



ANNUAL REPORT 2013



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Our Aspirations

Vision

Achieving excellence in pension services and financial stability for a secure future

Mission

Manage Pension fund in the best interest of the members through secure and diversified investments.

We endeavor to:

- Provide automated customer driven services
- Mainstream pension knowledge
- Facilitate innovation in pension products and services

Core Values

Professionalism: Integrity, confidentiality and objectivity

Communication: Precise, concise, shared information and clarity

Innovation: Simplicity, cutting edge technology and creativity

Work Ethics: Team work, respect and learning culture

Accountability: Responsibility, honesty, transparency and risk consciousness

Financial and Operational Highlights for 2013

Participation of over **470** public sector employers in MRPS

More than **1,460** employers participated in MRPS from private sector

Number of Beneficiaries of Basic Pension is over **15,400**

Total Number of employees in MRPS is more than **77,240**

Basic Pension Average Monthly disbursement **35.1** million

Average monthly contribution to MRPS is **61.9** million

Average Monthly State funded pension disbursement is **20.4** million

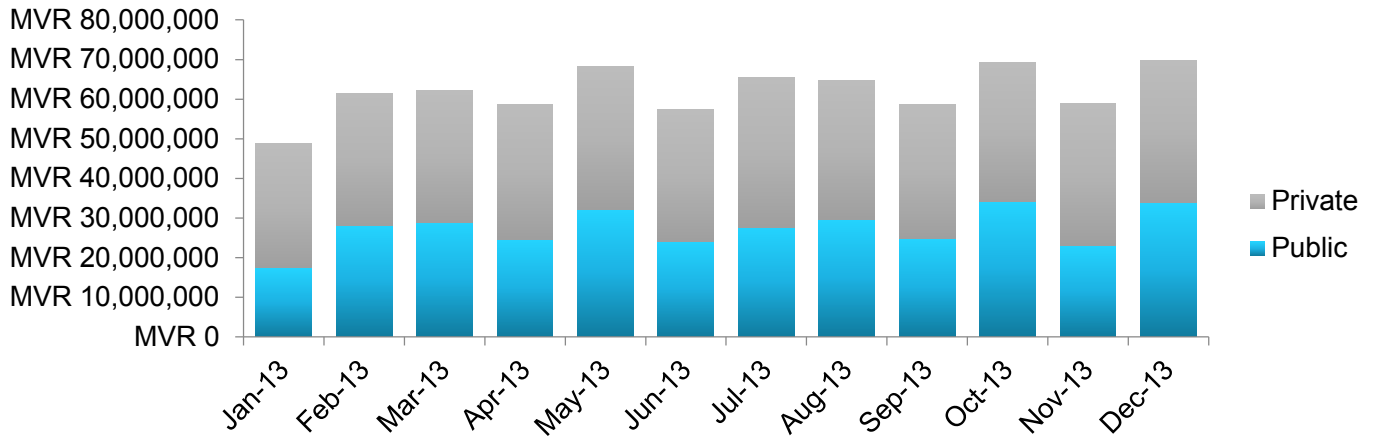
Average monthly pension disbursement from MRPS is **2.2** million

