

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC**  
**INCOME STATEMENT**  
**Year ended 31 December 2007**

	Note	<u>2007</u> Rf	<u>2006</u> Rf
<b>INCOME</b>	1	<u>20,316,242</u>	<u>19,953,153</u>
Interest Income	2	18,355,255	18,832,096
Interest Expenses	3	<u>4,103,528</u>	<u>9,512,330</u>
<b>NET INTEREST INCOME</b>		14,251,727	9,319,766
Other Income	4	1,960,987	1,121,057
<b>NET INCOME</b>		<u>16,212,714</u>	<u>10,440,823</u>
<b>OPERATING EXPENSES</b>			
Personnel Costs	5.1	725,178	710,030
Premises Equipment and Establishment Expenses		485,549	450,519
Loan Loss Provisions	2.7	105,004	-
Other Overhead Expenses		812,235	341,933
<b>TOTAL OPERATING EXPENSES</b>		<u>2,127,966</u>	<u>1,502,482</u>
<b>PROFIT FOR THE YEAR</b>	5	<u>14,084,748</u>	<u>8,938,341</u>
Earnings Per Share (in Rf)	6	1,407.21	893.03

The accounting policies and notes on pages 6 to 15 form an integral part of the Financial Statements.

10<sup>th</sup> January 2008  
Male'

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC**  
**BALANCE SHEET**  
**As at 31 December 2007**

	Note	<u>2007</u> Rf	<u>2006</u> Rf
<b>ASSETS</b>			
Cash and Short Term Funds	7	43,798,804	7,781,679
Housing Loans and Advances	8	176,485,526	198,377,800
Interest Receivable	9	1,319,162	1,104,236
Other Assets	10	525,992	-
Form Inventories		71,079	77,519
Property, Plant & Equipment	11	336,426	426,603
<b>Total Assets</b>		<u><u>222,536,989</u></u>	<u><u>207,767,837</u></u>
<b>LIABILITIES</b>			
Borrowings	12	57,000,000	182,825,000
Liabilities	13	139,177,694	12,667,390
<b>Total Liabilities</b>		<u><u>196,177,694</u></u>	<u><u>195,492,390</u></u>
<b>FUNDS EMPLOYED</b>			
Share Capital	14	1,000,900	1,000,900
Accumulated Profits		25,358,395	11,274,547
<b>Total Shareholders' Funds</b>		<u><u>26,359,295</u></u>	<u><u>12,275,447</u></u>
<b>Total Liabilities and Shareholders' Funds</b>		<u><u>222,536,989</u></u>	<u><u>207,767,837</u></u>

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board by,

**Name of the Director**

**Signature**

1).....

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2).....

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10<sup>th</sup> January 2008

Male'

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC**  
**STATEMENT OF CHANGES IN EQUITY**  
**Year ended 31 December 2007**

	<u>Share Capital Rf</u>	<u>Advance for Share Capital Rf</u>	<u>Accumulated Profits Rf</u>	<u>Total Rf</u>
Balance as at 01 January 2006	1,000,000	-	3,336,206	4,336,206
Issuance of Share Capital	900	-	-	900
Dividends	-	-	(1,000,000)	(1,000,000)
Net Profit for the Year	-	-	8,938,341	8,938,341
Balance as at 31 December 2006	<u>1,000,900</u>	<u>-</u>	<u>11,274,547</u>	<u>12,275,447</u>
Balance as at 01 January 2007	1,000,900	-	11,274,547	12,275,447
Dividends	-	-	(900)	(900)
Net Profit for the Year	-	-	14,084,748	14,084,748
Balance as at 31 December 2007	<u>1,000,900</u>	<u>-</u>	<u>25,358,395</u>	<u>26,359,295</u>

The accounting policies and notes on pages 6 to 15 form an integral part of the Financial Statements.

