

QUARTERLY REPORT

04/2019

Housing Development Finance Corporation PLC.



Housing Development Finance Corporation Plc.

www.hdfc.com.mv

CONTENTS

1.	Reporting Compliance.....	2
2.	Development of the Company.....	2
3.	Company's Share Structure	4
4.	Corporate Governance Compliance.....	5
5.	Financial Highlights	10
6.	Financial Statements.....	11
7.	Sharia Compliance	18

1. Statement of Compliance

This report is prepared in compliance with the Minimum Quarterly Reporting Requirements set in Capital Market Development Authority's (CMDA) circular for Listed Companies.

2. Development of the Company

PROGRESS

Housing Development Finance Corporation Plc. (HDFC) is a company incorporated as a state owned enterprise on January 28, 2004 by a presidential Decree under the companies Act No. 10/96, registered as a public company on 9th February 2006 and privatized on 23rd July 2008 with International Shareholders represented by the International Finance Corporation (IFC of World Bank Group), Asian Development Bank and HDFC Investments Ltd. of India, jointly holding 51% of shares. HDFC is the only specialized housing finance institution in the Maldives.

HDFC posted an operating profit of MVR 124.3 million in 2019 representing 8% growth compared to the previous year. During Quarter 4 MVR 39.7 million profit generated. HDFC total assets reached to MVR 2.19 billion and housing loan/facility portfolio has reached to 1.75 billion.

During the Q4 the 3rd bond and 3rd Sukuk was allotted to the general public and bond was over-subscribed.

The progresses of the end-user financing projects are as follows:-

Projects	Projected Started Date	Overall Completion	Estimated Completion Date
FW Construction Project	Oct-17	69%	Mar-20
The Apollo Towers	Mar-17	80%	Jun-20
Hulhumale AIRA Apartment	Jul-17	50%	Jun-20
Hulhuma Residence	Jun-18	53%	May-20
The Gardens	Nov-17	78%	Dec-19
The Jawahiru Apartments	Oct-17	73%	Not Specified
Fitron Residence	Apr-18	68%	Dec-20

EMPLOYMENT DATA

1 Oct June 2019-31 December 2019	Local	Expatriate	Total
No. of staff at beginning	37	-	37
No. of staff resigned/terminated	01	-	01
No. of staff employed	-	-	-
Total	36	-	36

Note: Contract ended

STAFF DEVELOPMENT

- All staff- Sharia Governance Training (Prof. Rusni Binth Hassan)
- Accounts Department staff- Reporting of transactions above 200,000 to MMA- (inhouse by ALM Officer)
- 2 Staff Participated- Capital Market Forum conducted by CMDA
- 1 Staff Participated - Workshop on Securities Market Regulations organized by CMDA
- 1 Staff Participated- 4th Islamic Finance Forum of South Asia- UTO Educonsult (Pvt) Ltd
- 1 Staff Participated -Housing Finance Management Workshop organized by HDFC-India
- 1 Staff Participated -Symposium for Digitalization of Drawing Approval Process- Organized by HDC
- 2 staff Participated -Dispute Module Training (CRIB) organized by MMA

3. Company's Share Structure

SHAREHOLDERS

Housing Development Finance Corporation PLC.'s main shareholders include, Government of Maldives (GOM) with 49% shares, Asian Development Bank (ADB) 18%; International Finance Corporation (IFC) 18% and HDFC Investments Ltd. of India with 15% along with 10 initial shareholders including the MD. The Company's Shareholding structure is as follows.