MRPS fund size is **5.31** billion

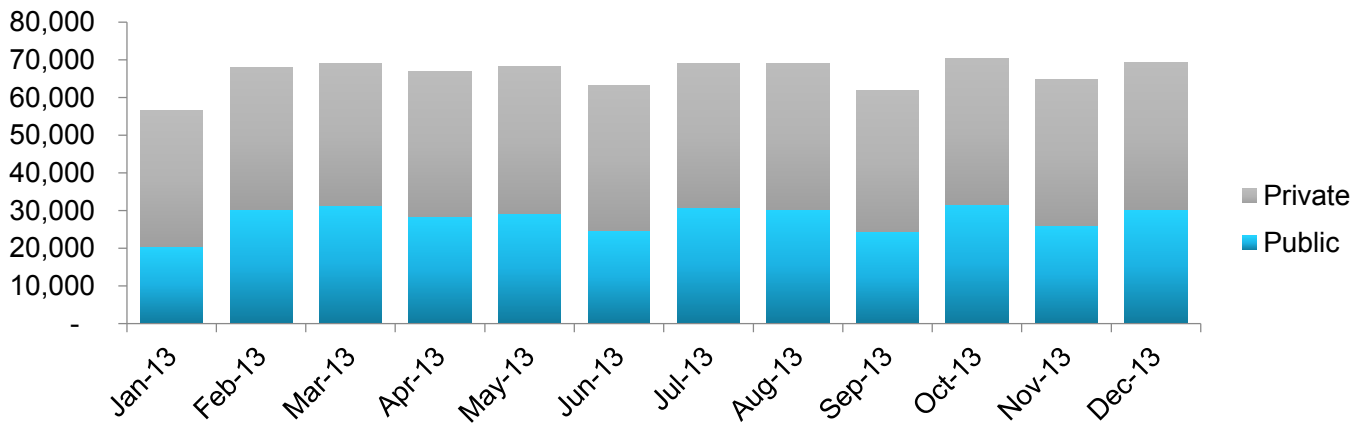
All monetary values are in MVR

Financial Operational Highlights

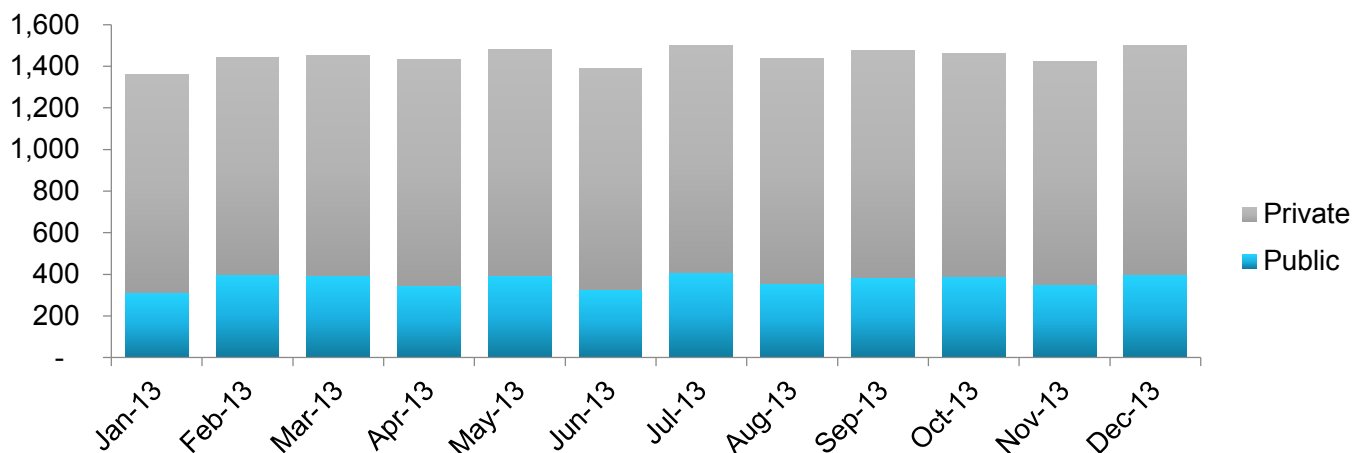
Contribution Collected in 2013



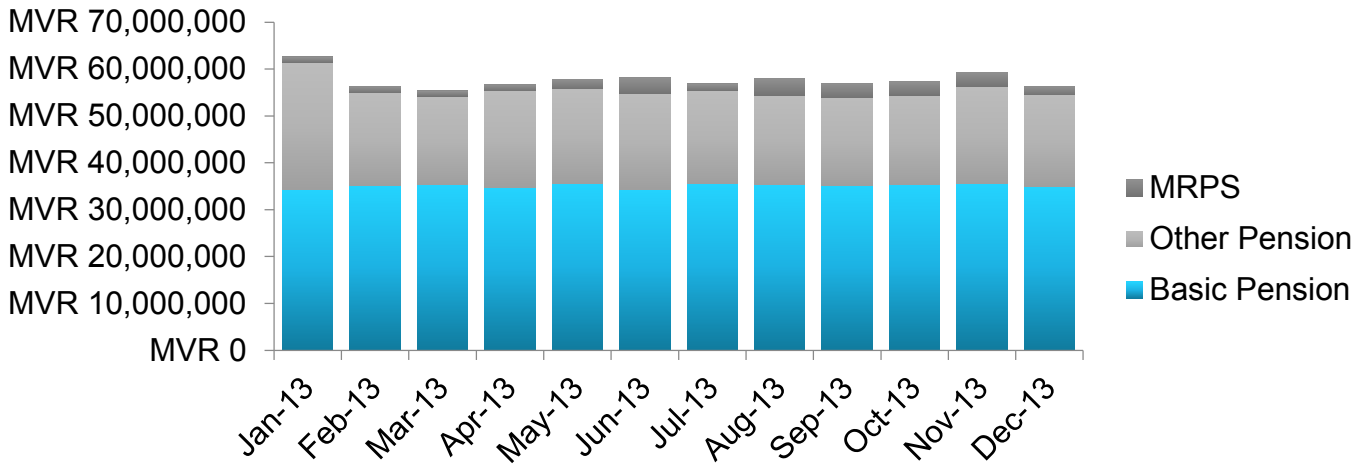
Employees of 2013



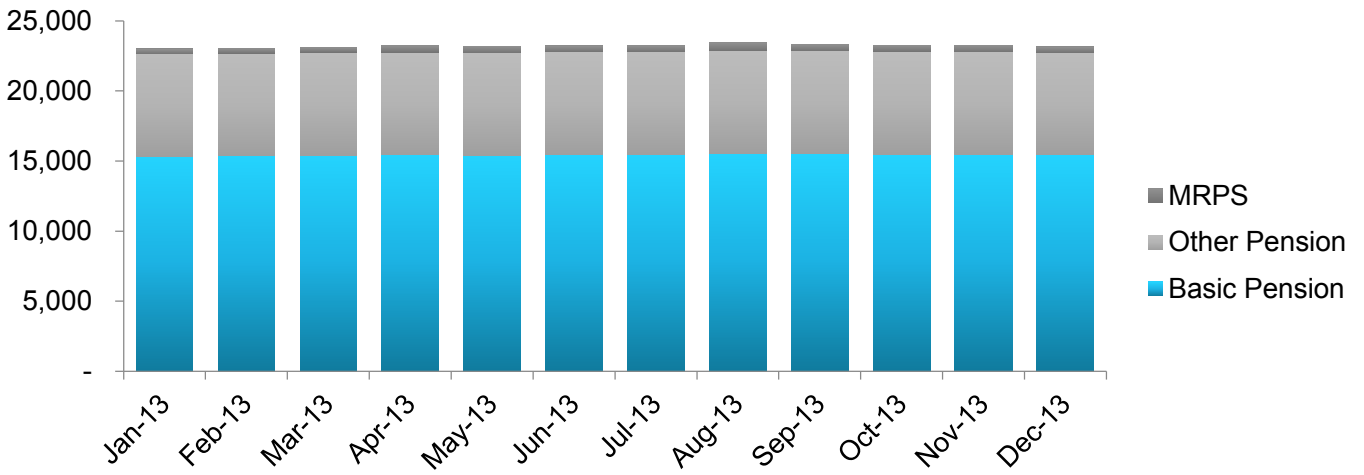
Employers of 2013



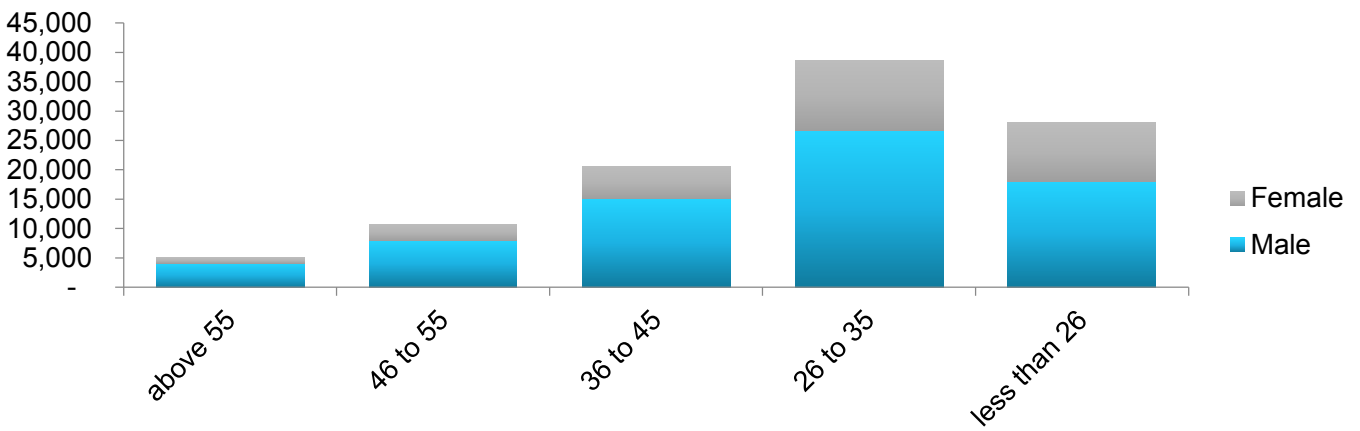
Payouts disbursed in 2013



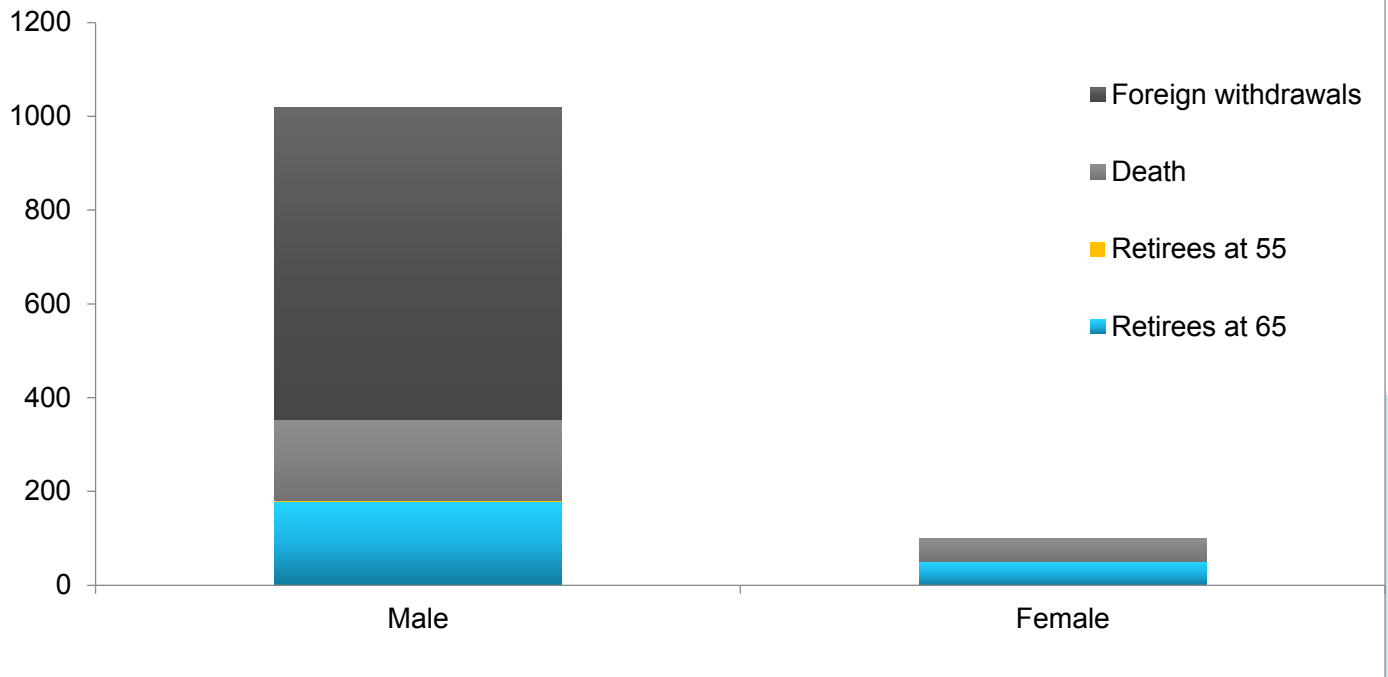
Beneficiaries of 2013



RSA Members



Retirees of 2013



Annual Review

Chairperson Statement



Iyaz Waheed - Chairman

On behalf of Board of Directors of Maldives Pension Administration Office (MPAO), it gives me great pleasure to present the Annual Report of MPAO for the financial year ended 31st December 2013.

The fiscal year 2013 was another year of significant achievements in implementing the Maldives Pension Act (8/2009) and the relevant regulations.

During the year, our key priority was the enhancement of public confidence and trust in the newly established pension system, with major focus areas being good governance, innovation and continuous service improvement.

The Board focused on implementing this strategy, and is pleased with the clear progress in reaching its strategic goals. The most significant achievement of 2013 was the attaining of complete financial independence of MPAO by the end of the year. From next year onwards, the operational costs of MPAO will be covered solely by the income generated from the administrative fees of Maldives Retirement Pension Scheme (MRPS). Another major highlight of the year was the operationalization of a much more efficient pension disbursement process through the implementation of the Pension Management System "Koshaaru", which enables timely disbursement of benefits to pensioners. Other highlights include the development of institutional arrangements for internal controls, numerous programmes conducted throughout the country to increase stakeholder awareness on the pension system, and actions taken to maximize employer compliance to the Pension Act and relevant regulations, operationalization.

In addition to the strategic goals, the Board also recognized the importance of establishing a sound risk management structure to determine, manage and monitor the investment and operational risks faced by MRPS. In this respect, an Investment Compliance function was established at MPAO and work is currently underway towards the development of an organisation-wide risk management framework for MPAO.

On a personal note, as this is the final year of my term as the Chairperson of MPAO, I would like to take this opportunity to express my heartfelt appreciation for the generous support provided by Government Ministries and agencies, state institutions, financial institutions, employers and other stakeholders in the implementation of the pension system in the Maldives. I also extend this thanks to the contributions provided by World Bank Pension and Social Administration Project.

I also acknowledge that the success achieved by MPAO is the result of the excellent hard work and dedication of MPAO management and staff under the strong leadership and guidance of the Chief Executive Officer, Mr. Mohamed Hussein Maniku. On behalf of myself and the Board, I take this opportunity to thank them for their strong commitment and dedication towards MPAO.

I also wish to thank my fellow Directors, present and past, for the support they have given me during my tenure as the Chairperson of MPAO. I would also like to acknowledge and thank Mr. Mohamed Inaz, who resigned from the Board in December 2013, for his contribution and services.

Looking ahead for 2014, as we pursue the vision and mission of MPAO, the Board would like to assure all stakeholders that MPAO will continue taking all necessary steps to establish a robust pension system that will deliver good benefits to its members, is sustainable and has a high level of integrity. We are certain that with the dedication, commitment and vigilance of the excellent management team leading MPAO, we will be able to reach our strategic goals and milestones.

CEO's Statement



Mohamed Hussain Maniku - Chief Executive Officer

I am pleased to update on the progress MPAO has made on its strategic objectives for the year ended 2013.

The year ended 2013 marked another continued year of good developments for MPAO in an operating environment that was challenging in some areas.

With the implementation of Maldives Retirement Pension Scheme (MRPS) for both the public and private sector as stipulated in Pension Act by 2012, MPAO's focus in 2013 changed towards enhancing public confidence and trust in the established pension system through good governance practices, high levels of innovation and continuous service improvement.

The most major achievement of the year was achieving the status of a financially independent institution at the end of the year. The operations of MPAO will now be fully financed with the funds received as administrative fees for managing the Maldives Retirement Pension Scheme (MRPS).

Numerous programmes were conducted throughout the year to increase stakeholder awareness on the pension schemes. This was accomplished through targeted public awareness programmes that included public lectures, road shows, regular employer training programmes, awareness sessions conducted at schools and colleges. To capture a wider audience, television, radio and printed media were also used. In these efforts, MRPS members were encouraged to view their Retirement Savings Account (RSA), which not only ensured employees accountability in fulfilling their obligations, but also made employers aware of their responsibility to collect and pay pension contributions in a timely manner.

Necessary steps were undertaken to strengthen the enforcement function to ensure compliance to the Pension Act and relevant regulations. Legal action was taken against a number of employers who have arrears of unpaid contributions with cases filed against them in the Civil Court. Despite many challenges faced, a number of planned and ad-hoc inspections were also carried out throughout the year.

In the investment front, MPAO continued to work closely with financial industry stakeholders to develop the appetite for pension fund investment. In this regard, a seminar on "Asset Management and Custodian Services" was held which brought home interesting insights about the business of global asset management and custodian services for the first time in the Maldives. In addition, the 2nd "Maldives Finance Forum" was held to provide dialogue between the policy makers and financial industry players regarding the opportunities of the pension fund and its relevance to the financial, social and economic development of the country. The most important outcome of this year's forum was the Memorandum of Understanding (MOU) signed between MPAO and some key institutions in the financial sector to initiate the establishment of the Maldives Finance Museum. This museum would showcase the evolution of the Maldivian monetary system throughout the different stages of its economic and social development. It will also serve as an avenue for financial education which is central to the development of the financial sector of the Maldives.

In the institutional development front, an Investment Compliance function was created to ensure good governance, identify investment risks and ensure compliance with internal investment procedures and relevant legal requirements of regulatory bodies. In addition, work has begun on an organization-wide risk management framework which will help identify and mitigate various types of risks faced by MPAO.

Another highlight of the year would be the progress made in the implementation of Koshaaru (pension management system); a more efficient pension disbursement mechanism was implemented with the help of the system, and continuous upgrades to the system and business processes were implemented throughout the year.

Considerable progress was also made in engagement and participation of our key stakeholders, particularly Government and State agencies, financial institutions, employers and clients. On behalf of MPAO, I thank them for their continued support throughout the year. I also extend my gratitude to the contributions of the World Bank through the Pension and Social Protection Administration Project in the success of this operation. A special thanks goes to the Chairman and Board for their continued guidance and for entrusting me to continue leading MPAO.