10<sup>th</sup> January 2008

Male'

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC**  
**CASH FLOW STATEMENT**  
**Year ended 31 December 2007**

	<b>2007</b>	<b>2006</b>
	<b>Rf</b>	<b>Rf</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest Received	18,325,335	18,887,051
Other Income Received	1,775,981	1,121,057
Interest Paid	(4,053,085)	(9,512,330)
Personnel Costs Paid	(725,178)	(710,030)
General Expenses Paid	(1,188,679)	(662,724)
<b>Operating Profit before Changes in Operating Assets</b>	<b>14,134,374</b>	<b>9,123,024</b>
(Increase)/Decrease in Form Inventories	6,440	8,920
Net Movement in Other Assets	(525,992)	-
(Increase)/Decrease in Loans and Advances to Customers	21,787,270	(26,413,328)
<b>Net Cash from/ (used in) Operating Activities</b>	<b>35,402,092</b>	<b>(17,281,384)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Property, Plant & Equipment	(19,828)	(47,541)
<b>Net Cash used in Investing Activities</b>	<b>(19,828)</b>	<b>(47,541)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase/(Decrease) in Other Liabilities	126,459,861	(2,725,975)
Repayment of Borrowings	(125,825,000)	3,625,000
Proceeds from Issuance of Share Capital	-	900
<b>Net Cash from Financing Activities</b>	<b>634,861</b>	<b>899,925</b>
<b>Net Decrease in Cash &amp; Cash Equivalents</b>	<b>36,017,125</b>	<b>(16,429,000)</b>
Cash & Cash Equivalents at the beginning of the Year	7,781,679	24,210,679
<b>Cash &amp; Cash Equivalents at the end of the Year (Note 7)</b>	<b>43,798,804</b>	<b>7,781,679</b>

The accounting policies and notes on pages 6 to 15 form an integral part of the Financial Statements.

10<sup>th</sup> January 2008  
Male'

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2007

	<u>2007</u> <u>Rf</u>	<u>2006</u> <u>Rf</u>
<b>1 INCOME</b>		
Interest Income	18,355,255	18,832,096
Other Income	1,960,987	1,121,057
	<u>20,316,242</u>	<u>19,953,153</u>
<b>2 INTEREST INCOME</b>		
Housing Loan Interest Income	<u>18,355,255</u>	<u>18,832,096</u>
<b>3 INTEREST EXPENSES</b>		
Bond Interest	3,934,789	9,338,161
Equal Monthly Installment Deposits Interest	168,739	174,169
	<u>4,103,528</u>	<u>9,512,330</u>
<b>4 OTHER INCOME</b>		
Interest from Treasury Bills	1,333,881	-
Sale of Application Forms	12,300	18,600
Penalty Interest	72,857	84,383
Bank Interest	538,897	993,311
Other	3,052	24,763
	<u>1,960,987</u>	<u>1,121,057</u>
<b>5 PROFIT FOR THE YEAR</b>		
<b>Stated after charging,</b>		
Audit Fees	57,825	57,825
Restructuring Expenses	449,920	64,966
Communication	64,985	51,288
Directors' Remuneration	69,000	69,000
Personnel Costs (5.1)	<u>725,178</u>	<u>710,030</u>
<b>5.1 Personnel Costs</b>		
Staff Salaries, Allowances & Other	<u>725,178</u>	<u>710,030</u>

The number of employees of the company as at the end of each financial year was as follows:

	<u>2007</u> <u>Number</u>	<u>2006</u> <u>Number</u>
Number of Employees	<u>13</u>	<u>12</u>

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2007**

**6 EARNINGS PER SHARE**

Basic Earnings Per Share is calculated by dividing the net profit/(loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

The following reflects the income and share data used in the basic Earnings Per Share computation.

<b>Amount used as the Numerator:</b>	<b>2007 Rf</b>	<b>2006 Rf</b>
Net Profit for the Year	<u>14,084,748</u>	<u>8,938,341</u>
<b>Number of Ordinary Shares used as Denominator:</b>	<b>Number</b>	<b>Number</b>
Weighted Average number of Ordinary Shares in issue applicable to basic Earnings Per Share	<u>10,009</u>	<u>10,009</u>

<b>7 CASH AND SHORT TERM FUNDS</b>	<b>2007 Rf</b>	<b>2007 Rf</b>
Local Currency in Hand	1,326	1,378
Balances with Local Banks	4,988,863	7,780,301
Short Term Investments (Investment in Government Treasury Bills)	<u>38,808,615</u>	<u>-</u>
	<u>43,798,804</u>	<u>7,781,679</u>

Above Treasury bills carry an interest rate of 6% per annum and the period of the same is 30 days from 03 December 2007 to 02 January 2008.

