

QUARTERLY REPORT

Q 02/2020

Housing Development Finance Corporation PLC.



Housing Development Finance Corporation Plc.

www.hdfc.com.mv

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1.Statement of Compliance

This report is prepared in compliance with the Minimum Criteria for Periodic Reporting 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 23.3 million in Q2 representing 1.3% drop compared to the previous period. During Quarter 1 MVR 23.6 million profit was generated. HDFC total assets reached to MVR 2.0 billion and housing loan/facility portfolio has reached to MVR 1.8 billion.

The COVID-19 pandemic has inflicted destruction on the global economy, and the Maldives is no exemption. Housing Development Finance Corporation Plc has given a moratorium of 6 months on the repayment of housing loans issued by the corporation.

The moratorium was placed on the housing loans as part of the economic recovery plan of the government, which aims to minimize the financial impact on individuals caused by the COVID-19 pandemic. The moratorium is also offered for loans issued under housing schemes conducted by the Ministry of Housing and Urban Development and HDFC.

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

Projects	Projected Started Date	Overall Completion	Estimated Completion Date
FW Construction Project	Oct-16	84%	Not specified
The Apollo Towers	Mar-17	96%	Jun-20
Apartment	Jul-17	52%	Jun-20
Hulhuma Residence	Jun-18	67%	Sep-20
The Gardens	Nov-17	91%	Dec-20
The Jawahiru			
Apartments	Oct-17	92%	Jul 20
Fitron Residence	Apr-18	64%	Dec-20
Aira Apartments - Ensi's	Jul- 17	54%	Mar- 21
Ocean Front Residence-			
Rainbow	Mar- 17	97%	Jul- 20

EMPLOYMENT DATA

1 April 2020-30 June 2020	Local	Expatriate	Total
No. of staff at beginning	40	-	40
No. of staff resigned/terminated	-	-	-
No. of staff employed	-	-	-
Total	40	-	40

Note: No change in staff numbers in Q2

STAFF DEVELOPMENT

- No training was conducted during Q 2 (April 2020-June 2020) due to COVID-19 Lockdown.

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 Committee
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 Internal Auditor for 2019.
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 is the Statutory Auditor for 2019.
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 30 June 2020

BOARD ACTIVITIES

April- June	No. of Meeting	Date
Board Meeting was held virtually (Zoom)	One	10 June 2020

CHANGES IN THE MEMBERS OF THE BOARD

No change in the Board of Directors

MAJOR DECISIONS MADE BY THE BOARD

- Approved Audited Financials FY2019
- Approved Shariah Committee's Report for YE 2019
- Reviewed the Financial Performance of the Company including cash flow
- Approved Directors Report for YE 2019
- Approved the appointment of external auditors for the year 2020
- Approved the appointment of internal auditors for the year 2020
- Approved the appointment of Sharia Compliance Audit for the year 2020.

AUDIT COMMITTEE

April- June	No. of Meeting	Date
Audit Committee Meeting was held virtually (Zoom)	One	10 June 2020

MAJOR DECISIONS MADE BY THE AUDIT COMMITTEE

- Reviewed the Financials presented by PWC
- Reviewed the Shariah Committee's Report for YE 2019
- Reviewed and approved the external auditor and their fee for the 2020
- Reviewed and approved the internal auditor and their fee for the year 2020
- Reviewed and approved the Shariah Compliance auditor and their fee for year 2020

BOARD COMPOSITION

The Board composition of nominee directors as at 30 June 2020 was

Mr. Conrad D'Souza Chairman/ Director	15 March 2019
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
Chairman/ Director

Ms. Raheema Saleem
Managing Director

Ms. Kohe Noor Binte Mahmoodul Hassan Director

Mr. Nihal Senanayake Welikala
Director

Mr. Mohamed Mauroof Jameel
Director

Ms. Aminath Sheena Musthafa
Director

ATTENDEES TO THE AUDIT COMMITTEE

- **Mr. Conrad D'Souza**
Chairman/ Director
- **Mr. Nihal Senanayake Welikala**
Director
- **Mr. Mohamed Mauroof Jameel**
Director

5. Financial Highlights

FINANCIAL HIGHLIGHTS (UNAUDITED) FOR THE QUARTER ENDED 30 JUNE 2020

(all amounts are in MVR)