Shareholding Structure

	Name	Capacity	No. of Share(s) held	Face Value of a share in MVR	Value of share(s) held in MVR
1.	Government of Maldives 49%	Shareholder	780,928	100	78,092,800.00
2.	International Finance Corporation 18%	Shareholder	286,875	100	28,687,500.00
3.	Asian Development Bank 18%	Shareholder	286,875	100	28,687,500.00
4.	HDFC Investments Ltd. (India) 15%	Shareholder	239,062	100	23,906,200.00
5.	Mr. Ibrahim Naeem	Shareholder	1	100	100.00
6.	Ms. Raheema Saleem	Shareholder	1	100	100.00
7.	Mr. Hamid Yoosuf	Shareholder	1	100	100.00
8.	Mr. Mohamed Shahudy	Shareholder	1	100	100.00
9.	Ms. Aishath Rasheeda	Shareholder	1	100	100.00
10.	Mr. Mohamed Fathy	Shareholder	1	100	100.00
11.	Mr. Mohamed Hamdan Fahumy	Shareholder	1	100	100.00
12.	Mr. Ahmed Anwar	Shareholder	1	100	100.00
13.	Mr. Nahid Idrees	Shareholder	1	100	100.00
14.	Expat MD (if any)		1	100	100.00
	TOTAL		1,593,750		159,375,000.0

4. Corporate Governance Compliance

	Provision	Compliance Status	Details
Effective Board	1.1	Complied	The Board comprises of 6 Directors, of which 5 are Independent Non- Executive Directors with one Executive Director (with no voting power).
Composition of the BOD	1.2	Complied	There are two female Directors on HDFC PLC.'s Board. None of the Directors hold Directorship in more than 3 public Companies.
Nomination/re- election of Directors	1.3	Complied	GOM have appointed two Alternate Directors, while ADB has appointed one Alternate Director. GOM representations on the Board are informed by the Ministry of Finance and Treasury. There is no Public Director on the Board of HDFC PLC. Since HDFC's shares are not listed.
Separation of Chairman and MD	1.4	Complied	The Chairman and the MD are two separate individuals in the Company.
Roles of the Chairman and MD	1.5	Complied	The roles of the Chairman and the MD are separated. The Chairman is appointed for a period of 1 year on rotation.
Duties of the Board	1.6	Complied	Board Directors roles are stated separately in the charter.
Training	1.7	Complied	Director & Company Secretary participated in trainings organized by CMDA in 2018 and IFRS9 sessions were conducted for Board of Directors
Committees	1.8	Complied	Board Committees are; <ul style="list-style-type: none"> • Audit Committee • Nomination & Remuneration Committee • Credit Risk Management Committee • IPO Comm
Remuneration policy	2.1	Complied	The Company has a remuneration policy in place.
Evaluation of the BOD Performance	2.2	Complied	Evaluation of the Board is done by respective Shareholders.

	Provision	Compliance Status	Details
Board remuneration Disclosure	2.3	Complied	The Board sitting fee and top management remuneration are disclosed in the company's Annual Report.
Board Member Remuneration Disclosure	2.4	Complied	There is no fixed remuneration given to the individual board director. HDFC gives a sitting fee to each member who attends the Board and its Committees, which is disclosed as a total for the year in the Annual Report.
Management constituents	3.1	Complied	Members who comprise the management team are Managing Director, AGM -Finance, AGM-IT, AGM - Credit, AGM Admin and Manager Islamic Finance
Roles and Responsibilities of the Management	3.2	Complied	The HR department has drawn job descriptions for each employee of the Company. The Board provides the management constant advice and guidance. Further, the Board has given performance goals to the MD, which are cascaded down to the management.
Internal Audit	4.1	Complied	Internal Audit findings are reported directly to the Audit Committee. KPMG is the current Internal Auditor
External Audit	4.2	Complied	The Audit Committee makes recommendations on selecting an External Auditor to the Company, which is taken to the AGM for the Shareholders approval. PWC was appointed as Auditor for 2019 at the last AGM
Internal Controls	4.3	Complied	The Internal Auditors review the internal controls set within the Company and reports directly to the Audit Committee of the Board.
Company Secretary	5	Complied	The Company Secretary maintains a schedule of the compliances signed by the responsible staff. The compliances are reported to the Board.
Shareholders	6.1	Complied	Shareholders rights are informed through quarterly reports, the Company's website and the AGM.
Shareholder Communication	6.2	Complied	Shareholder communication is conveyed through notices, press releases, press conferences, monthly reports, quarterly reports, semi-annual reports, annual reports and AGM.
General Meetings	6.3	Complied	The Company's AGM is held annually to inform the company's performance of the past year.
Voting Rights	6.4	Complied	Shareholders are informed on their voting rights by email and letters. Shareholders are permitted to vote in-absentia through proxy voting.