**8 HOUSING LOANS AND ADVANCES**

Building Development Loans	176,590,530	198,377,800
Less: Loan Loss Provisions	<u>(105,004)</u>	<u>-</u>
	<u>176,485,526</u>	<u>198,377,800</u>

**9 INTEREST RECEIVABLE**

Loan Interest Receivable	1,134,156	1,104,236
Treasury Bill Interest Receivable	<u>185,006</u>	<u>-</u>
	<u>1,319,162</u>	<u>1,104,236</u>

**10 OTHER ASSETS**

Rent Deposits and Rent Advances	300,000	-
Advance Paid for Software	223,262	-
Other Assets	<u>2,730</u>	<u>-</u>
	<u>525,992</u>	<u>-</u>

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2007**

**11 PROPERTY, PLANT & EQUIPMENT**

<b>11.1 Gross Carrying Amounts</b>	<b>Balance as at 01.01.2007 Rf</b>	<b>Additions during the Year Rf</b>	<b>Written off during the Year Rf</b>	<b>Balance as at 31.12.2007 Rf</b>
<b>At Cost</b>				
Office Equipment	207,296	-	-	207,296
Computer Equipment	245,360	19,828	-	265,188
Furniture and Fixtures	128,529	-	-	128,529
Motor Vehicles	32,500	-	-	32,500
Other Assets	3,570	-	2,850	720
<b>Total Value of Depreciable Assets</b>	<u>617,255</u>	<u>19,828</u>	<u>2,850</u>	<u>634,233</u>
	<b>Balance as at 01.01.2007 Rf</b>	<b>Charge for the Year Rf</b>	<b>Transfer / Disposal Rf</b>	<b>Balance as at 31.12.2007 Rf</b>
<b>11.2 Depreciation</b>				
Office Equipment	42,631	25,912	-	68,543
Computer Equipment	86,344	49,072	-	135,416
Furniture and Fixtures	51,412	25,706	-	77,118
Motor Vehicle	8,125	8,125	-	16,250
Other Assets	2,140	1,190	2,850	480
<b>Total Depreciation</b>	<u>190,652</u>	<u>110,005</u>	<u>2,850</u>	<u>297,807</u>
<b>11.3 Net Book Values</b>				
At Cost	426,603			336,426
<b>Total Carrying Amount of Property, Plant &amp; Equipment</b>	<u>426,603</u>			<u>336,426</u>

**12 BORROWINGS (BONDS)**

	<b>Balance as at 01.01.2007 Rf</b>	<b>Loans Obtained Rf</b>	<b>Loan Repayments</b>	<b>Balance as at 31.12.2007 Rf</b>
Dhivehiraajeyge Gulhun (Pvt) Limited	5,000,000	-	5,000,000	-
Maldives Airports Company Limited	2,000,000	-	2,000,000	-
Ministry of Education	1,000,000	-	1,000,000	-
Maldives Ports Authority	87,825,000	-	87,825,000	-
Provident Fund (MOFT)	57,000,000	-	-	57,000,000
Maldives Post Ltd	30,000,000	-	30,000,000	-
	<u>182,825,000</u>	<u>-</u>	<u>125,825,000</u>	<u>57,000,000</u>

**12.1** Above bonds have been issued for the purpose of financing long term housing loans with an interest spread less than the rates at which HDFC lends to its customers. The Ministry of Finance and Treasury of Maldives has issued a "government guarantee" in relation to the above bonds to ensure performance of all obligations stipulated in the Prospectus.

**12.2** All the borrowings shown in the above note are falling due in one year from the Balance Sheet date and they are carrying a coupon interest rate of 5% per annum.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2007**

	<b>2007</b>	<b>2006</b>
	<b>Rf</b>	<b>Rf</b>
<b>13 LIABILITIES</b>		
Interest Payable	3,599,527	3,549,084
Advance from Ministry of Finance and Treasury (13.1)	128,500,000	-
Equal Monthly Installments Deposits	6,487,736	7,009,137
Customers' Deposits	387,604	-
Dividends Payable	-	1,000,000
Hulhumale Development Corporation Limited	-	705,179
Accruals and Other Payables	87,987	322,093
Amounts Received from Customers in advance	114,840	81,897
	<u>139,177,694</u>	<u>12,667,390</u>

**13.1 Advance from Ministry of Finance and Treasury**

Ministry of Finance and Treasury of Maldives has advanced Rf 128,500,000/- to Housing Development Finance Corporation PLC on 11 January 2007. It is envisaged that the Ministry together with other equity partners will take up the increased share capital of the Company. However, as at the balance sheet date the composition of company's share capital structure has not been finalised.