Performance	YTD June 2020	Quarter 2 2020	Quarter 1 2020
Total Revenue	99,094,476	48,650,245	50,444,231
Total Expenses	(42,275,631)	(20,435,116)	(21,840,515)
Net Profit	47,005,593	23,308,503	23,697,090
Earnings Per Share	29.49	14.62	14.87
Net Assets Per Share	1,285.49	1,285.49	1,303.59
Cash Flow Per Share	34.64	34.64	72.13

Financial Ratios	YTD June 2020	Quarter 2 2020	Quarter 1 2020
Asset Cover Ratio	2.08	2.08	2.01
Debt-Equity Ratio	1.77	1.77	1.94
Debt Service Coverage Ratio	0.07	0.03	0.03
Interest Service Coverage Ratio	2.09	2.15	2.03
Outstanding Redeemable Preference Shares	NA	NA	NA
Capital Redemption Reserve	NA	NA	NA
Reserves	15,000,000	15,000,000	15,000,000

NOTES ON ISSUERS OF DEBT SECURITIES

PREVIOUS DUE PAYMENT DATES FOR THE DEBT SECURITIES

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

NEXT DUE PAYMENT DATES FOR THE DEBT SECURITIES

Debt Securities	Date of Payment	Remarks
Bond Issue No - 2	31-Dec-20	To be Settled
Bond Issue No - 3	04-Dec-20	To be Settled
Sukuk Issue No - 1	27-Jan-20	To be Settled
Sukuk Issue No - 2	17-Oct-20	To be Settled
Sukuk Issue No - 3	04-Dec-20	To be Settled

6. Financial Statements

INCOME STATEMENT (UNAUDITED) FOR THE QUARTER ENDED 30 JUNE 2020

	YTD June 2020	Quarter 2	Quarter 1
	30-Jun-20	30-Jun-20	31-Mar-20
(all amounts are in MVR)			
Gross income	99,094,476	48,650,245	50,444,231
Interest income	78,294,853	38,600,316	39,694,537
Interest expense	(27,182,747)	(13,097,382)	(14,085,365)
Net interest income	51,112,107	25,502,935	25,609,172
Net income on Shari'ah products	17,265,090	8,464,181	8,800,908
Fee income	1,664,496	602,082	1,062,414
Other income	1,870,037	983,665	886,372
	20,799,622	10,049,928	10,749,694
Operating income	71,911,729	35,552,863	36,358,866
Provision for Impairment loss on loans and advances (made)/ Reversal	(7,400,000)	(3,700,000)	(3,700,000)
Personnel expenses	(5,377,640)	(2,959,002)	(2,418,639)
Other operating expenses	(2,315,244)	(678,732)	(1,636,511)
Profit before tax	56,818,845	28,215,129	28,603,716
Tax expense	(9,813,252)	(4,906,626)	(4,906,626)
Profit for the period	47,005,593	23,308,503	23,697,090
Earnings Per Share - basic	29.49	14.62	14.87



Mohamed Shafeeq

Assistant General Manager (Finance)




Raheema Saleem

Managing Director

STATEMENT OF FINANCIAL POSITION (UNAUDITED) FOR THE QUARTER ENDED 30 JUNE 2020

	YTD June 2020	Quarter 2	Quarter 1
(all amounts are in MVR)	30-Jun-20	30-Jun-20	31-Mar-20
ASSETS			
Cash and short term funds	55,212,530	55,212,530	114,949,523
Financial Assets Held to Maturity	169,990,584	169,990,584	182,866,787
Loans and Advances to Customers	1,800,260,460	1,800,260,460	1,755,898,783
Property, Plant and Equipment	1,159,078	1,159,078	1,247,035
Right-of-use assets	9,838,535	9,838,535	9,838,535
Intangible assets	367,640	367,640	428,099
Deferred tax asset	5,820,179	5,820,179	5,820,179
Other assets	6,098,101	6,098,101	6,544,309
TOTAL ASSETS	2,048,747,109	2,048,747,109	2,077,593,251
LIABILITIES			
Deposits from customers	86,377,313	86,377,313	89,375,407
Borrowings	1,076,976,690	1,076,976,690	1,136,451,560
Other liabilities	275,345,114	275,345,114	265,026,795
Total Liabilities	1,438,699,117	1,438,699,117	1,490,853,761
EQUITY			
Share capital	159,375,000	159,375,000	159,375,000
Retained earnings	435,672,993	435,672,993	412,364,490
General Reserve	15,000,000	15,000,000	15,000,000
Total shareholders' equity	610,047,993	610,047,993	586,739,490
TOTAL EQUITY AND LIABILITIES	2,048,747,109	2,048,747,109	2,077,593,251



