevancy and appropriateness. Each factor is assigned a weightage based on the relative interdependence with the default rate. Quantitative factors include GDP growth rate, inflation, unemployment rate and qualitative factors include management outlook on loan portfolio, regulatory impact, government policies and industry and business. Quantitative factors are based on economic data and forecasts published by IMF.

The Company performs statistical regression analysis between historical macro economic data (GDP) and historical credit index. Estimated credit indexes were determined by plugging forecasted macro economic variables in the factor model developed in the regression analysis. Forecasted PDs were computed by shifting Through the Cycle (TTC) matrix using estimated credit index.

Economic variable assumptions

The most significant period end assumptions used for ECL estimate as at 31st December 2024 are set out below.

	2025	2026	2027	2028	2029
GDP growth rate	4.70%	4.78%	4.54%	4.53%	4.49%
Inflation	4.49%	2.15%	2.00%	2.00%	2.00%
Unemployment rate	3.80%	4.50%	4.20%	4.20%	4.20%

Source : <https://www.imf.org/en/Publications/WEO/weo-database/2024/April/download-entire-database>

The weightage assigned for each economic scenario at 31st December 2024 as follows:

	Best	Base	Worst
All portfolios	11%	68%	21%

Set out below are changes to ECL as at 31st December 2024 that would result from reasonably possible changes in these parameters from actual assumptions used in the Company's economic variable assumptions.

	-1%	No change	+1%
GDP growth rate	75,304,309	75,189,641	75,074,885
Inflation	75,186,054	75,189,641	75,374,269
Unemployment	74,091,651	75,189,641	76,842,428

30.1.2.5 Grouping of instruments for losses measured on a collective basis

For expected credit losses provision modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within the group are homogeneous. Both conventional and Amna assets are pooled together as primarily the products are same and considering the size of portfolio.



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30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.1 Credit risk (Continued)

30.1.3 Loss allowance

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

The following table explain the changes in the loss allowance between the beginning and end of the annual period due to these factors:

Loss allowance	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Life time ECL	Life time ECL	
	MVR	MVR	MVR	
Loss allowance as at 1st January 2024	2,272,341	16,702,709	43,876,176	62,851,226
Transfer from stage 1 to stage 2	(71,687)	3,501,332	-	3,429,645
Transfer from stage 1 to stage 3	(25,849)	-	1,498,565	1,472,716
Transfer from stage 2 to stage 1	1,523,470	(10,779,416)	-	(9,255,946)
Transfer from stage 2 to stage 3	-	(4,270,318)	11,670,932	7,400,614
Transfer from stage 3 to stage 1	713,550	-	(8,500,725)	(7,787,175)
Transfer from stage 3 to stage 2	-	7,108	(64,329)	(57,221)
New financial assets originated	1,099,885	2,535,157	811,820	4,446,862
Transfer from stage 3 to stage 2				-
Financial assets settled during the year	(35,901)	(338,387)	-	(374,288)
Unrecognized interest on stage 3 assets	-	-	(120,422)	(120,422)
Write off	-	-	(727,958)	(727,958)
Other movements	8,694,802	4,754,976	461,810	13,911,588
Loss allowance as at 31st December 2024	14,170,611	12,113,161	48,905,869	75,189,641



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30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.1 Credit risk (Continued)

30.1.3 Loss allowance (Continued)

The unwind of interest on Stage 3 financial assets is reported within 'Interest income' so that interest income recognised on the amortised cost (after deducting the ECL allowance).

Loans moved from stage 1 to 2 and stage 2 to 3 contributed to a increase in allowance by MVR 1,625,541/-. The provision was further increased by the increase in the PD rates of stage 3 loans.