	Provision	Compliance Status	Details
<i>Financial Statements</i>	7.1	Complied	The Company's Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRS), Audited Balance Sheet And Profit and Loss statements are reviewed and
<i>Non-Financial Statements</i>	7.2	Complied	HDFC ensures the disclosure of current/potential conflicts of interests (if any) and interested third party transactions by the Directors and the Management through its annual report.
<i>Systems to raise concerns</i>	8	Complied	The Board and Management ensure that appropriate processes are in place to enable employees and management to raise their concerns as communicated to the staff and disclosed in the
<i>Investor and Media Relationship</i>	9.1	Complied	HDFC always maintains a close relationship with the media and investors and acts as a responsible Corporate Citizen.
<i>Quarterly Newsletter</i>	9.2	Complied	HDFC discloses its business and other undertakings and events through its quarterly reports.
<i>Sustainability Reporting</i>	10	Complied	HDFC publishes its Sustainability Report as part of the Annual Report. Environmental Impact Assessment Reports are submitted Annually to ADB and other multilateral funding partners.

The Company has no pending tax to MIRA as at 31 December 2019

BOARD ACTIVITIES

October - December 2019	No. of Meeting	Date
Board Meeting	One	15 December 2019
Audit Committee	One	14 December 2019
IPO Committee	One	14 December 2019

CHANGES IN THE MEMBERS OF THE BOARD

No change to the Board of Directors

BOARD COMPOSITION

The Board composition of nominee directors as at 31 December 2019 was

Mr. Conrad D'Souza Chairman/ Director	9 Sep 2009 – 14 March 2019 as Alternate Dir 15 March 2019 as Director
Ms. Raheema Saleem Managing Director	28 February 2017
Ms. Kohe Noor Binte Mahmoodul Hassan Director	9 August 2019
Mr. Nihal Senanayake Welikala Director	2 November 2016
Mr. Mohamed Mauroof Jameel Director	22 September 2016
Ms. Aminath Sheena Musthafa Director	11 April 2019

ATTENDEES TO THE BOARD MEETING

Mr. Conrad D'Souza
Mr. Mohamed Mauroof Jameel
Ms. Kohe Hassan
Ms. Raheema Saleem

MAJOR DECISIONS MADE BY THE AUDIT COMMITTEE

- Presentation of half yearly audit and Management letter
- Presentation of Q3/2019 Internal Audit Report by KPMG

MAJOR DECISIONS MADE BY THE IPO COMMITTEE

- Finalisation of the IPO committee mandate
- Discussion to appoint a Manger for IPO issue
- Discussion of share spilt.

MAJOR DECISIONS MADE BY THE BOARD

- Approval of Interim Dividend for 2019
- Adoption of Budget and Business Plan for 2020
- Adoption of Audited Financials for the half year audit. 2019
- Adoption of recommendation of key internal audit findings in Q3/2019
- Approval of 2 application developers
- Approval of additional one staff for recovery
- Approval of providing End-user Finance for MWSC Hiya Project Phase 1
- Approval to obtain a corporate debit card from BML
- Approval of share split

5. Financial Highlights

FINANCIAL HIGHLIGHTS (UNAUDITED) FOR THE QUARTER ENDED 31 DECEMBER 2019

(all amounts are in MVR)

Performance	YTD Dec 2019	Quarter 4	Quarter 3
Total Revenue	194,423,636	50,152,172	49,947,202
Total Expenses	(70,113,670)	(10,453,823)	(22,292,403)
Net Profit	106,211,772	35,348,167	22,936,154
Earnings Per Share	66.64	22.18	14.39
Net Assets Per Share	1,378.88	1,378.88	1,224.62
Cash Flow Per Share	80.31	80.31	51.24