Mohamed Shafeeq

Assistant General Manager (Finance)



Raheema Saleem

Managing Director

CASH FLOW STATEMENT (UNAUDITED) FOR THE QUARTER ENDED 30 JUNE 2020

(all amounts are in MVR)		YTD June 2020	Quarter 2 2020	Quarter 1 2020
		30-Jun-20	30-Jun-20	31-Mar-20
Cash Flow from Operating Activities				
Operating Profit		47,005,593	23,308,503	23,697,090
Add:	Increase/(Decrease) Impaired losses on loans and advances	7,400,000	3,700,000	3,700,000
	Depreciation	341,004	169,845	171,159
	(Increase)/Decrease in loans and advances to customers	(69,287,012)	(48,061,678)	(21,225,335)
	(Increase)/Decrease in Other assets	1,095,793	446,208	649,585
	(Increase)/Decrease in Financial Assets held to maturity	124,911,948	12,876,203	112,035,746
	Increase/(Decrease) in due to customers	(2,306,872)	(2,998,093)	691,222
	Increase/(Decrease) in other liabilities	(97,304,539)	10,318,319	(107,622,859)
Net Cash Flow from Operating Activities		11,855,915	(240,693)	12,096,609
Cash Flow from Investing Activities				
(Purchase)/sale of Property, Plant and Equipment		(335,362)	(21,430)	(313,932)
Net Cash Flow from Investing Activities		(335,362)	(21,430)	(313,932)
Cash Flow from Financing Activities				
Proceeds from borrowed funds and debt securities		40,877,314	20,192,329	20,684,985
Repayment of borrowed funds and debt securities		(125,180,831)	(79,667,200)	(45,513,631)
Net Cash flow Financing Activities		(84,303,516)	(59,474,870)	(24,828,646)
Net Increase in Cash and Cash Equivalent		(72,782,963)	(59,736,994)	(13,045,969)
Cash and Cash Equivalents at the beginning of the period		127,995,493	114,949,523	127,995,493
Cash and Cash Equivalents at the end of the period		55,212,530	55,212,530	114,949,523

STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE QUARTER ENDED 30 JUNE 2020

(All amounts in Maldivian Rufiyaa)

	Share Capital	General Reserve	Retained Earnings	Total
Balance at 1 January 2020	159,375,000	15,000,000	388,667,400	563,042,400
Dividend declared	-	-	-	-
Profit for the period	-	-	23,697,090	23,697,090
Balance at 31 March 2020	159,375,000	15,000,000	412,364,490	586,739,490
Balance at 1 April 2020	159,375,000	15,000,000	412,364,490	586,739,490
Dividend paid	-	-	-	-
Profit for the period	-	-	23,308,503	23,308,503
Balance at 30 June 2020	159,375,000	15,000,000	435,672,993	610,047,993

AMNA STATEMENTS – ISLAMIC WINDOW (UNAUDITED) FOR THE QUARTER ENDED 30 JUNE 2020

(all amounts are in MVR)	YTD June 2020 30-Jun-20	Quarter 2 30-Jun-20	Quarter 1 31-Mar-20
Gross income	33,384,333	16,943,490	16,440,843
Revenue	32,766,166	16,627,063	16,139,102
Investment Charges	(14,676,393)	(7,583,677)	(7,092,716)
Net investment income	18,089,773	9,043,386	9,046,387
Fees and commissions	618,167	316,426	301,741
Operating Income	18,707,940	9,359,812	9,348,128
Facility Loss Provision on Impaired Assets			
Staff Costs	(315,759)	(179,016)	(136,743)
Administration & Operating Expenses	(452,607)	(114,958)	(337,649)
Bank Charges	(102,524)	(4,106)	(98,417)
Depreciation	(98,253)	(49,085)	(49,168)
Net Operating Expenses	(969,143)	(347,165)	(621,978)
Net Profit	17,738,797	9,012,647	8,726,150

Statement of Financial Position (Unaudited)