The following table further explains changes in the gross carrying amount of the mortgage portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

Loans and advances	Stage 1	Stage 2	Stage 3	Total
	12-month ECL MVR	Life time ECL MVR	Life time ECL MVR	
Gross carrying amount as at 1st January 2024	1,401,788,188	166,045,533	90,592,527	1,658,426,248
<i>Transfers:</i>				
Transfer from Stage 1 to stage 2	(38,120,648)	36,499,232	-	(1,621,416)
Transfer from Stage 1 to stage 3	(20,302,463)	-	20,958,751	656,288
Transfer from Stage 2 to stage 1	109,018,001	(114,701,468)	-	(5,683,467)
Transfer from Stage 2 to stage 3	-	(28,287,155)	29,256,408	969,253
Transfer from Stage 3 to stage 1	27,099,972	-	(27,881,856)	(781,884)
Transfer from Stage 3 to stage 2	-	79,806	(122,021)	(42,215)
New financial assets originated	137,567,497	5,796,811	1,391,754	144,756,062
Financial assets settled during the year	(70,114,219)	(5,011,639)	-	(75,125,858)
Write off	-	-	(727,958)	(727,958)
Other movements	(41,662,035)	(2,866,168)	2,715,521	(41,812,682)
Gross carrying amount as at 31st December 2024	1,505,274,293	57,554,952	116,183,126	1,679,012,371



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30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.1 Credit risk (Continued)

30.1.3 Loss allowance (Continued)

Loss allowance	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Life time ECL	Life time ECL	
	MVR	MVR	MVR	
Loss allowance as at 1st January 2023	3,353,717	4,153,178	45,874,973	53,381,868
Transfer from stage 1 to stage 2	(563,675)	14,029,182	-	13,465,507
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	43,428	(1,555,139)	-	(1,511,711)
Transfer from stage 2 to stage 3	-	(1,875,926)	2,406,184	530,258
Transfer from stage 3 to stage 1	69,603	-	(4,822,999)	(4,753,396)
Transfer from stage 3 to stage 2	-	4,480,599	(4,514,536)	(33,937)
New financial assets originated	242,042	353,726	60,089	655,857
Financial assets settled during the year	(177,459)	-	(138,820)	(316,279)
Unrecognised interest on stage 3 assets	-	-	212,524	212,524
Write off	-	-	(2,083,176)	(2,083,176)
Other movements	(695,315)	(2,882,910)	6,881,936	3,303,711
Loss allowance at 31st December 2023	2,272,341	16,702,709	43,876,175	62,851,226

The unwind of interest on Stage 3 financial assets is reported within 'Interest income' so that interest income recognised on the amortised cost (after deducting the ECL allowance).

Loans which moved from Stage 2 to Stage 3 during the period have contributed to increase in the loss allowance.

The following table further explains changes in the gross carrying amount of the mortgage portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:



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30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.1 Credit risk (Continued)

30.1.3 Loss allowance (Continued)

Loans and advances	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Life time ECL	Life time ECL	
	MVR	MVR	MVR	
Gross carrying amount as at 1 January 2023	1,533,718,868	61,205,578	94,811,678	1,689,736,124
<i>Transfers:</i>				
Transfer from stage 1 to stage 2	(143,628,110)	140,518,746	-	(3,109,364)
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	16,828,638	(17,222,879)	-	(394,241)
Transfer from stage 2 to stage 3	-	(13,815,594)	13,835,480	19,886
Transfer from stage 3 to stage 1	17,415,671	-	(16,537,467)	878,204
Transfer from stage 3 to stage 2	-	21,079,605	(18,159,721)	2,919,884
New financial assets originated	160,798,761	3,791,482	-	164,590,243
Financial assets settled during the year	(121,269,408)	(8,713,404)	(266,141)	(130,248,953)
Write off	-	-	(2,083,176)	(2,083,176)
Other movements	(62,076,232)	(20,798,001)	18,991,874	(63,882,359)
Gross carrying amount as at 31st December 2023	1,401,788,188	166,045,533	90,592,527	1,658,426,248

30.1.4 Write-off policy

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Company's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.



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30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.1 Credit risk (Continued)

30.1.5 Modification of financial assets

The Company sometimes modifies the terms of loans provided to customers due to commercial renegotiations with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. the Company monitors the subsequent performance of modified assets. the Company may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL).