In conclusion, the year 2013 represented major progress for MPAO through achievement of financial independence, introduction of more efficient business processes, expansion of the membership base and strengthening of internal controls and risk management. At the core of these achievements remains a dedicated and strong team; I thank their commitment and tremendous effort in accelerating MPAO towards its strategic goals

Looking ahead, as we head towards our strategic vision, I believe that we will continue to improve and make significant contributions towards ensuring social security and wellbeing of the Maldivian people and the growth of our economy.

Report of the Board of Directors

The Board of Directors of the Maldives Pension Administration Office (MPAO) presents its Annual Report of the MPAO and Pension Fund together with the Independent Auditor's Report, Financial Statements and notes for the year ended 31st December 2013.

MPAO at a Glance

About MPAO

MPAO is an independent legal entity, established on 13th May 2009 pursuant to the Maldives Pension Act (8/2009).

MPAO's mandate, as set out in the Pension Act is as follows:

- Administer Maldives Retirement Pension Scheme (MRPS),
- Pay state funded Old age Basic Pension (BP)
- Manage pension funds
- Establish standards, rules and guidelines related to the schemes
- Create public awareness and educate scheme participants

Profile of Pension Schemes

Under the Pension Act, MPAO administers two pension schemes, namely Maldives Retirement Pension Scheme (MRPS) and Old-age Basic Pension Scheme (BP). The primary objective of MRPS is to ensure individuals save during employment to cater for their livelihood in retirement and ultimately creating financial independence.

MRPS is a defined contributory pension scheme funded from contributions from both employees and employers. Presently, the Pension Act mandates a contribution of 14% of the pensionable wage, comprising of a minimum of 7% each from the employee and the employer. The Act however allows the employer to make the employee's 7% contribution (or part thereof) on its own. The Act further allows voluntary contributions from both employees and employers over and above the 7% floor rate. Contributions to the scheme stops at the pensionable age of 65 and pensioner may start to drawdown on the pension plan at this age.

On the other hand, BP is designed to provide financial security for individuals who had no access to employment based income prior to retirement age. BP scheme is a lifelong inflation indexed pension benefit, fully funded by the State Budget provided to all Maldivian Citizens who have reached the age of 65, subject to meeting the eligibility criteria of the scheme

In addition to this, under an MOU with Ministry of Finance and Treasury MPAO was established as the central agency for the disbursement of various state funded pensions effective from April 2011.

Operational Review

Stakeholder Relations Review

Public Awareness and Educational Programs



During the year 2013, numerous public awareness programs were conducted both in Male' and Atolls for employers and employees to educate and increase their knowledge on MRPS. As part of the campaign for 2013, 12 targeted information sessions were conducted in Male', which were attended by a total of 235 persons.

In addition MPAO also organized public lectures targeted to mass audience. In Male', 6 such lectures were conducted and were attended by 1,273 persons. In the atolls, 9 such lectures were conducted and were attended by 399 persons.

Specific target group awareness sessions were also conducted in schools and colleges, where 24 such sessions were held at 22 schools and colleges in Male' and a total of 2,515 students and 223 teachers participated. Moreover, about 2,000 MPAO corporate calendars containing promotional messages on pension schemes were also distributed to employers.

Employer Trainings



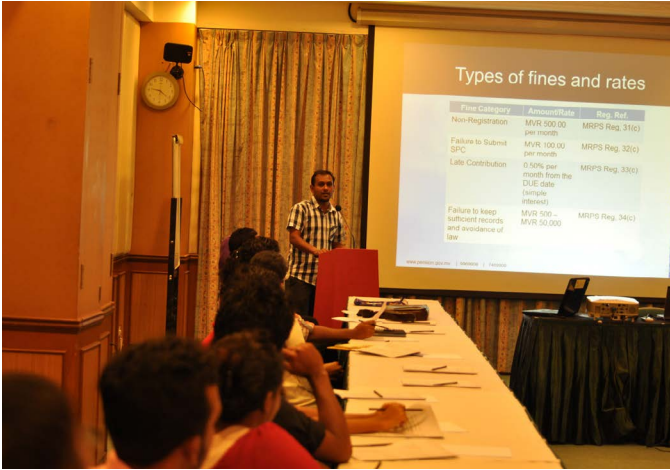
For support in MRPS participation and ensure compliance to Pension Act and regulations by employers, training sessions were conducted both in Male' and atolls. A total of 72 training sessions were conducted and 177 persons were trained. Training materials were also made available through MPAO website.

Road Shows



Road Shows were conducted in Male' on 22nd August 2013 to create awareness on pension schemes and usage of Retirement Savings Accounts (RSA). These Road Shows were held at two locations in Male'; in front of Maldives Inland Revenue Authority (MIRA) and in front of State Trading Organisation (STO). In addition to providing information, leaflets on pension schemes were distributed and registration service for viewing RSA details online was provided.

Seminars



As part of the efforts to educate the public on Pensions, MPAO conducted a "Seminar on MRPS for Professionals" on 22nd May 2013 at SHE Building. The aim of this seminar was to create awareness among the accounting and auditing community on the issue of compliance with Maldives Pension Act and subsequent regulations. Around 20 accounting and auditing professionals participated in this seminar.

Pension Art Contest & Exhibition



"Pension Art Contest 2013" – an art contest targeted at students throughout the country was held from August to September 2013. 178 students from 10 schools submitted entries during this contest. Following the art contest, the "Pension Art Exhibition" was held at the National Art Gallery from 28th to 29th October 2013. All the artworks submitted during the Pension Art Contest were displayed at the exhibition.

Prize winning artworks from the contest were later used in promotional materials such as the MPAO website, desk calendar and other printed materials.

Media



In 2013, general mass media tools such as print, radio and television were used to educate and create awareness of the pension schemes. As part of the long term awareness campaign, two television advertisements and two radio advertisements were aired and broadcasted respectively to the public which contained promotional messages on pension and savings.

For mass audience communications, MPAO's Public Relations staff appeared on 21 television talk shows and participated in 6 radio programs. The pension themes selected for these shows centered on pension fund and investment related issues. In addition, MPAO also conducted 4 media briefings sessions during the year.

Printed promotional materials used include posters and banners. In this regard, bill boards and posters with pension themes were displayed at prominent locations in Male' and at selected Island Councils. The themes focused to provide messages for employees to be proactive in seeking their pension rights under the Pension Act.

Throughout the year, 43 articles appeared on 4 daily newspapers and online news websites about pension related matters.

Events – Maldives Finance Forum 2013



Maldives Finance Forum 2013 was held on 13th May 2013 at Kurumba Maldives Resort. This forum, the second of its kind since its inauguration in 2012, was organised by MPAO in partnership with Bank of Maldives, Maldives Monetary Authority, Allied Insurance Company of the Maldives and Capital Market Development Authority. The thematic focus of the forum was "Financial Literacy for Good Governance".

The purpose of this event was to provide a nationally acclaimed platform to bring together industry experts, business leaders, institutional managers and professionals of diverse experience to deliberate and share views to bring to the fore financial market development issues and its relevance to the pension and social protection.

The event was attended by about 130 participants representing national and global experts from financial, political, academic and social sectors.

The forum had a lineup of distinguished speakers and panelists for interaction and information interchange among professionals. Among the distinguished speakers and panelists were;

- Dr. Annamaria Lusardi; Denit Trust Distinguished Scholar and Professor of Economics and Accountancy at the George Washington University School of Business.
- Dr. Azeema Adam; Executive Director and head of the Monetary Policy and Research Division of the Maldives Monetary Authority.
- Mr. Niyaz Ibrahim – Auditor General of the Maldives.
- Mr. Ibrahim Athi Shukoor, Chairman of Dhiraagu PLC.
- Dr. Simad Saeed, Managing Director of CDE Consulting Pvt. Ltd.
- Mr. Riluan Shareef, Managing Director of Villa Air Pvt. Ltd.
- Mr. Kirthisri Rajatha Wijeweera, World Bank Country Economist for the Republic of Maldives.

Events – Seminar on Asset Management and Custodian Services



A Seminar on Asset Management and Custodian Services was held on 21st January 2013 at Traders Hotel, Male'. This seminar was held in collaboration with Bank of Maldives, Maldives Monetary Authority and Capital Market Development Authority.

Delivered by established international experts, the seminar brought home interesting insights about the business of global asset management and custodian services for the first time in the Maldives.

Speakers at the seminar included;

- Mr. Robert H. Singletary; Legal and Regulatory Consultant
- Mr. Eraj Wimalasuriya; Country Manager of HSBC Maldives
- Mr. Jeremy Gadbury; Investment Consultant

Compliance and Enforcement

The Compliance and Enforcement business process addresses the need for taking measures to protect the rights of the employees and ensure that employers are held accountable and made aware of their responsibilities.

i. On-site Inspections

An important part of compliance is carrying out on-site inspections to validate that all employees are covered and employers pay contributions correctly. MPAO select employers for on-site inspections based on three approaches; planned, ad hoc and complaints-based. Planned inspections are carried out on employers selected based on their compliant level of the previous year. Ad hoc and complaint-based inspections are carried out in response to informal and formal complaints received by MPAO about employers. The summary of inspection visits for the year are as follows.

2012	Public	Private	Total
Planned Inspections	12	6	18
Ad Hoc / Complaint-based Inspections	0	43	43
TOTAL:			61

ii. Legal action

As contributory pension scheme was new to Maldives, initially employers were given the time and flexibility in regularizing pension contributions as per Pension Act and Regulations. In conformity with the procedure for taking action against non-compliant employers formulated in 2012, 10 cases were filed with the Civil Court in 2013 against employers that failed to pay outstanding pension contributions.

Legislative and Regulatory Developments

		First introduced	Last amended
Regulations	Basic Pension Regulation	09 February 2010	1 July 2013
Ad Hoc / Complaint-based Inspections	Regulation on Maldives Retirement Pension Scheme	14 February 2010	1 June 2013
TOTAL:	Benefits Regulation	02 August 2010	1 June 2013

Office Administration

MPAO's management is responsible for daily operations and administration functions under the leadership of Chief Executive Officer (CEO). The CEO is fully accountable to the Board and ensures that the policies and strategies adopted by the Board are implemented.

The organizational structure of MPAO comprises of 4 divisions and 11 departments. The divisions include Stakeholder Relations Division, Operations Division, Corporate Affairs Division and Asset Management Division. In July 2013, due to the increasing number of investment activities, an Investment Compliance function was established to ensure good governance, identify investment risks and ensure compliance with internal investment procedures and relevant legal requirements of regulatory bodies.

In addition, the World Bank funded Pension and Social Protection Administration Project's administrative staff worked in the MPAO's office premises.

Corporate Affairs Division

The administrative functions of MPAO reside with the Corporate Affairs Division, which include budget administration, procurement management, human resource management, facility management, pension benefit disbursement, legal affairs and Board secretariat.

Asset Management Division

The mandate of the Asset Management Division includes managing all investment related activities of the pension fund, including daily fund valuation and unit price determination. Additionally, this division also ensures proper record keeping, reporting to regulators on MRPS and liaise with industry stakeholders in relation to investments and fund management.

Stakeholder Relations Division

The main functions of the Stakeholder Relations Division is to conducting public awareness programmes, educating the scheme participants on pension schemes and communicating with the public. Other functions include facilitating service delivery to scheme participants, employers and other relevant stakeholders.