For the Quarter ended 30 June 2020

(all amounts are in MVR)	YTD June 2020 30-Jun-20	Quarter 2 30-Jun-20	Quarter 1 31-Dec-19
Cash and Short term funds	136,235,971	136,235,971	146,374,132
Mortgage facilities	520,011,549	520,011,549	504,665,561
Non - Current Assets	3,284,558	3,284,558	3,307,494
Other Assets	23,199	23,199	23,060
Total Assets	659,555,277	659,555,277	654,370,247
Customer deposits	25,368,638	25,368,638	26,556,590
Wakalah Facilities	173,000,000	173,000,000	173,000,000
Sukuk	238,533,000	238,533,000	238,533,000
Other liabilities	105,616,739	105,616,739	108,256,403
	542,518,377	542,518,377	546,345,993
Equity	117,036,901	117,036,901	108,024,254
Total Equity and Liabilities	659,555,277	659,555,277	654,370,247

STATEMENT OF USE OF PROCEEDS FOR THE QUARTER ENDED 30 JUNE 2020

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	112,192,356.45	14,738,643.55	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 31 MARCH 2020

*There are no revised or reversal entries passed for the reported figures of Q1 in Q2 report.

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.

8.COVID -19 IMPACT ASSESTMENT REPORT

EXPECTED IMPACT ON FINANCIAL CONDITION AND FUTURE OPERATING RESULTS

The novel Corona Virus, COVID-19 has affected an unprecedented human health crisis. This pandemic pushed economies into a Great Lockdown, which helped contain the virus and save lives, but also triggered an economic crisis that cannot be recovered too soon. Over 75 percent of countries are now reopening at the same time as the pandemic is intensifying in many emerging market and developing economies. Several countries have started to recover. However, in the absence of a medical solution, the strength of the recovery is highly uncertain and the impact on tourism and other sectors are uneven.

At the start of 2020, the housing market was healthy and booming. Home prices were steadily increasing. Let us take a closer look at the impact of COVID-19 on the housing projects approved and in the pipeline. One of the most immediate effects of the COVID-19 outbreak will be a loss of income for many households and an inability to meet mortgage or rent payments. The repercussions for the financial system will be an increase in bad debts and provisioning. There were plans for the Company to go public which will be on hold in addition to floating an MVR 200 million Sukuk. This will heavily impact the business plan of the Company in moving forward and taking up new projects.

First, this crisis has dealt a uniquely large blow to the services sector. In general, the brunt is borne by the tourism sector which seeps down to aviation and other sectors, reflecting a decline in arrivals.

According to IMF April *World Economic Outlook* forecast, they are now projecting a deeper recession in 2020, slower recovery in 2021. Global output is projected to decline by 4.9 percent in 2020, 1.9 percentage points below their April forecast, followed by a partial recovery, with growth at 5.4 percent in 2021. In addition, a report jointly published by UNDP and Ministry of Economic Development in May 2020 cites the forecast given by the Ministry of Finance shows that, GDP is expected to decrease in the range -11.5 percent to -29.7 percent in a worst case scenario where the country is unable to open up the economy for tourists throughout the year.

It is difficult to give an absolute value, however, with the given 6 months' moratorium (March 2020- August 2020), HDFC will forego approximately MVR 18 million every month and total collection reaching over MVR 100 million. This will impact our future operation.

IMPACT ON CAPITAL, FINANCIAL RESOURCES AND LIQUIDITY POSITION AND THE ABILITY TO MEET THE OBLIGATIONS

Policy measures put in place to contain the spread of COVID-19 are resulting in significant operational disruption for HDFC. Staff under quarantine, failing supply chain, unavailable housing inventories, are creating serious issues for the company than initially anticipated.

These days the company face weeks, if not months, of exceptionally poor business conditions. For HDFC, the revenue lost in this period represents a permanent loss rather than a timing difference and is putting sudden, unanticipated pressure on working capital and liquidity.

Almost all the ongoing obligations towards, customers and banks are met, however, this will be for the moment as our cash inflow from our customers are on halt for the next 6 months, ending August 31, 2020 due to the moratorium given to them. More than 64% of our customers opt to take the moratorium, and only 36% did not apply for moratorium. However, some of those who chose not to apply for the moratorium are now appealing stating income loss. Those who did not apply hold small ticket loans while those who received the moratorium are mostly big-ticket loans.