**14 SHARE CAPITAL**

**14.1** The authorised share capital comprises 100,000 Ordinary Shares (In 2005-10,000) at a par value of Rf. 100/ each.

	<b>2007</b>	<b>2006</b>
	<b>Rf</b>	<b>Rf</b>
<b>14.2 Issued and fully paid</b>		
Balance as at 01 January (10,000 Ordinary shares of Rf 100/- each)	1,000,900	1,000,000
Issued during the Year (9 Ordinary shares of Rf 100/- each)	-	900
<b>Balance as at 31 December</b>	<u>1,000,900</u>	<u>1,000,900</u>

Nine ordinary shares are sold to and held by the members of the senior management and the board of directors to make the company public which is the first necessary step for an Initial Public Offer.

**14.3 Voting Power and Dividends**

The holders of Ordinary Shares confer their rights to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company.

**15 CONTINGENCIES**

The Company had no significant contingent liabilities as at 31 December 2007.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2007**

**16 CAPITAL COMMITMENTS**

The Company has purchase commitments for acquisition of Computer Software incidental to ordinary course of business as at 31 December, as follows.

	<u>2007</u> <u>Rf</u>	<u>2006</u> <u>Rf</u>
Approved but not provided for	<u>600,000</u>	<u>500,000</u>

**17 RELATED PARTY DISCLOSURES**

Directors of the Company have been paid Rf 68,000/- as Directors' Fees and Emoluments during the year ended 31 December 2006.

**18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's principal financial instruments comprise of bank loans (bonds) and cash. The main purpose of these financial instruments is to raise finance for the Company's operations. Further, the Company's main financial asset is housing loans and advances given to its customers.

The main risks arising from the Company's financial instruments are foreign currency risk, liquidity risk, credit risk and interest rate risk. The policies for managing each of these risks are summarised below.

**Foreign Currency Risk**

The Company has transactional currency exposures. Such exposure arises from borrowings and cash receipts by an operating unit in currencies other than the unit's functional currency.

**Liquidity Risk**

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings. As part of its overall prudent liquidity management, the Company maintains sufficient level of cash or cash convertible investments to meet its working capital requirement.

**Credit Risk**

The Company lends only to creditworthy third parties who have the loan repayment capacity. It is the Company's policy that all the customers who wish to borrow from the Company are subject to credit evaluation procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to loan loss is not significant.

Further, the loan applicant should provide unambiguous and straight forward security arrangements under which if the security is to be foreclosed, it could be achieved without any difficulties. The security of a loan should be at least 125% of the value of the loan amount granted to the applicant.

**Interest Rate Risk**

The Company's exposure to the risk of changes in market interest rates primarily to the Company's long term debt obligations with the floating interest rates.

**19 FINANCIAL INSTRUMENTS**

All the borrowings shown in Note 10 are falling due in one year from the Balance Sheet date and they are carrying a coupon interest rate of 5% per annum.

**20 POST BALANCE SHEET EVENTS**

No material events have taken place after the Balance Sheet date which require an adjustment to or a disclosure in the Financial Statements.

**HOUSING DEVELOPMENT FINANCE CORPORATION PLC**  
**DETAILED STATEMENT OF EXPENSES**  
**Year ended 31 December 2007**

	<b>2007</b>	<b>2006</b>
	<b>Rf</b>	<b>Rf</b>
<b>Premises, Equipment and Establishment Expenses</b>		
Office Rent	247,000	222,000
Water	7,025	7,855
Light and Power	52,519	49,537
Depreciation Expenses	110,005	103,127
Directors' Remunerations	69,000	68,000
	<u>485,549</u>	<u>450,519</u>
<b>Other Overhead Expenses</b>		
Printing & Stationery	27,497	34,850
Application Form	6,440	8,920
Professional Development	97,782	8,990
Audit Fees	57,825	57,825
Cleaning	5,258	4,886
Food and Refreshment	10,900	9,191
Repair and Maintenance	13,473	9,707
Restructuring Expenses	449,920	64,966.00
Communication	64,985	51,288
Advertising	3,562	2,473
Site Visit	200	2,666
Bank Charges	2,863	-
IT Related Expenses	645	27,100
Legal Charges	49,560	39,400
Registration and Annual Fees	10,648	11,471
General Expenses	10,677	8,200
	<u>812,235</u>	<u>341,933</u>