30.1.6 Risk limit control and mitigation policies

The Company manages, limits and controls concentrations of credit risk wherever they are identified in particular, to individual counterparties and groups, and to corporates. the Company 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.

Some other specific control and mitigation measures are outlined below.

(a) Collateral

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for the housing loans, which is a common practice. the Company 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 unit that is financed by the Company.

The Company's policy is to sell the repossessed assets at the earliest possible opportunity and the Company's policies regarding obtaining collateral have not significantly changed during the reporting period. There has been no significant change in the overall quality of the collateral held by the Company since the prior period. the Company closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Company will take possession of collateral to mitigate potential credit losses.

The valuation technique used for housing properties is based on the construction and other cost to completion that would be incurred by a market participant. Accordingly, the fair value measurement of collateral was classified to level 3.



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30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.1 Credit risk (Continued)

30.1.6 Risk limit control and mitigation policies (Continued)

(a) Collateral (Continued)

Collateral information

As at 31st December 2024	Customer loans MVR	Staff loans MVR	Amna assets MVR	Total MVR
Loans collateralised by:				
- house property	1,019,232,665	3,550,519	656,229,187	1,679,012,371
Total loans and advances	<u>1,019,232,665</u>	<u>3,550,519</u>	<u>656,229,187</u>	<u>1,679,012,371</u>
As at 31st December 2023	Customer loans MVR	Staff loans MVR	Amna assets MVR	Total MVR
Loans collateralised by:				
- house property	1,081,568,230	3,674,282	573,183,736	1,658,426,248
Total loans and advances	<u>1,081,568,230</u>	<u>3,674,282</u>	<u>573,183,736</u>	<u>1,658,426,248</u>

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset (over-collateralised assets) and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets"). The effect of collateral is as follows:

As at 31st December 2024	Over-collateralised assets			Under-collateralised assets	
	LTV ratio	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
		MVR	MVR	MVR	MVR
Customer loans	28%	1,019,232,665	3,666,790,797	-	-
Staff loans	23%	3,550,519	15,292,322	-	-
Amna assets	38%	656,229,187	1,736,703,134	-	-
Total loans and advances		<u>1,679,012,371</u>	<u>5,418,786,253</u>	<u>-</u>	<u>-</u>
As at 31st December 2023	Over-collateralised assets			Under-collateralised assets	
	LTV ratio	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
		MVR	MVR	MVR	MVR
Customer loans	29%	1,081,568,230	3,703,073,537	-	-
Staff loans	18%	3,674,282	20,585,489	-	-
Amna assets	39%	573,183,736	1,459,686,225	-	-
Total loans and advances		<u>1,658,426,248</u>	<u>5,183,345,251</u>	<u>-</u>	<u>-</u>

(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, the Company 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. the Company monitors the term to maturity of credit commitments.



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30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.1 Credit risk (Continued)

30.1.7 Impairment and provisioning policies

Impairment provisions are recognised for financial reporting purposes based on expected credit losses calculated based on historical default rates and forward looking information.

30.1.8 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 the Company at 31st December 2024 and 31st December 2023, without taking account of any collateral held.

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

- All the housing loans are backed by collateral.
- 93.69% of the loans and advances portfolio are considered to be neither past due nor impaired (31st December 2023 : 94.32%);

30.1.9 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

the Company's lending activities are limited to Maldives.

(b) Sectors

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

	2024	2023
	MVR	MVR
Residential - Conventional	1,022,783,184	1,083,479,180
Residential - Islamic	656,229,187	573,183,736
Commercial	-	1,763,332
Total	<u>1,679,012,371</u>	<u>1,658,426,248</u>

30.1.10 Credit risk of financial assets at amortised cost

The Company has invested in Conventional and Islamic treasury bills issued by the Ministry of Finance on behalf of the Government of Maldives and measured at amortised cost. The Company analyses credit quality of debt securities at amortised cost as at the reporting date based on the credit ratings and determine whether any adjustment is required for allowance for impairment loss on the carrying amount. The latest sovereign credit rating issued and published on 29th August 2024 for the Maldives was CC (Positive) by the Fitch ratings. Since the debt securities were issued by the Government and short term with no history of defaults, the Company has determined that the credit risk is considered to be very negligible.