Operations Division

The Operations Division consists of Collection and Payout Department (CPD), Operational Compliance Department (OCD) and IT Department. The CPD is responsible for day to day pension scheme administration matters that include registration of employers, enrollment of employees and collection of pension contributions from employers on behalf of employees and ensure

that pension benefits are paid at retirement. The OCD ensures employers comply with the Pension Act by carrying out planned and ad-hoc inspections and taking appropriate action against non-compliant employers. IT Department is responsible for the aspects of ICT hardware and software, security and data processing and storage.

Pension and Social Protection Administration Project

The Pension and Social Protection Administration Project (PSPAP) is funded by the World Bank. The objective of PSPAP is to support the establishment of a new pension authority and strengthening capacity in order to effectively implement a new pension system and to provide a platform for additional social protection programs.

The components of the Project are policy and capacity building in pensions and creating awareness, and developing a framework and supporting disability, health insurance, financing part of the government recognition bond of pension accrued rights pay-outs and strengthening Public Accounting System

Under the pension project in addition to local staff, it also engages international consultants from time to time. In 2013, Mr. Peter Ratcliffe (Business Process Expert) and Mr. Jeremy Gadbury (Investment Expert) worked as consultants for the project on assignments related to MPAO.

Training and Development

MPAO continued to invest in training and development of staff to ensure that they have the essential skills and knowledge to carry out their duties effectively. In this respect, 17 staffs participated in 13 short training programmes conducted locally and 10 staffs participated in 8 short training programmes conducted abroad. The participated programmes were in the areas of Information Technology, customer service, finance and administrative skills.

Financing of Maldives Pension Administration Office

MPAO operations for the year 2013 were financed by administration fee levied on MRPS and Government budget appropriations. The total income from MRPS administration fee was MVR 20,950,458, while a total of MVR 2,000,000 was received as government appropriations and a further MVR 914,522 was received as other income, resulting in an aggregate income of MVR 23,865,010. The total expenditure for the year 2013 stood at MVR 19,677,722. Over 69% of this expenditure was incurred towards employee remunerations and custodian fees.

Investment review

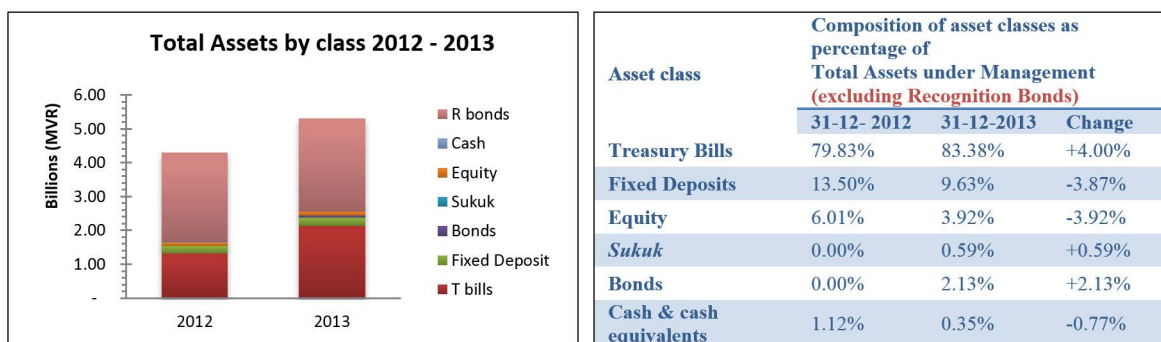
Objectives

The Asset Management Division is responsible for the management of assets of the Maldives Retirement Pension Scheme (MRPS). The Scheme's primary objectives are to maximize the value of Pension Contributions to MRPS and maintaining the purchasing power of member savings in real terms by investing in a range of asset classes currently available in the domestic capital markets. All the investment decisions are governed by the Statement of Investment Principals (SOIP), formulated by MPAO Investment Committee in compliance with the regulations of the Capital Market Development Authority and with independent professional advice.

Overall Performance

The MRPS consists of four portfolios; the Investment Portfolio, the Sharia Portfolio, the Conservative Portfolio, and the Recognition Bond Portfolio. Recognition Bonds are issued by the Government of Maldives and accrues interest at a rate agreed between MPAO and Ministry of Finance. As of 31 December 2013, the combined value of MRPS assets stood at MVR 5.31 billion representing a growth of 27 percent from MVR 4.2 billion on the same period for 2012. MRPS members increased from 91,999 in 2012 to 103,203 in 2013.

Below is a summary of assets held by the scheme in the last two years.



Source: MPAO

As can be seen from the above figure, investment diversification has improved during the year 2013 as new investments were made in Bonds and Sukuk. The proportion of Treasury Bills has increased from 79.83 percent in 2012 to 83.38 percent in 2013, as portfolios shifted towards Treasury Bills following the increase in interest rates in the past two years. As of 31 December, 2013 MRPS held a total of MVR 2.1 billion in Treasury Bills representing approximately 26 percent of the total Treasury Bills outstanding by the Government in the domestic market. For the year 2013, MRPS accrued MVR 137 million in interest revenue for investments made in Treasury Bills.

As of 31 December 2013, total fixed deposits held increased to MVR 245 million from MVR 224 million in 2012. This represents 9.63 percent of the total assets held in 2013. However, the growth of the scheme in other investments outpaced growth in fixed deposits representing a decline of 3.87 percent for fixed deposits held as a percentage of total assets. For the year 2013, MRPS accrued MVR 7.02 million in interest revenue for investments made in fixed deposits.

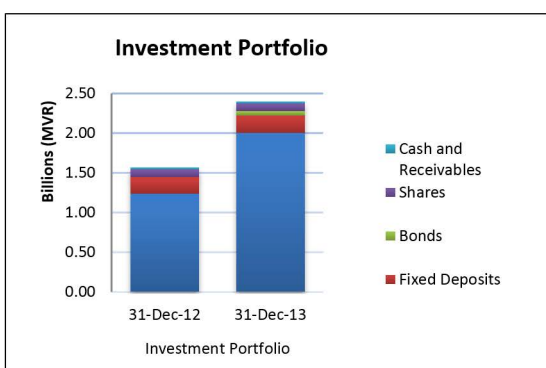
Equity investments as a percentage of the total portfolio has decreased by 3.92 percent as portfolio size increased during 2013 and new share purchases were not made during the year. MRPS currently owns MVR 100 million in Dhiraagu shares and has received dividends of MVR 10 million in 2012 and MVR 6.2 million in 2013.

Cash and cash equivalents held as a percentage of total assets have decreased by 0.77 percent indicating improvements in the cash flow management of the fund. More funds are being transferred into fixed deposits and Treasury Bills on a weekly basis to minimize the amount of funds kept as cash.

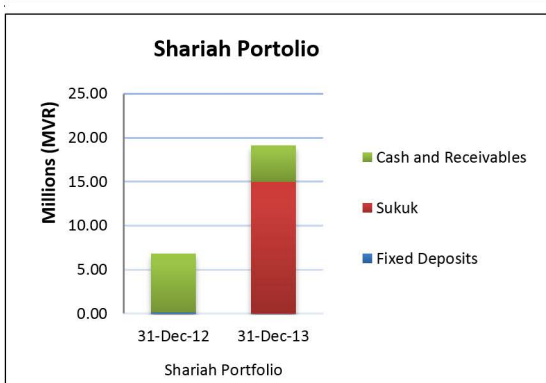
The decrease in Recognitions Bonds is as expected, and will eventually be phased out in 2058 with the start of payouts for last retiree of the 20/40 pension system. As of 31 December 2013, recognition accounts for 52 percent of the total assets amounting to MVR 2.8 billion. For the same period, MVR 169 million was accrued as interest income for these instruments.

Portfolio returns

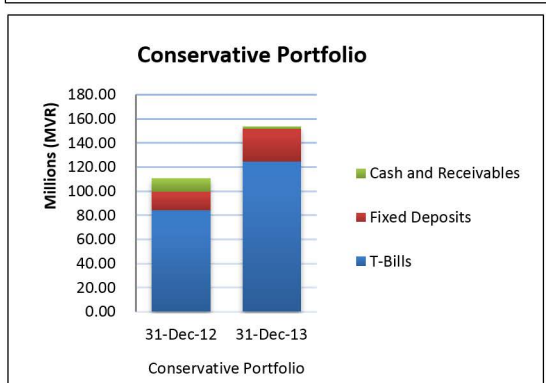
MRPS posted a positive investment performance for the fiscal year ended December 31, 2013 with net gains across all asset classes invested. During the year 2013 the earnings of the three portfolios are as follows;



Investment summary Investment Portfolio	31 – Dec- 2012	31- Dec- 2013		
Total Assets (MVR)	1,547,580,671.13	2,380,225,282.61		
Net Asset Value (MVR)	1,527,350,682.38	2,378,134,866.57		
Contributions (MVR)	692,998,937.47	738,854,471.82		
Investment Income (MVR)	76,836,796.74	151,912,548.21		
Portfolio Performance				
	Price (MVR)	Gain (Loss)	Price (MVR)	Gain (Loss)
Opening	107.55		114.75	
Closing	114.75	6.7%	123.90	8%



Investment summary Shariah Portfolio	31 – Dec- 2012	31- Dec- 2013		
Total Assets (MVR)	13,614,204.16	23,332,550.02		
Net Asset Value (MVR)	13,684,583.78	19,149,999.57		
Pensioner Contributions	3,266,671.47	12,203,593.07		
Investment Income (MVR)	10,833.33	251,784.37		
Portfolio Performance				
	Price (MVR)	Gain (Loss)	Price (MVR)	Gain (Loss)
Opening	100.22		100.49	
Closing	100.49	0.27%	102.13	1.63%

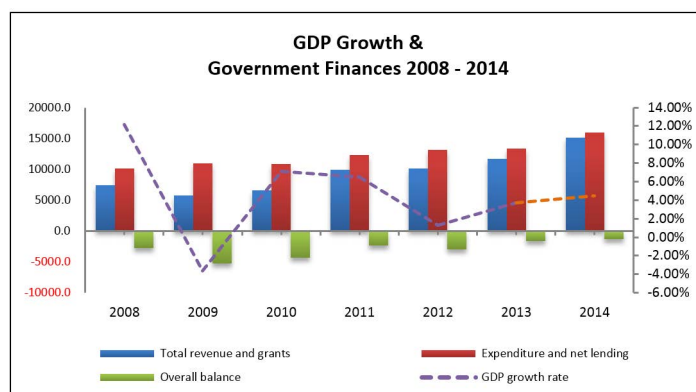


Investment summary Conservative Portfolio	31 – Dec- 2012	31- Dec- 2013		
Total Assets (MVR)	11,320,356.84	2,310,860.09		
Net Asset Value (MVR)	109,990,185.44	153,379,916.73		
Pensioner Contributions	77,841,536.01	47,699,902.83		
Investment Income (MVR)	5,097,908.04	8,885,395.92		
Portfolio Performance				
	Price (MVR)	Gain (Loss)	Price (MVR)	Gain (Loss)
Opening	1,571.15	5.5%	1,657.12	6.4%
Closing	1,657.12		1,763.10	

Source: MPAO

Portfolio returns

The Maldivian Economic growth slowed down to 3.7 percent (in real terms) in 2013, in spite of a forecasted GDP growth of 4.5 percent at the beginning of the year as the combined growth from construction and manufacturing industry contracted by 14 percent. The biggest contributors to this year's GDP growth were the tourism sector and the transport and communications sector.