Financial Ratios	YTD Dec 2019	Quarter 4	Quarter 3
Asset Cover Ratio	1.85	2.04	2.23
Debt-Equity Ratio	2.01	2.01	1.66
Debt Service Coverage Ratio	0.12	0.03	0.04
Interest Service Coverage Ratio	2.35	2.88	2.05
Outstanding Redeemable Preference Shares	Not Available	Not Available	Not Available
Capital Redemption Reserve	Not Available	Not Available	Not Available
Reserves	15,000,000	15,000,000	15,000,000

NOTES ON ISSUERS OF DEBT SECURITIES

a) Credit Rating (NA)

b) Previous due payments settled through Maldives Securities Depository (MSD)

PREVIOUS DUE PAYMENT DATES FOR THE DEBT SECURITIES

Debt Securities	Date of Payment	Remarks
Bond Issue No - 2	31-Dec-19	Settled
Sukuk Issue No - 1	27-Jul-19	Settled
Sukuk Issue No - 2	17-Oct-19	Settled

c) Next due payments to be settled through MSD

NEXT DUE PAYMENT DATES FOR THE DEBT SECURITIES

Debt Securities	Date of Payment	Remarks
Bond Issue No - 2	30-Jun-20	To be Settled
Bond Issue No - 3	04-Jun-20	To be Settled
Sukuk Issue No - 1	27-Jan-20	To be Settled
Sukuk Issue No - 2	17-Apr-20	To be Settled
Sukuk Issue No - 3	04-Jun-20	To be Settled

d) Mortgage loan portfolio (A+) is maintained as collateral

e) There is no breach of any covenants

6. Financial Statements

INCOME STATEMENT (UNAUDITED) FOR THE QUARTER ENDED 31 DECEMBER 2019

	YTD Dec 2019	Quarter 4	Quarter 3 Revised
(all amounts are in MVR)	31-Dec-19	31-Dec-19	30-Sep-19
Gross income	194,423,636	50,152,172	49,947,202
Interest income	155,658,856	39,447,087	39,494,990
Interest expense	(52,982,994)	(13,793,799)	(13,496,671)
Net interest income	102,675,862	25,653,288	25,998,319
Net income on Shari'ah products	32,388,420	8,533,093	8,786,070
Fee income	3,103,389	825,946	744,629
Other income	3,272,971	1,346,046	921,513
	38,764,780	10,705,085	10,452,212
Operating income	141,440,642	36,358,373	36,450,530
Provision for Impairment loss on loans and advances (made)/ Reversal	1,211,140	7,207,953	(3,966,060)
Personnel expenses	(10,135,718)	(2,304,386)	(2,298,588)
Other operating expenses	(8,206,097)	(1,563,591)	(2,531,084)
Profit before tax	124,309,966	39,698,350	27,654,798
Tax expense	(18,098,194)	(4,350,183)	(4,718,644)
Profit for the period	106,211,772	35,348,167	22,936,154
Earnings Per Share - basic	66.64	22.18	14.39



Mohamed Shafeeq

Assistant General Manager (Finance)