HDFC being a non-banking financial institution is unable to maintain adequate liquidity due to heavy borrowing costs. We need to approach banks and other such institutions to arrange larger facilities or waivers. In HDFC's case, the scale and urgency of the funding requirement has taken the company's management to seek and approach for such an arrangement. We have had talks and are in the negotiation phase with both our shareholders, ADB and IFC for term loans, as we do not qualify for working capital loans.

SIX MONTHS CASH FLOW FY2020

FUND POSITION - MONTHLY PROJECTION (MVR mn's)	FY 2020					
DETAILS	Jul	Aug	Sep	Oct	Nov	Dec
Cash & Cash Equivalents b/d	183.64	146.83	113.39	76.06	59.79	105.98
Expected Inflows						
Expected Collection	7.40	7.40	21.00	25.80	27.00	30.00
Funding plan / New Borrowings	0.00	0.00	0.00	0.00	50.00	0.00
Total Inflow	191.04	154.23	134.39	101.86	136.79	135.98
Expected Outflows						
Expected Disbursements	8.51	19.99	10.11	10.25	5.00	16.29
Overheads	1.70	1.70	1.70	1.70	1.70	1.70
Loan / Facility Repayments	25.75	19.15	46.52	30.12	24.10	84.75
Other Commitments	23.25	15.00	20.00	20.00	20.00	20.00
Total Outflow	59.21	55.84	78.33	62.07	50.80	122.74
Cash & Cash Equivalents c/f	146.83	113.39	76.06	59.79	105.98	33.24

However, borrowing from international finance organisation and local banks will have the following issues.

- International and local banks credit approval time may be too slow to deliver necessary funding in time.
- International organisations will demand Currency Swaps as a qualifying factor to approve a loan.
- Local banks will have limit of their credit risk tolerance for a single party exposure.
- Local banks and international borrowings will require security /lien to support new funding may be limited due to collateral unavailability.

IMPACT ON THE ASSETS ON THE BALANCE SHEET, ABILITY TO ACCOUNT AND DETERMINATION OF FAIR VALUE OF ASSETS MEASURED IN ACCORDANCE WITH IFRS

IFRS 9 requires that forward-looking information (including macro-economic information) is considered both when assessing whether there has been a significant increase in credit risk and when measuring expected credit losses.

Since HDFC hold assets (instruments) that are in the scope of IFRS 9's expected credit loss model (ECL). Management considered the impact of COVID-19 through the ECL. Instruments to be considered include loans, and other receivables, debt instruments not measured at fair value

through profit or loss, financial guarantees (swap), and loan commitments to various banks. Though COVID-19 occurred in 2020, HDFC has considered the ECL model to be incorporated in 2019 financials:

EXPECTED MATERIAL IMPAIRMENTS

As policy makers requested to support borrowers affected by COVID-19. This could be in the form of payment holidays on existing loans. HDFC having given such support we considered the impact on our financial statements including

- Payment holidays indicate the affected loans have suffered a significant increase in credit risk, however this was not treated as a default
- Management will consider the need to disclose the impact of the COVID -19 on the impairment of financial assets. For example, disclosures required by IFRS 7 Financial instruments which will be reflected in our six months and annual audit.
- In addition, our borrowings from 4 banks impacts a heavy toll on our cash flow, due to pre-conditions imposed to qualify as a result we took moratorium on low cost loans which is BOC and HBL. We decided to pay as usual DEG (International) SBI, CBM and BML due to heavy covenants and cost. Also for the economic gain we will be receiving by honouring these banks.

EXPECTED IMPACT TO CREDIT RISK AND MEASURE TO ADDRESS CHALLENGES AND MINIMIZE THE CREDIT RISK

The COVID-19 virus has encircled the nation within weeks and continues to put severe burden on individuals, families and businesses in the Maldives. HDFC in particular is impacted by volatile market conditions, weakening credit quality and business continuity challenges among other things. The unexpected crisis also raises questions around our existing risk management frameworks in terms of their effectiveness and responsiveness.

Our credit underwriting guideline is solid and have over the years discounted heavily on rental and business and other irregular incomes, to minimise the NPLs. Besides, we also hold 3 months EMI as a buffer to mitigate any sudden incident or event. However, those who have applied for moratorium have not provided any supporting documents to verify their statements. These are unprecedented times for risk functions and the business we need to navigate the Company through uncharted waters in these turbulent times. At this point of time it is difficult to anticipate on the overall financial stability as the whole nation and economy is impacted and it will take time to bounce back to normal.