30.2 Market risk

the Company 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 the Company's housing and cost of funds. The market risks arising non-trading activities are concentrated in the Company's Assets and Liabilities Management Committee (ALCO).



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30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.2 Market risk (Continued)

30.2.1 Foreign exchange risk

All the transactions except transactions carried out in local currency, Maldivian Rufiyaa (MVR), 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\$ = MVR 10.28 to MVR 15.42). The Corporation takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The table below summarises the Company's exposure to foreign currency exchange rate risk at the end of the reporting period.

	2024	2023
	US\$	US\$
Assets		
Cash and balances with other banks	19,348	14,819
Total assets	19,348	14,819
Liabilities		
Borrowings	-	-
Total liabilities	-	-
Net on-balance sheet financial position	19,348	14,819
Net	19,348	14,819

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Company, with all other variables held constant.

	As at 31st December 2024		As at 31st December 2023	
	Impact on profit	Impact on	Impact on	Impact on
	US\$	US\$	US\$	US\$
US Dollar strengthening by 10%	195	-	150	-
US Dollar weakening by 10%	(192)	-	(147)	-

30.2.2 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. the Company 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.



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30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.2 Market risk (Continued)

30.2.2 Interest rate risk (Continued)

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 the Company in re-pricing them. Assets and Liability Committee ("ALCO") regularly reviews these gaps to ensure that they are within acceptable norms. The Company regularly monitors the market behavior and products are appropriately re-priced when necessary.

The Company 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 hold to collect. Therefore the Company is not open to any price fluctuation risks.

The table below summarises the Company'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 31st December 2024

	Up to 1 month MVR '000	1 - 3 months MVR '000	3 - 12 months MVR '000	1 - 5 years MVR '000	Over 5 years MVR '000	Non- interest bearing MVR '000	Total MVR '000
Financial assets							
Cash and cash equivalents	42,963	295,983	-	-	-	-	338,946
Financial assets at amortised cost	-	-	171,985	-	-	-	171,985
Loans and advances	9,323	18,924	88,435	453,284	1,033,857	-	1,603,823
Other financial assets	-	-	-	-	-	1,835	1,835
Total financial assets	52,286	314,907	260,420	453,284	1,033,857	1,835	2,116,590
Financial liabilities							
Deposits from customers	935	1,868	8,930	20,835	54,987	-	87,555
Debt securities in issue	6,943	10,000	32,280	280,516	168,403	-	498,142
Other borrowed funds	2,240	22,410	90,987	189,507	45,023	-	350,167
Other financial liabilities	-	-	-	-	-	225,188	225,188
Lease liabilities	93	283	886	3,574	-	-	4,836
Total financial liabilities	10,211	34,561	133,083	494,432	268,413	225,188	1,165,888
Total interest repricing gap	42,075	280,346	127,337	(41,148)	765,444	(223,353)	950,702



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30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.2 Market risk (Continued)

30.2.2 Interest rate risk (Continued)

As at 31st December 2023

	Up to 1	1-3	3-12	1-5	Over 5 years	Non- interest	Total
	month	months	months	years	MVR '000	bearing	MVR '000
	MVR '000	MVR '000	MVR '000	MVR '000	MVR '000	MVR '000	MVR '000
Financial assets							
Cash and balances with banks	105,153	179,879	-	-	-	-	285,032
Financial assets at amortised cost	-	-	310,677	-	-	-	310,677
Loans and advances	2,726	8,345	26,599	185,729	1,372,176	-	1,595,575
Other financial assets	-	-	-	-	-	1,413	1,413
Total financial assets	107,879	188,224	337,276	185,729	1,372,176	1,413	2,192,697
Financial liabilities							
Deposits from customers	361	1,087	3,294	18,027	59,065	-	81,834
Debt securities in issue	-	-	22,319	218,431	295,334	-	536,084
Other borrowed funds	22,009	16,465	51,669	337,010	19,476	-	446,629
Other financial liabilities	-	-	-	-	-	237,232	237,232
Lease liabilities	76	153	737	4,896	438	-	6,300
Total financial	22,446	17,705	78,019	578,364	374,313	237,232	1,308,079
Total interest repricing gap	85,433	170,519	259,257	(392,635)	997,863	(235,819)	884,619

Additionally, the Company is confident that it has sufficient interest margins to absorb any adverse impacts due to interest fluctuations on any unmatched positions. Further the Company has the option of changing the interest offered to customers per the sanction letters issued to the customers.