Mauroof Jameel

Director



Raheema Saleem

Managing Director

STATEMENT OF FINANCIAL POSITION (UNAUDITED) FOR THE QUARTER ENDED 31 DECEMBER 2019

	YTD Dec 2019	Quarter 4	Quarter 3 Revised
(all amounts are in MVR)	31-Dec-19	31-Dec-19	30-Sep-19
ASSETS			
Cash and short term funds	127,995,493	127,995,493	81,665,862
Financial Assets Held to Maturity	294,806,343	294,806,343	111,821,644
Loans and Advances to Customers	1,755,337,416	1,755,337,416	1,739,205,158
Property, Plant and Equipment	1,043,804	1,043,804	1,116,778
Right-of-use assets	7,115,866	7,115,866	7,115,866
Intangible assets	488,557	488,557	549,015
Deferred tax asset	3,605,940	3,605,940	3,605,940
Other assets	7,193,895	7,193,895	6,654,286
TOTAL ASSETS	2,197,587,314	2,197,587,314	1,951,734,551
LIABILITIES			
Deposits from customers	88,684,185	88,684,185	88,921,497
Borrowings	1,161,549,610	1,161,549,610	974,951,169
Other liabilities	369,194,497	369,194,497	301,222,904
Total Liabilities	1,619,428,292	1,619,428,292	1,365,095,571
EQUITY			
Share capital	159,375,000	159,375,000	159,375,000
Retained earnings	403,784,022	403,784,022	412,263,980
General Reserve	15,000,000	15,000,000	15,000,000
Total shareholders' equity	578,159,022	578,159,022	586,638,980
TOTAL EQUITY AND LIABILITIES	2,197,587,314	2,197,587,314	1,951,734,551



Mohamed Shafeeq

Assistant General Manager (Finance)



Mauroof Jameel

Director



Raheema Saleem

Managing Director

CASH FLOW STATEMENT (UNAUDITED) FOR THE QUARTER ENDED 31 DECEMBER 2019

	YTD December 2019 31-Dec-19	Quarter 4 31-Dec-19	Quarter 3 Revised 30-Sep-19
(all amounts are in MVR)			
Cash Flow from Operating Activities			
Operating Profit	106,211,772	35,348,167	22,936,154
Add: Increase/(Decrease) Impaired losses on loans and advances	(1,211,140)	(7,207,953)	3,966,060
Depreciation	1,046,940	163,905	166,649
(Increase)/Decrease in loans and advances to customers	(136,747,578)	(8,924,305)	(29,555,986)
(Increase)/Decrease in Other assets	(318,301)	(539,609)	201,008
(Increase)/Decrease in Financial Assets held to maturity	(249,830,247)	(182,984,699)	(11,928,726)
Increase/(Decrease) in due to customers	6,260,877	(237,313)	(2,350,599)
Increase/(Decrease) in other liabilities	68,817,941	24,143,468	9,647,290
Net Cash Flow from Operating Activities	(205,769,736)	(140,238,338)	(6,918,152)
Cash Flow from Investing Activities			
(Purchase)/sale of Property, Plant and Equipment	(7,749,269)	(30,473)	(63,878)
Net Cash Flow from Investing Activities	(7,749,269)	(30,473)	(63,878)
Cash Flow from Financing Activities			
Proceeds from borrowed funds and debt securities	725,997,226	456,010,365	62,909,734
Repayment of borrowed funds and debt securities	(421,292,601)	(269,411,924)	(44,218,236)
Dividends paid	(39,843,700)	-	-
Net Cash flow Financing Activities	264,860,925	186,598,441	18,691,498
Net Increase in Cash and Cash Equivalent	51,341,920	46,329,630	11,709,469
Cash and Cash Equivalents at the beginning of the period	76,653,573	81,665,862	69,956,393
Cash and Cash Equivalents at the end of the period	127,995,493	127,995,493	81,665,862

STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE QUARTER ENDED 31 DECEMBER 2019

(All amounts in Maldivian Rufiyaa)

	Share Capital	General Reserve	Retained Earnings	Total
Balance at 1 July 2019	159,375,000	15,000,000	389,327,826	563,702,826
Dividend paid	-	-	-	-
Profit for the period	-	-	22,936,154	22,936,154
Balance at 30 September 2019	<u>159,375,000</u>	<u>15,000,000</u>	<u>412,263,980</u>	<u>586,638,980</u>
Balance at 1 October 2019	159,375,000	15,000,000	368,435,855	542,810,855
Dividend paid	-	-	-	-
Profit for the period	-	-	35,348,167	35,348,167
Balance at 31 December 2019	<u>159,375,000</u>	<u>15,000,000</u>	<u>403,784,022</u>	<u>578,159,022</u>

AMNA STATEMENTS – ISLAMIC WINDOW (UNAUDITED) FOR THE QUARTER ENDED 31 DECEMBER 2019

Income Statement (Unaudited)