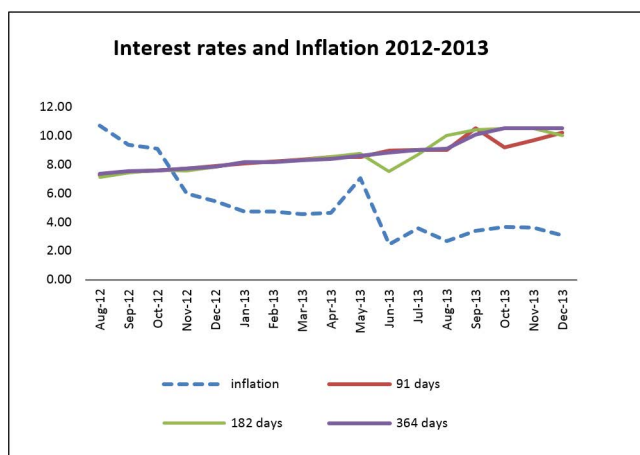


Source: MPAO calculations based on MMA monthly statistics

Tourism industry, which provides 28 percent of gross domestic product (GDP) of the nation, grew by 5.5 percent with more tourists arriving from China during the year, but failed to offset the decline in construction and manufacturing sector.

Growth in Transport and communications sector accounts for 19.6 percent of GDP and grew by 12.6 percent during 2013 powered by growth in tourism sector with the opening of new resorts particularly in the north of the country and followed by new transport links from the establishment of new regional airports. Fisheries and real estate services also experienced positive growth of 2.1 and 3.6 percent during 2013.

Fiscal deficit of the government is largely financed by the issuing Treasury Bills and the deficit has averaged at 11.5 percent for the past 5 years. Interest rates for Treasury Bills of all maturities have doubled since 2011 causing a crowding out effect in the market as bank lending towards private sector declined by 10% during 2012 and grew by only 1 percent during 2013 as banks increased holdings in Treasury Bills. Moreover, low gross international reserves, sufficient to cover only 2.6 months of projected imports in late 2013, mean any exchange rate shock is likely to challenge the stability of the currency.



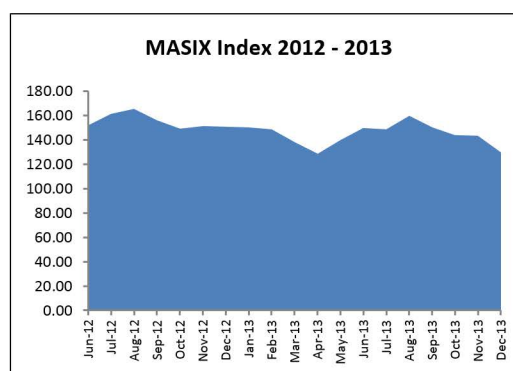
Source: MPAO calculations based on MMA monthly statistics

Inflation moderated during 2013 to an average rate of 4.02 percent, up from an average rate of 11.09 percent during 2012 as food prices in the domestic market came down during the year. The year ended with a December inflation rate of 3.07 percent.

The Equity Market

During 2013, a total of 943,492 shares worth MVR 2.8 million were traded in the Maldives Stock Exchange. The Stock Exchange Index fell to 129.80 at year end from 151.11 at the beginning of the year. Below is a summary of stock market trading by company during the year:

Company	Volume	Value (MRF)	Share of trading
AMT	935,950	1,953,500	68%
BML	3,369	396,685	14%
DHR	3396	263,030	9%
MTCC	47	15,370	1%
STO	520	213,896	7%
MTDC	210	21,000	1%
Total	943,492	2,863,481	100%



Source: MPAO calculations based on data from MASIX

Amaana Takaful dominated trading with 68 percent of the total shares traded on the stock exchange. The low average price of share for Amaana Takaful at MVR 2 helped share to be traded frequently throughout the year.

Dhiraagu, BML, MTCC and STO also experienced growth in shares traded compared to the previous year trades. Trading peaked during August reaching an average index of 159.51 while reaching its lowest during April with an average of 128.68.

Listed Company Performance

Based on the restated quarterly figures for 2013, MTCC's earnings per share in 2013 have increased to MVR 136.06 from MVR 96 in 2012. Profit for the year also increased by to MVR 36 million from MVR 26.1 million in 2012. The dividend yield for the latest quarter is 8.33 percent based on the latest trading price for the quarter of MVR 180 and the 2012 dividend share of MVR 15 as no dividends have been paid during 2013.

Dhiraagu experienced a fall in profit by 6 percent from MVR 633 million in 2012 to MVR 598 million in 2013. Earnings per share also declined to MVR 7.90 compared to equivalent figure of MVR 8.35 in 2012. Number of shares traded increased to 3396 from 1195 in 2012 and the share prices recorded a low of MVR 60 and high of MVR 95.

STO also experienced decline in earnings by 28 percent from MVR158 in 2012 to MVR 114 during 2013. Earnings per share stood at MVR 101.30 from MVR 140 in 2012 registering a decline of 28 percent. The number of shares traded improved to 520 during the year from 331 in 2012. Share prices recorded a high of MVR 510 and low of MVR 360.

Based on the revised quarterly figures for 2013, Bank of Maldives maintained strong its recovery position by increasing its net profit for the year by 107 percent with a net profit figure of MVR 776 for the year compared with MVR 374 million for 2012. BML's earning per share stood at MVR 116.11 in 2013 compared to MVR 69.58 in 2012. The stock prices recorded a high of MVR 175 and low of MVR 100 and there were 3369 shares traded during the year.

Money Market

Interest rates for Treasury Bills of all maturities have been increasing and have doubled since 2011, causing domestic investments to shift towards Treasury Bill investments as it became the most profitable investment available on the market. MPAO increased its investments in Treasury Bills and has been the non-bank majority investor in Treasury Bills, holding MVR 2.1 billion of the total MVR 8.2 billion outstanding by the end of 2013. This represents 26 percent of the total outstanding Treasury Bills on the market by the end of 2013. MPAO is cognizant of the exposure and continuously monitors the macroeconomic indicators and the public finances in order to take preemptive actions that may be necessary to mitigate any outcome that may negatively affect the members. Yield of T-bills for all maturities were above 10 percent, with that of 365 days having a yield of 10.50 percent. MMA's policy rate remained at 7 percent.

The local currency time deposit rates (2-3 years) increased to 4 percent compared to 3.8 percent in 2012. MPAO increased its investments in fixed deposits to MVR 245 million from MVR 224 million in 2012.

The MPAO Board continued to engage with finance industry stakeholders and government to continue to push for the introduction of equity and debt instruments so that the current concentration on the money market can be prudently diversified away into equities and bonds, which historically have generated above inflation returns.

Risk Management

With the establishment of the institution and expansion of the membership base of MRPS, there are number of challenges and risks posed in carrying out the operations. The MPAO Board places importance in the assessment of risks facing the institution and MRPS. Particularly, it focuses on the value of mainstreaming risk management and internal control systems within its business process.

As part of the risk management initiative, the board expanded the terms of reference of the Board's audit committee to oversee risk management processes and controls. In addition, the formulation of an organization-wide risk management framework has begun in 2013 which will be vital in identifying and mitigating risks faced by MPAO in its investments and operations.

Risks are also identified in the course of the regular statutory audits, where the external audits carried out reviews the effectiveness of the controls put in place in financial and operational areas.

MPAO also carried out special internal audits by engaging independent internal auditors to get an independent review of MPAO and the internal control processes.

The audit findings in terms of internal controls and risk areas are reported to Audit and risk Management Committee, where the recommendations are followed by management to strengthen the business processes.

Moreover, annual inspections carried out by the supervisory authority (CMDA) use a risk based approach and assist MPAO in overall risk management and strengthening internal controls and procedures.

The Board of Directors

Maldives Pension Act (8/2009) provides that the MPAO is an independent institution and is overseen by Board of Directors. The Board meets regularly throughout the year to consider developments in terms of MPAO strategy and long term objectives and to review operational and business performance. In particular, Board deals with matters reserved to the Board for decision-making, such as strategic planning, policy making, investment approval and budget expenditure.

Governance








Approach to governance emanates from MPAO's core values. Core values express and define the way MPAO shall conduct its business. They show the culture MPAO strives to foster within the institution. In addition, the processes and structures adopted by the Board define the division of responsibilities and allow the establishment of mechanisms for accountability.

In this regard, an important focus of MPAO work is to remain transparent within the restrictions of the Pension Act, by giving high priority to publicize the information as per MPAO's statutory requirements. This enables the scheme participants and other stakeholders to make a fair assessment of MPAO performance. MPAO strictly adheres to the accounting standards and other procedures provided under the regulatory bodies.

In the role of managing pension fund assets in accordance with the Pensions Act, investments are governed by the Statement of Investment Principles which defines investments that are appropriate to meet the objectives of scheme. The governance of the fund is further strengthened by third party supervision of Capital Market Development Authority (CMDA) and through the oversight responsibilities of the custodian.

In addition to this, the Board has in place rules of procedures to govern the activities of the Board.

In accordance to the Pension Act, the current board structure comprises of eight members, representing both Public and Private Sector. The composition of the Board is as follows.

	Board member	Term		Board member	Term
	Iyaz Waheed (Chairperson) General Manager Statuary Compliance Universal Enterprises	20th August 2009 to 19th August 2011 Reappointed on 20th August 2011 for 3 years term Appointed as Chairperson on 20th August 2012		Fathmath Sahudha Assistant Director National Social Protection Agency (NSPA)	Appointed on 26th January 2012
	Fareeha Shareef Managing Director FJS Consulting Pvt. Ltd	20th August 2009 to 19th August 2012 Reappointed 20th August 2012 for 3 years term		Mohamed Fizan Partner Shah, Hussain & Co. Barristers and Attorneys	Appointed on 20th August 2012 for 3 years term
	Mariyam Visam Director General Capital Market Development Authority	20th August 2009 – 19th August 2012 Reappointed 20th August 2012 for 3 years term		Ibrahim Ahmed Nasir Consultant United Nations Children's Fund	Appointed on 20th August 2012 for 3 years term
	Mujthaba Jaleel Head of Internal Audit Department Maldives Ports Limited	Appointed on 20th August 2011 for 3 years term			
	Mohamed Inaz Public Accounts Executive Ministry of Finance and Treasury	Appointed on 3rd January 2012 Resigned on 27 December 2013			

Board Appointments

The Board Members are appointed by the President of the Republic of Maldives. The Chairperson and the four private sector representatives are selected by the Selection Committee formed jointly by the Civil Service Commission, Ministry of Finance and Treasury, and the Ministry responsible for social security which currently is the Ministry of Health and Gender. All candidates for Board membership are scrutinized by the Capital Market Development Authority (CMDA) for regulatory compliance before the appointment among selected candidates. The term of each appointed Member is for three years. Members of the Board may be reappointed.