Exposure to Interest rate risk - Loans and advances

Sensitivity analysis of net interest income

	As at 31 st December 2024		As at 31 st December 2023	
	1% increase	1% decrease	1% increase	1% decrease
	MVR '000	MVR '000	MVR '000	MVR '000
Average for the year	10,023	(10,023)	8,471	(8,471)

30.3 Liquidity risk

Liquidity risk is the risk that the Company 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.



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30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.3 Liquidity risk (Continued)

30.3.1 Liquidity risk management process

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

- Day-to-day funding, managed by monitoring future cashflows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- Maintaining a portfolio of deposits with bank and treasury bills that can easily be liquidated as protection against any unforeseen interruption to cashflow;
- Monitoring balance sheet liquidity ratios against internal requirements; and
- 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.

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

30.3.2 Funding approach

Sources of liquidity are regularly reviewed by the ALCO.

30.3.3 Contractual maturities of undiscounted cash flows of financial assets and financial liabilities

The table below presents the cash flows payable by the Company under non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash inflows.

As at 31st December 2024

	Up to 1 month MVR '000	1-3 months MVR '000	3-12 months MVR '000	1-5 years MVR '000	Over 5 years MVR '000	Total MVR '000	Carrying MVR '000
Financial liabilities							
Deposits from customers	958	1,913	9,151	22,617	61,879	96,518	87,555
Debt securities in issue	5,727	3,588	49,926	318,590	357,163	734,994	498,142
Other borrowed funds	4,481	23,957	103,367	333,134	43,013	507,952	350,167
Other financial liabilities	-	-	226,644	-	-	225,188	225,188
Lease liabilities	131	392	1,175	4,583	223	6,504	4,836
	11,297	29,850	390,263	678,924	462,278	1,571,156	1,165,888
Financial assets							
Cash and cash equivalent	118,157	220,789	-	-	-	338,946	338,946
Financial assets at amortised cost	-	-	171,985	-	-	171,985	171,985
Loans and advances	24,430	48,871	218,388	998,196	1,628,705	2,918,590	1,603,823
Other financial assets	-	-	1,835	-	-	1,835	1,835
	142,587	269,660	392,208	998,196	1,628,705	3,431,357	2,116,590
Net gap	131,290	239,810	1,945	319,272	1,166,427	1,860,201	950,702



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30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.3 Liquidity risk (Continued)

30.3.3 Contractual maturities of undiscounted cash flows of financial assets and financial liabilities (Continued)

As at 31 st December 2023	Up to 1 month					Over 5 years	Total	Carrying amount
	MVR '000	MVR '000	MVR '000	MVR '000	MVR '000			
Financial liabilities								
Deposits from customers	498	1,493	4,478	23,384	65,870	95,723	81,834	
Debt securities in issue	-	-	40,110	219,538	300,963	560,611	536,084	
Other borrowed funds	-	41,168	104,421	355,332	20,278	521,199	446,629	
Other financial liabilities	-	-	237,232	-	-	237,232	237,232	
Lease liabilities	120	240	1,101	5,824	455	7,740	6,300	
	618	42,901	387,341	604,078	387,566	1,422,505	1,308,079	
Financial assets								
Cash and cash equivalents	105,153	179,879	-	-	-	285,032	285,032	
Financial assets at amortized cost	14,949	29,773	274,597	-	-	319,319	310,677	
Loans and advances	18,792	56,376	169,128	883,224	2,518,128	3,645,648	1,595,575	
Other financial assets	-	-	1,413	-	-	1,413	1,413	
	138,895	266,028	445,138	883,224	2,518,128	4,251,412	2,192,697	
Net	138,277	223,127	57,798	279,146	2,130,562	2,828,908	884,618	

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, deposits with banks, financial asset at amortized cost and housing loan repayment from customers. The Company would also be able to meet unexpected net cash outflows by discounting treasury bills, other investments and utilizing the undrawn borrowing facilities.