For the Quarter ended 31 December 2019

	YTD Dec 2019 31-Dec-19	Quarter 4 31-Dec-19	Quarter 3 Revised 30-Sep-19
(all amounts are in MVR)			
Gross income	56,120,818	14,920,128	14,645,704
Revenue	54,932,333	14,664,192	14,344,433
Investment Charges	(22,863,946)	(6,270,685)	(5,623,918)
Net investment income	32,068,387	8,393,508	8,720,515
Fees and commissions	1,188,485	255,936	301,271
Operating Income	33,256,872	8,649,443	9,021,785
Facility Loss Provision on Impaired Assets			
Staff Costs	(595,890)	(144,817)	(117,305)
Administration & Operating Expenses	(1,969,244)	(223,862)	(1,050,978)
Bank Charges	(40,178)	(16,138)	(2,233)
Depreciation	(292,096)	(45,730)	(43,979)
Net Operating Expenses	(2,897,409)	(430,547)	(1,214,494)
Net Profit	30,359,463	8,218,897	7,807,291

Statement of Financial Position (Unaudited)

For the Quarter ended 31 December 2019

	YTD Dec 2019 31-Dec-19	Quarter 4 31-Dec-19	Quarter 3 Revised 30-Sep-19
(all amounts are in MVR)			
Cash and Short term funds	182,154,588	151,795,126	41,627,653
Mortgage facilities	490,800,920	490,800,920	465,501,192
Non - Current Assets	2,412,855	2,412,855	2,317,480
Other Assets	320,111	320,111	55,605
Total Assets	675,688,474	645,329,012	509,501,930
Customer deposits	26,043,587	26,043,587	26,126,325
Wakalah Facilities	178,000,000	178,000,000	178,000,000
Sukuk	238,533,000	238,533,000	111,602,000
Other liabilities	103,981,708	103,981,708	103,221,785
	546,558,295	546,558,295	418,950,110
Equity	129,130,179	98,770,717	90,551,820
Total Equity and Liabilities	675,688,474	645,329,012	509,501,930

STATEMENT OF USE OF PROCEEDS FOR THE QUARTER ENDED 31 DECEMBER 2019

Statement of Use of Proceeds From Sale of Securities

No.	Security Name	Funds obtained	Funds utilised	Balance	Purpose
1	HDFC Sukuk 1	22,566,000.00	22,566,000.00	-	To fund shari'ah compliant mortgage housing finance
2	HDFC Sukuk 2	89,036,000.00	89,036,000.00	-	To fund shari'ah compliant mortgage housing finance
3	HDFC Sukuk 3	126,931,000.00	111,253,667.58	15,677,332.42	To fund shari'ah compliant mortgage housing finance
4	HDFC Bond 2	81,390,000.00	81,390,000.00	-	To fund mortgage housing finance
5	HDFC Bond 3	80,000,000.00	80,000,000.00	-	To fund mortgage housing finance

STATEMENT FOR THE REVISED ENTRIES (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2019

1. After interim audit, rectification entries were passed under IFRS 16 which reflects to the Other Operating Expenses and Other Liabilities, moreover, rectification entries were passed under IFRS 9 which reflects to the Provision for Impairment Loss on Loans and Advances, Interest Expense, Loans and Advances to Customers and Other Assets.
2. Error rectified through reversal entry of MVR 380,000/- which reflects to the Deposits from Customers and Borrowings.
3. Error rectified through reversal entry of MVR 3,409/- which reflects to Personnel Expenses (Staff medical insurance) and Other Liabilities
4. Due to the above-mentioned entries Retained earnings and Deferred tax asset changed accordingly.

7. Sharia Compliance

A CMDA registered Sharia Advisor has been appointed as to check and monitor the investment of Sukuk Proceeds and its compliance with the established principles of Sharia. Accordingly, Annual Sharia Audit report inquiries into the disbursement of funds received from the Sukuk, the allocation of profit and charging of losses related to the usage of sukuk proceeds. This is further reviewed by the Sharia Committee in ensuring that the sukuk proceeds are compliant to the Sharia requirements.