Board and Board committee meetings attendance

During the year 2013, the Board met 13 times. The Board meeting attendance is as follows:

	Meetings eligible to attend	Meetings attended
Iyaz Waheed	13	11
Mariyam Visam	13	11
Mujuthaba Jaleel	13	12
Fareeha Shareef	13	9
Mohamed Inaz	13	13
Fathmath Sahudha	13	10
Ibrahim Ahmed Nasir	13	13
Mohamed Fizan	13	13

Board Committees

The Board delegates specific responsibilities to Board committees, notably, the Audit and Risk Management Committee and the Investment Committee. Detailed reports of both the committees are provided in the annual report.

Board Succession

The year 2013 marked one major change in the Board membership. Mr. Mohamed Inaz, who represented Ministry of Finance and Treasury in the Board, resigned on 27 December 2013 in order to go abroad to pursue higher education. On behalf of all the current and former Board Directors we would like to thank Mr. Inaz for his contributions to MPAO.

Initiatives for Board effectiveness

In their oversight role, the Board is composed of diverse skillsets, experience and qualification to implement the functions of the Board.

In addition to this, to assist in performance of their governance

duties, since 2012, MPAO conducts a "New Board Member Induction Program" for new Board directors. The program includes sessions on governance concepts and procedures, director's roles and responsibilities, legal and compliance issues and regulators roles. It also covers sessions on the details of the Board committees directors shall join and contribute.

In addition, Board's learning was also ensured through external exposure conferences and seminars and other necessary trainings. In this respect, 3 Board members participated in a short training programme held locally and 3 members participated in 2 conferences and a short training held abroad.

Investment committee report

Introduction

Pursuant to section 9 of Maldives Pension Act, Investment Committee is responsible for the formulation of the Statement of Investment Principles. In addition, the Investment Committee ensures that the MRPS assets are invested prudently and in the best interest of MRPS members, with due regard to risk and liquidity of the investments.

Committee Composition

The Investment Committee comprise of three members, with a permanent membership of the Board member representing Ministry of Finance and Treasury. The other members are Board members representing the Private Sector.

Responsibilities

The Investment Committee formulates the Statement of Investment Principles (SOIP), which include the investment objectives, investment strategy and the governance process with regards to the investment regime of pension assets. The policies determined by the Investment Committee are executed after endorsement of the Board of MPAO.

Further, the Investment Committee is also responsible provision of advice to the board on the appointment of asset managers, investment advisors and custodians.

The SOIP defines, in broad terms, the manner in which the requirements of the Pension Act shall be fulfilled, instruments in which the Pension Assets may be invested, the performance benchmarks that the MPAO board expects to achieve from the investment of the Pension Assets, the major risks involved in investing the pension assets and strategies to manage these risks, the investment methods and expected yields, procedures to be followed in relation to decisions on investments.

	Meetings eligible to attend	Meetings attended
Fareeha Shareef	6	6
Mohamed Inaz*	6	4
Mohamed Fizan	6	6

*Resigned from the Board on 27 December 2013

Committee Activity Review

During the year, the Committee held important discussions on strengthening governance and setting a long term investment strategy for MRPS.

The Investment Committee is grateful for the contributions made by Mr. Jeremy Gadbury, Investment Expert of MPAO.

At the beginning of the year, a paper outlining a series of operable parameters for MRPS was presented to the board based on the guidelines set by CMDA and in the Pension Act. The paper recommended the board to amend the Strategic Asset Allocation (SAA) and the Statement of Investment Principles (SOIP) to set clear exposure limits and to broaden asset definition by including bonds listed on Maldives Stock exchange. The Committee made a decision to adopt the investment rules set for MRPS as Consolidated Investment Rules and to bring the highlighted amendments to the Strategic Asset Allocation (SAA) and to the Statement of Investment Principles (SOIP).

In addition, a paper suggesting ways to strengthen pre-trade and post-trade compliance was also presented to the board. A decision was made to adopt the suggestions and to amend the custodian agreement to facilitate these changes. A decision was also made to hire a Compliance Manager and to develop a Risk Management Framework for MPAO and MPRS. Furthermore, it was decided to work towards a timeframe for complying with the CFA Asset Manager Code and Code of Professional Conduct outlined in the Asset Management guidelines set by CMDA.

Investment Committee also held discussions with CMDA to clarify its position as Pension Regulator regarding the issue of placing investments with the Custodian bank and to expand investments beyond Government instruments and State Owned Enterprises (SOE's) as a means to diversify MRPS portfolios. A decision was made to obtain legal opinion on this matter and to meet with relevant government agencies to discuss this issue further.

Discussions were held regarding receiving contributions in foreign currency to accommodate employer requests to make this arrangement. After taking into consideration the difficulties in currency unitization and issues in determining a suitable exchange rate for currency conversion, it was decided to accept contributions and make payout payments in Maldivian Rufiyaa. However, the Committee agreed to discuss the possibility of maintaining a separate foreign currency portfolio in the future.

A number of decisions were also made regarding the internal operation of MRPS. As a means of monitoring MRPS performance, the investment committee recommended MPAO management to devise a MRPS index for all portfolios and to use the index for internal benchmarking purposes. Regarding the MRPS management fee it was decided to extend the current practice of charging an administration fee of 1% on the portfolios until the end of 2014 and to review the fee on an annual basis.

The committee also made a decision to establish MRPS Fund Management division within the MPAO organizational structure and to appoint the CEO in charge of the division, having responsibilities for the day to day management of the MRPS assets and to delegate any authority that may be deemed necessary. However, all major investment decisions must be referred to MPAO board for approval.

Regarding investments, deliberations were made on the HDFC Bond Issue. The structure of this Sukuk issuance is based on the "Shariah" principle of "Mudaraba" (Money Management). The total issue comprised of 100,000 "Sukuk" with MVR 500.00 each with maturity of 10 years and pays 65% of gross profit (income before operating expenses) generated specifically from Shariah Investments. Based on the due diligence analysis on the issue, the board decided to propose MPAO board to subscribe to 30000 Sukuk worth MVR 15 million.

Audit and risk management committee report

Introduction

The Board of Maldives Pension Administration Office (MPAO) established Audit Committee on 14th July 2010 primarily for the purpose of assisting the Board to oversee financial reporting and internal controls of Pension Schemes and MPAO. On 30th January 2012, the responsibilities of the committee were broadened to include risk management function under its mandate and as such the committee's name was changed as "Audit and Risk Management Committee (ARMC)".

During the year 2013, the executive management of MPAO reported to ARMC on issues related to audit and matters related to risk, accounting and financial reporting.

Committee Composition

ARMC is comprised of four Board members. At the onset of 2013, members of the ARMC were Mujuthaba Jaleel (Chairperson), Ibrahim Ahmed Nasir (member), Mohamed Inaz (member) and Fathmath Sahudha (member). However, as on 26th December 2013, Mohamed Inaz resigned from the Board to go abroad for higher education; by the end of the year 2013 only 3 members remained in ARMC.

Responsibilities

ARMC is entrusted with the responsibility of overseeing functions in relation to external audit process both the conduct and outcome. ARMC is also responsible for reporting the Board in relation to approving the terms of engagement and scope of work of external auditor. Additionally, ARMC is required to oversee internal audit process, systems of internal control and risk management to ensure integrity of financial reporting of MPAO.

Committee Meetings

During the fiscal year 2013 a total of 5 ARMC meetings were held.

Committee Attendance

	Meetings eligible to attend	Meetings attended
Mujuthaba Jaleel	5	5
Fathmath Sahudha	5	5
Ibrahim Ahmed Nasir	5	5
Mohamed Inaz*	5	5

*Resigned from the Board on 27 December 2013

Committee Activity Review

In year 2013, ARMC held a total of 5 meetings and discussed issues related to external audit, internal audit and internal controls of MPAO.

With regard to external audit, ARMC reviewed the evaluations done by an evaluation panel comprising of senior management staff members of MPAO to select an external auditor for the three years, 2012, 2013 and 2014. ARMC endorsed the evaluations done by panel and recommended the audit firm KPMG for appointment by the Board. During the year 2013, ARMC also met with external auditor to discuss issues related to draft audited financial accounts for the year ended 31st December 2012.

During 2013, with regard to internal audit, ARMC reviewed an internal audit report submitted by Ernst & Young after conducting systems audit of MRPS in fulfillment of the World Bank funded Pension Project requirement.

ARMC also received updates on internal control responsibilities and reviewed policy papers and frameworks prepared on this matter. In this regard, ARMC reviewed Unitization policy of Pension Fund, risk management framework for MPAO and MRPS. Other review activities carried out by ARMC include reviewing MPAO's operational budget expenditure statements for the year 2013.

Outlook

Looking forward, 2014 will be a significant year for MPAO. The planned initiatives for development and strengthening of the institution will start to take shape through a structured 5 year Strategic Plan. The main objectives of this Strategic Plan are as follows.

- Educating stakeholders and interest groups on Maldives pension system.
- Expanding the membership coverage of an inclusive MRPS.
- Enhancing the ICT model to align with organizational needs.
- Ensuring principles of good governance.
- Ensuring innovation and continuous service improvement.
- Ensuring an independent and strengthened investment management function.
- Ensuring dedicated and productive human capital.
- Ensuring an eco-conscious, productive and automated work place.

Financial Statements

**MALDIVES PENSION ADMINISTRATION OFFICE
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8 OF 2009)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2013**

**MALDIVES PENSION ADMINISTRATION OFFICE
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8 OF 2009)
FINANCIAL STATEMENTS**

For the year ended 31st December 2013

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Independent Auditors' Report To the Board of Directors of Maldives Pension Administration Office

We have audited the accompanying financial statements of the Maldives Pension Administration Office ("MPAO"), which comprises the statement of financial position as at 31st December 2013, and the statement of income and expenditure, changes in accumulated fund and cash flows for the period then ended and related notes exhibited in pages 2 to 17.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to MPAO's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MPAO's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of MPAO as at 31st December 2013, and of its net income over expenditure and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants

29th May 2014
Male'

**MALDIVES PENSION ADMINISTRATION OFFICE
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8 OF 2009)
STATEMENT OF INCOME AND EXPENDITURE**

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2013 Mrf	2012 Mrf Restated
Income			
Grants Received	6	2,000,000	14,012,421
Management Fee	7	20,950,458	12,392,557
Other Income	8	914,552	195,800
Total Income		<u>23,865,010</u>	<u>26,600,778</u>
Less : Expenditure			
Salaries and allowances	9	8,396,159	7,610,457
Stationery and Office Requisites		134,760	137,273
Administrative Supplies		58,735	63,907
Communication		486,762	495,901
Publication and Announcement		462,836	127,965
Carriage and Conveyance		65,117	61,559
Travel, Training and Seminars		2,072,468	894,514
Professional Services Fees		792,647	95,500
License, Maintenance and Supporting Service Fee		83,525	-
Maintenance and Repair		100,563	47,318
Bank Charges and Custodian Fees	10	5,186,981	3,372,978
Depreciation	11	911,969	844,846
Total Expenditure		<u>18,752,522</u>	<u>13,752,218</u>
Net Income over Expenditure for the year		<u>5,112,488</u>	<u>12,848,560</u>

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the MPAO set out on pages 6 to 17. The Report of the Independent Auditors is given in page 1.