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30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.4 Capital management

The Company'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 the Company'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 the Company's management, employing techniques based on the guidelines developed by the Basel I Committee, for supervisory purposes.

the Company'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 the Company as at 31st December 2024 and 31st December 2023. the Company complied with all of the externally imposed capital requirements to which they are subjected.

	2024	2023
	MVR	MVR
Capital		
Share capital	159,375,000	159,375,000
Retained earnings	654,504,560	629,143,141
Reserves	65,000,000	65,000,000
Total qualifying Capital	878,879,560	853,518,141
Total capital	878,879,560	853,518,141
Risk-weighted assets		
On-balance sheet	918,799,778	895,270,291
Total risk-weighted assets	918,799,778	895,270,291
Basel ratio	96%	95%



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30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.4 Capital management (Continued)

Risk-weighted assets	As at 31 st December 2024	
	Unweighted value MVR	Weighted Value MVR
Cash in hand	6,500	-
Balances with other banks	42,956,980	8,591,396
Short term investments	295,982,993	59,196,599
Financial assets at amortised cost	171,985,156	-
Loans and advances	1,679,012,371	839,506,186
Prepayments and deposits	6,557,191	6,557,191
Property, plant and equipment and intangible assets	4,948,407	4,948,407
	<u>2,201,449,598</u>	<u>918,799,778</u>

The changes in the regulatory capital was mainly due to the profit earned during the year ended 31st December 2024. The decrease in risk-weighted assets reflects the decrease the loan portfolio during period.

Risk-weighted assets	As at 31 st December 2023	
	Unweighted value MVR	Weighted Value MVR
Cash in hand	6,500	-
Balances with other banks	105,146,629	21,029,326
Short term investments	179,878,691	35,975,738
Financial assets at amortised cost	310,676,963	-
Loans and advances	1,658,426,248	829,213,124
Prepayments and deposits	6,067,162	6,067,162
Property, plant and equipment and intangible assets	4,713,444	4,713,444
	<u>2,264,915,637</u>	<u>896,998,794</u>

31 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

As at 31 st December 2024	Amortised cost MVR	Total MVR
Financial assets		
Cash and cash equivalents	338,946,473	338,946,473
Financial assets at amortised cost	171,985,156	171,985,156
Loans and advances	1,603,822,730	1,603,822,730
Other financial assets	1,834,512	1,834,512
Total financial assets	<u>2,116,588,871</u>	<u>2,116,588,871</u>
	Amortised cost MVR	Total MVR
Financial liabilities		
Debt securities in issue	498,141,897	498,141,897
Other borrowed funds	350,167,133	350,167,133
Deposits from customers	87,555,131	87,555,131
Other financial liabilities	294,779,366	294,779,366
Lease liabilities	4,836,212	4,836,212
Total financial liabilities	<u>1,235,479,739</u>	<u>1,235,479,739</u>



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31 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTINUED)

As at 31st December 2023	Amortised cost MVR	Total MVR
Financial assets		
Cash and cash equivalents	285,031,820	285,031,820
Financial assets at amortised cost	310,676,963	310,676,963
Loans and advances	1,595,575,022	1,595,575,022
Other financial assets	1,412,832	1,412,832
Total assets	2,192,696,637	2,192,696,637
	Amortised cost MVR	Total MVR
Financial liabilities		
Debt securities in issue	536,084,617	536,084,617
Other borrowed funds	446,628,834	446,628,834
Deposits from customers	81,834,466	81,834,466
Other financial liabilities	270,082,563	270,082,563
Lease liabilities	6,299,932	6,299,932
Total liabilities	1,340,930,412	1,340,930,412