IMPACT OF REMOTE WORKING ARRANGEMENTS AND ITS EFFECT ON REPORTING AND INTERNAL CONTROLS

The evolving impact of COVID-19 will be a key focus for companies like HDFC. For us December 31 fiscal year, this will be the first reporting cycle since the onset of the COVID-19 emergency. When the COVID-19 and the unprecedented measures taken by governmental authorities in response to the pandemic, including government-mandated closures, stay-at-home orders and extraordinary actions to stabilize markets and mitigate recessionary pressures, have affected, and will continue to affect, economic and financial market conditions nationally, as well as the operations, financial results and prospects of companies across virtually all industries. On When the stay-at-home orders were given we have already finalised our 2019 annual audit and the last quarter of internal audit. However, to include the ECL loss model it took a while as to understand the nature of it as 2019 was a good financial year for the company. However, the Covid-19 occurred between the balance sheet date and the date on which financial statement were approved, indicated the need for adjustment and is disclosed accordingly in the financial statement of the annual report. An Audit Committee meeting and a Board meeting to pass the financials for the year ended 31 December 2019 was held virtually via Zoom platform on the 10 June 2020. As this pandemic was not anticipated, working from home was not very well organized. However, some staff did work from home during the pandemic. We are now preparing a fall-back plan for all staff to work from home. Those approvals and signatures required for payments and authorisation were formulated through emails. Electronic signatures were obtained with authority from those who are required to do so where we have documented for audit purpose.

CHALLENGES IN IMPLEMENTING BUSINESS CONTINUITY

In an ideal world, any business would rise effortlessly to the pinnacle of its industry, with our clients and customers alike. In reality, no business, no matter how successful, is without its challenges and it is often the ability to mitigate and eventually overcome these challenges where a business proves its spirit. Likewise, during the lock-down we were not able to provide workstations and internet to each and every staff. However, we identified the most in-need and provided them to work from home.

Of course, deciding to implement continuity management measures is not the end of the story and this process comes with its own challenges. The first of these is understanding why we are implementing it in the first place. For some businesses, this will simply be a case of doing the minimum amount of continuity planning may be required. However, this approach is unlikely to provide robust or reliable risk management. It may sound obvious, but in order to deploy effective business continuity management, we must first identify what our company is looking to achieve as a result of its implementation.

However, if we are to provide to every staff, a working platform, a substantial amount of expenses will incur as most of them have very limited internet packages and systems.

MATERIAL IMPACT EXPECTED FOR THE DEMAND OF PRODUCTS AND SERVICES

There is already a huge demand for housing before the COVID-19 pandemic hit the nation in January 2020. As now businesses across the country slowly begin to reopen their doors and welcome employees back to work, the need for an affordable place to live is greater than it has been, maybe ever. After seeing a huge drop in inventory (housing stock), the number of houses on the market will slowly start to increase as some of the initial panic begins to subside. Demand for housing will exist more importantly in the capital, Greater Male' Region. It is not only demand which qualify a customer for a house, however, there are other several criteria to look into. Affordability is one key aspect for a customer to qualify for a loan.

Over the short term, investment activity in real estate is expected to slow. Restrictions and uncertainty around finishing the projects and putting on the market is limiting. Delayed launches and elongated transaction timelines are increasingly evident in the market as Greater Male' lockdowns, travel restrictions and social distancing become commonplace across the nation wide. Technology continues to be used to connect parties and reduce some of the barriers to productivity. However, the uncertainty of the duration of the pandemic and the inability to appropriately finish the products will maintain higher barriers to the normalization of capital flows in the near term to real-estate developers.

Understandably, some owners and potential buyers are currently uncertain whether a property investment makes sense. Some of these concerns are in view of the largely changing market;

The Corona pandemic leads at short notice to shifts of purchase conclusions, on a long-term basis it will, however, not reduce the housing demand. For many years, the demand for living space has exceeded the scarce supply of real estate in the Male' City. This fundamental trend will not change significantly even in the current situation, as the reasons for the excess demand will continue to exist. The strong demand for residential space in recent years is due to population growth and the continuing influx into the Capital city, Male'. This has led to a significant increase in the prices of properties for sale and rent. New construction activities were also unable to meet the high demand as properties were not finished on time. The demand for residential space will not decrease even in the face of the corona crisis - because people will always be in need to have a roof over their heads.