MALDIVES PENSION ADMINISTRATION OFFICE
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8 OF 2009)
STATEMENT OF FINANCIAL POSITION

AS AT	Note	31/12/2013 MRf	31/12/2012 MRf Restated	1/1/2012 MRf Restated
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	11	2,261,630	2,276,000	2,514,693
Intangible Assets	12	8,141,760	5,828,760	5,088,600
Total Non-Current Assets		<u>10,403,390</u>	<u>8,104,760</u>	<u>7,603,293</u>
Current Assets				
Prepayment and Other Receivables	13	2,224,468	16,964,605	4,581,263
Cash and Cash Equivalents	14	26,805,014	5,281,284	10,887,967
Total Current Assets		<u>29,029,482</u>	<u>22,245,889</u>	<u>15,469,230</u>
Total Assets		<u>39,432,872</u>	<u>30,350,649</u>	<u>23,072,523</u>
ACCUMULATED FUNDS AND LIABILITIES				
Accumulated Fund				
Accumulated Fund		32,027,975	26,918,237	22,235,122
Total Accumulated Fund		<u>32,027,975</u>	<u>26,918,237</u>	<u>22,235,122</u>
Current Liabilities				
Accrued Expenses and Other Payables	15	7,404,897	3,432,412	837,401
Total Current Liabilities		<u>7,404,897</u>	<u>3,432,412</u>	<u>837,401</u>
Total Accumulated Fund and Liabilities		<u>39,432,872</u>	<u>30,350,649</u>	<u>23,072,523</u>

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the MPAO set out on pages 6 to 17. The Report of the Independent Auditors is given in page 1.

These financial statements were approved by the board of directors and signed on its behalf by;

Name of the Director

IYAS WAHEED.....

MUSJITHABA JALEEL.....

MOHAMED HUSSAIN MANIKU.....

Signature



Musjithaba



29th May 2014

**MALDIVES PENSION ADMINISTRATION OFFICE
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8 OF 2009)
STATEMENT OF CHANGES IN ACCUMULATED FUNDS**

FOR THE YEAR ENDED 31ST DECEMBER 2013

	<u>Accumulated Fund</u>
	<u>MRf</u>
As at 1st January 2012 as previously Stated	22,120,122
Impact of Error Correction (Note : 22)	<u>115,000</u>
Balance as at 1st January 2012 restated	22,235,122
Income over Expenditure for the year	12,848,560
Refund of Previous year excess funds	(8,165,445)
Balance as 31st December 2012	<u><u>26,918,237</u></u>
Balance as at 1st January 2013	26,918,237
Income over Expenditure for the year	5,112,488
Refund of Previous year excess funds	(2,750)
Balance as at 31st December 2013	<u><u>32,027,975</u></u>

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the MPAO set out on pages 6 to 17. The Report of the Independent Auditors is given in page 1.

**MALDIVES PENSION ADMINISTRATION OFFICE
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8 OF 2009)
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2013 MRf	2012 MRf Restated
Cash Flows From Operating Activities			
Net Income Over Expenditure for the year		5,112,488	12,848,560
<i>Adjustments for</i>			
Depreciation	11	911,969	844,846
Operating Surplus before Work in Capital Changes		<u>6,024,457</u>	<u>13,693,406</u>
<i>Working capital changes</i>			
Change in Prepayment and Other Receivables		14,740,137	(12,383,342)
Changes in Accrued expenses and other Payables		3,972,485	2,595,011
Net Cash from Operating Activities		<u>24,737,079</u>	<u>3,905,075</u>
Cash Flows from Investment Activities			
Acquisition of Property, Plant and Equipment	11	(897,599)	(606,153)
Acquisition of Intangible Assets	12	(2,313,000)	(740,160)
Net Cash Used in Investment Activities		<u>(3,210,599)</u>	<u>(1,346,313)</u>
Cash Flows from Financing Activities			
Refund of Previous year excess funds		(2,750)	(8,165,445)
Net Cash Used in Financing Activities		<u>(2,750)</u>	<u>(8,165,445)</u>
Net Increase/(decrease) in Cash and Cash Equivalents		21,523,730	(5,606,683)
Cash and Cash Equivalents at Beginning of the Year		5,281,284	10,887,967
Cash and Cash Equivalents at End of the Year	14	<u>26,805,014</u>	<u>5,281,284</u>

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the MPAO set out on pages 6 to 17. The Report of the Independent Auditors is given in page 1.

**MALDIVES PENSION ADMINISTRATION OFFICE
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8 OF 2009)
NOTES TO THE FINANCIAL STATEMENTS**

1. REPORTING ENTITY

Maldives Pension Administration Office (“MPAO”) was formed on 13th May 2009 under Maldives Pension Act No 8/2009. The registered office is located at Ameenee Magu, Republic of Maldives. MPAO is an independent legal entity with perpetual succession and with a separate seal under the Act.

The principal activities of MPAO are;

- Administering the Pension Schemes established under the Act.
- Providing the Maldives Retirement Pension.
- Formulating regulations, standards and guidelines to operate the schemes established under the Act.
- Paying Maldives Old-Age Basic Pensions established under the Act.
- Conducting public awareness programmes on the pension schemes established under the Act.
- Taking measures considered necessary by the Pension Office in order to discharge its functions under the Act.

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 basis.

(c) Functional and Presentation Currency

These financial statements are presented in Maldivian Rufiyaa, which is MPAO’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 financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in MPAO’s financial statements is included in the respective notes.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the relevant notes.

**MALDIVES PENSION ADMINISTRATION OFFICE
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8 OF 2009)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by MPAO.

3.1 Foreign Currency Transactions

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 translation are recognized in the income and expenditure statement.

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.

3.2 Financial Instruments

(i) Financial Assets (Non-derivative)

MPAO initially recognizes receivables and deposits on the date that they are originated.

MPAO derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by MPAO is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, MPAO has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

MPAO has the following financial assets (non-derivative):

- Receivables
- Cash and Cash Equivalent

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Receivables comprise management fee receivables.

Cash and cash equivalents comprise cash in hand and balance with banks.

**MALDIVES PENSION ADMINISTRATION OFFICE
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8 OF 2009)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial Instruments (Continued)

(ii) Financial Liabilities (Non-derivative)

MPAO recognizes financial liabilities (including liabilities designated at fair value through profit or loss) on the trade date at which MPAO becomes a party to the contractual provisions of the instrument. MPAO derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, MPAO has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

MPAO has other payables as non-derivative financial liabilities. This financial liability is recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

3.3 Property, Plant and Equipment

(i) Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

(ii) Subsequent Costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to MPAO, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

**MALDIVES PENSION ADMINISTRATION OFFICE
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8 OF 2009)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, Plant and Equipment (Continued)

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that MPAO will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Computers and communication equipment	3-5 years
Office equipment	3-5 years
Furniture and fittings	3 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The charge for the depreciation commences from the month on which the property, plant and equipments are ready for use.

3.4 Intangible Asset

(i) Recognition and Measurement

Intangible assets that are acquired by the entity and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses if any.

(ii) Subsequent Expenditure

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

(iii) Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Computer Software	Over 5 years
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Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**MALDIVES PENSION ADMINISTRATION OFFICE
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8 OF 2009)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. DETERMINATION OF FAIR VALUES

A number of MPAO's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Receivables

The fair value of other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(ii) Financial liabilities (Non-derivative)

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5. NEW STANDARDS AND INTERPRATATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st January 2014 and have not been applied in preparing these financial statements. Those which may be relevant to the MPAO are set out below.

Title	Effective Date	Description	Expected adoption date and impact on the MPAO
IFRS 9 "Financial Instruments"	Annual periods beginning on or after 1 st January 2018.	This IFRS requires that MPAO classifies its financial assets as subsequently measured at either amortized cost or fair value depending on the MPAO's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.	The MPAO will not early adopt this standard. The adoption of this standard is not expected to have a significant impact on the MPAO's assets and liabilities.
IAS 32 "Financial Instruments: Presentation"	Annual periods beginning on or after 1 st January 2014.	Amendments to this IFRS clarify the offsetting criteria by explaining when a MPAO currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement.	The MPAO will not early adopt new amendment to this standard. The adoption of this standard is not expected to have a significant impact on the MPAO's assets and liabilities.

**MALDIVES PENSION ADMINISTRATION OFFICE
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8 OF 2009)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2013

6 GRANTS RECEIVED	2013	2012
	MRf	MRf
Grants Received from the Government	<u>2,000,000</u>	<u>14,012,421</u>

An amount of MRF 2,000,000/- has been received from the Government of Maldives during the year 2013. Further in accordance with the Maldives Pension Act 8/2009, a subsidy may be provided from the government budget in order to cover operational expenses of the Maldives Retirement Pension Scheme until the asset management fee on pension assets increase such that the cost could be recovered fully from the participants of the scheme.

7 MANAGEMENT FEE	2013	2012
Management fee	<u>20,950,458</u>	<u>12,392,557</u>

Management Fee Income is the income recognized for managing the assets of the Maldives Retirement Pension Scheme (MRPS). Management fee has been recognized on an accrual basis based on the daily asset value of the MRPS Fund at the rate of 1% per annum.

8 OTHER INCOME	2013	2012
	MRf	MRf
		Restated
Fine Charges	279,000	195,800
Reimbursement Income	<u>635,552</u>	<u>-</u>
	<u>914,552</u>	<u>195,800</u>

9 SALARIES AND ALLOWANCES	2013	2012
	MRf	MRf
Directors' Remuneration	990,000	910,000
Retirement Contribution Obligations	456,617	414,106
Employee Insurance	62,454	70,127
Salaries and Wages	<u>6,887,088</u>	<u>6,216,224</u>
	<u>8,396,159</u>	<u>7,610,457</u>

10 BANK CHARGES AND CUSTODIAN FEES	2013	2012
	MRf	MRf
Bank Charges	102,167	60,563
Custodian Fees (Note 10.1)	<u>5,084,814</u>	<u>3,312,415</u>
	<u>5,186,981</u>	<u>3,372,978</u>

10.1 MPAO is paying custodian fees to Bank of Maldives at the rate of .20% based on the total investment standing of Maldives Retirement Pension Scheme as at the end of the year.

**MALDIVES PENSION ADMINISTRATION OFFICE
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8 OF 2009)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2013

16 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect MPAO's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(a) Currency Risk

The MPAO's exposure to foreign currency risk was as follows based on notional amounts:

Exposure to currency risk

	31/12/2013	31/12/2012
	US\$	US\$
Cash and Balances with Banks	18,437	-
Gross statement of financial position exposure	<u>18,437</u>	<u>-</u>

The following significant exchange rates were applied during the year:

	Reporting Date			
	Average Rate		Spot Rate	
	2013	2012	31/12/2013	31/12/2012
1US\$: MRF	<u>15.42</u>	<u>15.42</u>	<u>15.42</u>	<u>15.42</u>

17 CAPITAL COMMITMENTS

There were no material capital commitments approved or contracted as at the reporting date.

18 CONTINGENT LIABILITIES

There were no contingent liabilities which require disclosure in the financial statements as at the date of the financial position.

19 EVENTS AFTER THE REPORTING DATE

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

20 COMPARATIVE INFORMATION

Comparative information of the financial statements have been reclassified whenever necessary to confirm with the current year's presentation.

21 RELATED PARTY TRANSACTIONS

21.1 Transactions with Key Management Personnel

The Board of Directors of MPAO are members of the key management personnel. The Company has paid an amount of MRF. 1,006,000/- as emoluments to the key management personnel during the year ended 31st December 2013 (2012 : MRF. 910,000/-).