32 FAIR VALUE MEASUREMENT

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

	As at 31st December 2024		As at 31st December 2023	
	Carrying amount MVR	Fair value MVR	Carrying amount MVR	Fair value MVR
Assets carried at amortised cost				
Cash and cash equivalents	338,946,473	338,946,473	285,031,820	285,031,820
Financial asset at amortised cost	171,985,156	171,985,156	310,676,963	310,676,963
Loans and advances to customers	1,603,822,730	1,603,822,730	1,595,575,022	1,595,575,022
Other financial assets	1,834,512	1,834,512	1,412,832	1,412,832
	2,116,588,871	2,116,588,871	2,192,696,637	2,192,696,637
Liabilities carried at amortised cost				
Deposits from customers	87,555,131	87,555,131	81,834,466	81,834,466
Debt securities in issue	498,141,897	498,141,897	536,084,617	536,084,617
Other borrowed funds	350,167,133	350,167,133	446,628,834	446,628,834
Other financial liabilities	299,615,578	299,615,578	276,382,495	276,382,495
	1,235,479,739	1,235,479,739	1,340,930,412	1,340,930,412

Assets for which fair value approximates carrying value

Cash and cash equivalents : the Company's cash and cash equivalents includes cash on hand and deposits in banks. Due to their short-term nature, the carrying amount reported in the financial statements approximate the fair value of the cash and cash equivalents.

Financial asset at amortised cost: the Company's financial assets at amortised cost include government treasury bills and short term investments with banks. Due to their short-term nature, the carrying amount reported in the financial statements approximate the fair value of the financial assets at amortised cost.

Loans and advances to customers, Deposits from customer, Debt securities in issue and other borrowed funds : carries interest at market rate. Therefore non derivative cash flows arising out of principal repayment and interest if discounted by the respective interest rate the fair value will be approximate to the carrying amount.



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33 CONTINGENCIES

There were no material contingent liabilities or assets which require disclosure in the Financial Statements as at the reporting date.

34 CAPITAL COMMITTEMENTS

There were no material capital commitments as at the reporting date which require disclosure in the Financial Statements as at the reporting date.

35 COMMITTEMENTS

	2024	2023
	MVR	MVR
Undisbursed loans and other facilities	<u>153,841,853</u>	<u>86,297,320</u>

36 RELATED PARTY TRANSACTIONS

36.1 The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as Related Parties as per the International Accounting Standard – IAS 24 on "Related Party Disclosures". The Company has identified Ministry of Finance and Ministry of Housing and Infrastructure as related parties and disclosed balances in the notes 18 and 26 of this financial statements.

36.2 The Company has transactions with entities directly or indirectly controlled by the Government of Maldives through its authorities, agencies, affiliations and other organizations, collectively referred to as government entities. The Company has transactions with other government related entities including but not limited to investments, granting loans and fund managements.

36.2 Key management compensation

	2024	2023
	MVR	MVR
Executive management salaries	<u>1,396,719</u>	<u>2,455,838</u>

36.3 Remuneration to Board of Directors

	2024	2023
	MVR	MVR
Board remuneration and committee sitting fees	<u>344,570</u>	<u>196,000</u>

36.4 Shareholding structure

The Company's shareholding structure are as follows:

Shareholder	%	Number of shares	Value of shares
			MVR
Government of Maldives	49%	7,809,280	78,092,800
International Finance Corporation	18%	2,868,750	28,687,500
Asian Development Bank	18%	2,868,750	28,687,500
HDFC Bank Limited	15%	2,390,620	23,906,200
Other shareholders	0%	100	1,000
		<u>15,937,500</u>	<u>159,375,000</u>

At the Extraordinary General Meeting of shareholders held on 29th November 2022, in accordance with Article 19(d) of the Articles of Association, the Shareholders approved a share split of 1,593,750 ordinary shares of MVR 100/- each into 15,937,500 ordinary shares of MVR 10/- each.

37 EVENTS AFTER THE REPORTING PERIOD

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