In addition, the 7000 social housing that will be in the market by 2021 will also determine whether to purchase properties for investments in the near future.

CHANGES EXPECTED IN THE SUPPLY CHAIN AND DISTRIBUTION

When 2020 dawned, global GDP began to fall sharply as had international trade, tourism, construction, and manufacturing as economies worldwide were battered by the Covid-19 pandemic. Maldives was no exception and is not immune to these influences.

If the novel coronavirus (COVID-19) continues to reshape the way our world is interconnected, from how we conduct business to how we live our lives. Maldives housing market could see a significant pullback this year because of the COVID-19 pandemic. Market activity in the Maldives in a matter of few weeks, surging unemployment, and market illiquidity are to name a few. In response to unprecedented and coordinated fiscal stimuli, monetary easing, and government support for banks, Maldives GDP may be heavily impacted leading to a negative GDP growth in 2020.

The outbreak of Covid -19 is expected to further exacerbate the weakness of residential and real estate sector that has already been reeling from the adverse impact of the prevailing liquidity crunch, weak affordability, and subdued demand conditions. In case of a longer outbreak though, we believe, the impact on overall economic activity is likely to be deeper and more sustained, which would, in turn result in a more significant impact on financier's cash flows giving rise to delay in finishing end-user projects and retail housing projects on time.

Declining tourism, imports on construction materials

Developing countries, particularly those dependent on tourism and commodity exports, face heightened economic risks. The sudden stop in tourist arrivals will hurt the tourism sector in Small Island Developing States (SIDS) that employs hundreds of low-skilled workers. Commodity-dependent economies like Maldives will hit hard as global manufacturing production could contract significantly, amid the possibility of extended disruptions to global supply chains.

The COVID-19 outbreak is expected to bring several long-lasting and short-term negative consequences. Even if the government do not call for direct halts to construction, the effects of COVID-19 as pandemic are far reaching. A wide array of building materials is imported from COVID-19-embattled countries, like China, India, or other nations many of which have shuttered factories and also borders being closed to contain the pandemic. There is a decline in construction related imports due to decrease in manufacturing output and extended interruption to global supply chain.

The current forecast assumes that the outbreak is controlled across all major markets by the end of the second quarter, following which, conditions would allow for a return to normalcy in terms of economic activity and freedom of movement in the second half of the year.

However, there will be a lingering and potentially heavy impact on home loans owing to the financial toll that inflicted upon businesses and investors across a wide range of sectors.

IMPACT ON HUMAN RESOURCE AND PRODUCTIVITY

As a result of the COVID-19 pandemic, there has been a sharp increase in people working from home. A top priority for most organisations during this time has been to ensure business continuity. Engaged and productive employees can be an organisation's greatest asset. Consequently, the key is how to remotely manage employee productivity to achieve optimal performance. The virus crisis will no doubt strain the financial system as much as, or possibly even more than, the Global Financial Crisis did. Productivity does not automatically translate from the physical world of work to the virtual world. While virtual teaming reaps many benefits, it also presents a higher risk of misalignment and lack of collaboration, which can take a toll on team trust and employee engagement if not done right; all of which will impact the organisations productivity. We may need to create strategies for a temporary labour reduction due to a slowdown. The need for our current workforce may temporarily be disrupted, and we will need to decide how to handle this. At this point, we do not know how long this disruption will last. Reducing staff prematurely may have long-term negative implications and time will only tell us how to move forward.

PROTECTIVE MEASURES AND ITS IMPACT TO ACHIEVE BUSINESS GOALS

First and foremost, our focus is on keeping everyone safe and we have taken prompt action to get the needed health and safety precautions in place to help ensure the wellbeing of all our staff and customers. This is key to ensure we continue to operate and serve our customers.

We are following the HPA guidelines and our contingency plans have been quickly put in place to minimize potential impact in our operation and achieve our targets. However, due to the protective measures across the nation, there were delays, in completing our end-user projects due to disruption in the supply chain. Secondly, getting a moratorium to facilities obtained from banks were delayed, and applying to the conditions given by some of the banks, bar us from obtaining facilities from other institutions. As a result, we had to honour those facilities, which impacted our cash flow and growth.

Several planned disbursements were on halt, resulting in delay in completing the projects which impacts our operations.