**MALDIVES RETIREMENT PENSION SCHEME
(ADMINISTERED BY THE MALDIVES PENSION ADMINISTRATION OFFICE)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2013**

**MALDIVES RETIREMENT PENSION SCHEME
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)
FINANCIAL STATEMENTS**

For the year ended 31st December 2013

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Independent Auditors' Report To the members of Maldives Retirement Pension Scheme (Administered by Maldives Pension Administration Office)

We have audited the accompanying financial statements of Maldives Retirement Pension Scheme ("MRPS"), which comprise the statement of financial position as at 31st December 2013, the statements of comprehensive income, changes in net assets and cash flows for the year then ended and related notes exhibited in pages 3 to 17.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the MRPS's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MRPS's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

1. In accordance with the Section 25 of the Maldives Pension Act No 8 of 2009, "public service employees" who have not reached the age of 65 years at the commencement of this Act shall have their Accrued Pension Rights deposited in their Retirement Savings Accounts in the form of Recognition Bonds of the Government. As explained in the Note 8.1 to the financial statements, MRPS has recognized revenue of MRF. 2,380,156,835/- as initial contribution from the Government on Accrued Pension Rights for the period ended 31st December 2010 and an amount of MRF. 5,276,713/- as net adjustment for contribution from the Government on initial Accrued Rights for the year ended 31st December 2013 (2012: 17,568,940/-). Further, as explained in the Note 15 to the financial statements, an amount of MRF 2,249,904,372/- has been recognized as Accrued Pension Rights Receivables as at 31st December 2013 (2012: MRF. 2,285,743,717/-).

Basis for Qualified Opinion (Continued)

1. However, the Government of Maldives has not issued the Recognition Bonds for the amount of MRf 2,249,904,372/- as at 31st December 2013 (2012: MRf. 2,285,743,717/-). Further, in accordance with the agreement between Maldives Pension Administration Office and the Ministry of Finance and Treasury dated 19th September 2011, both parties have agreed to recognize the Initial Accrued Pension Rights of MRf. 2,380,156,835/- subject to a variation of 5% of the rights.

2. As per Note 6 to the financial statements, MRPS has recognized interest income from Recognition Bond of MRf. 169,386,571/- for the year ended 31st December 2013 (2012: MRf. 168,081,105/-), and as discussed in the Note 15 to the financial statements, an amount of MRf 509,283,363/- has been recognized as Interest Receivables on Recognition Bonds as at 31st December 2013 (2012: MRf. 346,315,002/-). The interest income from Recognition Bond depends on the initial Recognition Bond value. Due to the matters described in the above paragraph, we are unable to verify the value of the recognition bond. Accordingly, we are unable to verify the completeness and accuracy of the interest income from Recognition Bond of MRf. 169,386,571/- for the year ended 31st December 2013 (2012: MRf. 168,081,105/-) and Interest Receivables on Recognition Bonds of MRf 509,283,363/- as at 31st December 2013 (2012: MRf. 346,315,002/-).

Qualified Opinion

In our opinion, except for the effects of the matters described in basis for qualified opinion paragraphs, the financial statements give a true and fair view of the financial position of the MRPS as at 31st December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Accountants

26th May 2014

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**MALDIVES RETIREMENT PENSION SCHEME
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)
STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2013 MRF	2012 MRF
Income			
Interest income	6	316,569,141	240,014,143
Dividend income	7	6,175,000	10,012,500
Contribution revenue	8	749,062,730	713,564,560
Other Income	9	614,281	398,307
Total income		<u>1,072,421,152</u>	<u>963,989,510</u>
Expenses			
Management fee	10	21,080,388	12,392,557
Benefits paid to members		25,436,695	21,413,249
Other Expenses		4,480	-
Total expenses		<u>46,521,563</u>	<u>33,805,806</u>
Net Increase in net asset available for benefits		<u>1,025,899,589</u>	<u>930,183,704</u>

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the MRPS set out on pages 7 to 17. The Report of the Independent Auditors is given on pages 1 and 2.

**MALDIVES RETIREMENT PENSION SCHEME
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)
STATEMENT OF FINANCIAL POSITION**

AS AT 31ST DECEMBER	Note	2013 MRf	2012 MRf
ASSETS			
Cash and cash equivalents	11	20,646,861	19,969,229
Other receivables	12	2,386,694	6,272,982
Financial assets held to maturity	13	2,389,623,414	1,550,798,675
Available-for-sale investment	14	146,864,834	100,000,000
Recognition bond	15.1	2,759,187,735	2,632,058,719
Total assets		<u>5,318,709,538</u>	<u>4,309,099,605</u>
LIABILITIES			
Other payables	16	2,368,555	18,554,209
Balance in contribution collection account	17	14,180,621	14,284,623
Total liabilities		<u>16,549,176</u>	<u>32,838,832</u>
Reserves and Accumulated members' balance			
Accumulated members balance		<u>5,302,160,362</u>	<u>4,276,260,773</u>
Reserves and Accumulated members' balance		<u>5,302,160,362</u>	<u>4,276,260,773</u>
Total reserve & accumulated members balance and Liabilities		<u><u>5,318,709,538</u></u>	<u><u>4,309,099,605</u></u>

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the MRPS set out on pages 7 to 17. The Report of the Independent Auditors is given on pages 1 and 2.

The financial statements were approved by the board of directors and signed on its behalf by:

Name of the Director

..... IYAZ WAHEED

..... MUJIBABA JALEEL

..... MOHAMED HUSSAIN MANIKU

26th May 2014

Signature


.....

.....

.....

**MALDIVES RETIREMENT PENSION SCHEME
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)
STATEMENT OF CHANGES IN NET ASSETS**

FOR THE YEAR ENDED 31ST DECEMBER 2013

	Accumulated Members' Balance MRf
Balance as at 1st January 2012	3,346,077,069
Total Comprehensive Income	
Net Increase in net asset available for benefits	<u>930,183,704</u>
Balance as at 31st December 2012	<u><u>4,276,260,773</u></u>
Balance as at 1st January 2013	4,276,260,773
Total Comprehensive Income	
Net Increase in net asset available for benefits	<u>1,025,899,589</u>
Balance as at 31st December 2013	<u><u>5,302,160,362</u></u>

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the MRPS set out on pages 7 to 17. The Report of the Independent Auditors is given on pages 1 and 2.

**MALDIVES RETIREMENT PENSION SCHEME
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER

	Note	2013 MRf	2012 MRf
Cash flows from operating activities			
Contribution received to Contribution Collection Account (CCA)		741,927,885	701,250,019
Amount received for matured recognition bond accrued right		45,239,051	67,634,360
Fine on late contribution		614,281	398,307
Interest received		104,218,490	56,209,767
Management fee Paid		(35,703,494)	(129,939)
Other Expenses		(4,480)	-
Benefit paid to members		(25,481,818)	(22,200,702)
Net Cash from operating activities		<u>830,809,915</u>	<u>803,161,812</u>
Cash flows from investing activities			
Dividend Received	7	6,175,000	10,012,500
Proceed from sale of investments		1,657,856,311	2,912,316,013
Payments for purchase of investments		(2,433,376,661)	(3,764,924,977)
Investment made on Sukuk		(15,000,000)	-
Investment made on Bond	14.1	(50,000,000)	-
Repayment of principle	14.1	4,213,067	-
Net Cash used in investment activities		<u>(830,132,283)</u>	<u>(842,596,464)</u>
Net Increase/(Decrease) in cash and cash equivalents		677,632	(39,434,652)
Cash and cash equivalents at beginning of the period		<u>19,969,229</u>	<u>59,403,881</u>
Cash and cash equivalents at end of the period	11	<u>20,646,861</u>	<u>19,969,229</u>

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the MRPS set out on pages 7 to 17. The Report of the Independent Auditors is given on pages 1 and 2.

**MALDIVES RETIREMENT PENSION SCHEME
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by MRPS.

3.1 Foreign Currency Transactions

Transactions in foreign currency are translated to Maldivian Rufiyaa at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in currencies are translated to Maldivian Rufiyaa at the exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognized in the statement of changes in net assets available for benefits.

Non-monetary assets and liabilities, which are measured at historical cost, denominated in foreign 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 foreign currencies are translated to Maldivian Rufiyaa at the exchange rates ruling at the dates the values were determined.

3.2 Financial Instruments

(i) Financial Assets (Non-derivative)

The MRPS initially recognizes receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the MRPS becomes a party to the contractual provisions of the instrument.

The MRPS derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the MRPS is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the MRPS has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The MRPS has the following financial assets (non-derivative):

- Receivables
- Cash and cash equivalents
- Investments held to maturity
- Available for sale financial assets

Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Receivables comprise contribution receivables from members and other receivables.

**MALDIVES RETIREMENT PENSION SCHEME
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial Instruments (Continued)

Cash and cash equivalent

Cash and cash equivalents comprise balances with banks.

Held-To-Maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the MRPS has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available for sale.

Held-to-maturity investments are carried at amortized cost using the effective interest method. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available for sale, and would prevent the MRPS from classifying investment securities as held to maturity for the current and the following two financial years.

However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value
- Sales or reclassifications after the MRPS has collected substantially all of the asset's original principal
- Sales or reclassifications attributable to non-recurring isolated events beyond the MRPS's control that could not have been reasonably anticipated.

MRPS possess investment in Treasury Bills, Investment in Fixed Deposit & Investments in Sukuk classified as held to maturity.

Available-for-sale

The MRPS's investments in equity securities and bond securities are classified as available-for-sale financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive income and presented in the fair value reserve in equity.

(ii) Financial Liabilities (Non-derivative)

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the MRPS becomes a party to the contractual provisions of the instrument. The MRPS derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

**MALDIVES RETIREMENT PENSION SCHEME
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial Instruments (Continued)

(ii) Financial Liabilities (Non-derivative) (Continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the MRPS has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The MRPS has other payables and balances in the Contribution Collection account as non-derivative financial liabilities. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

3.3 Impairment

(i) Financial Assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The MRPS considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets arising through significant or prolonged declines in fair value are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Impairment (Continued)

(iii) Non-financial Assets

The carrying amounts of the MRPS's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in statement of changes in net assets available for benefits.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.4 Provisions

A provision is recognized if, as a result of a past event, the MRPS has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

3.5 Investment Income

Interest income is recognized as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortization of any discount or premium, transaction cost or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Dividend income is recognized in the income statement when the right to receive dividend is declared.

3.6 Contribution Revenue

Contribution revenue from employees and members is recognized when the control and the benefits from the revenue have transferred to the MRPS. Any un-reconciled contributions are held in Contribution Collection Account and are not recognized as revenue.

Contribution revenue from accrued rights is recognized when the government issues the recognition bonds for respective employees.

Revenue from fines on late contribution payments are recognized on accrual basis to the extent that the amount is recoverable.

3.7 Events Occurring After the Reporting Date

The materiality of the events occurring after the reporting date has been considered and appropriate adjustments and provisions have been made in the financial statements wherever necessary.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. DETERMINATION OF FAIR VALUES

A number of the MRPS's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Receivables

The fair value of receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(ii) Financial liabilities (Non-derivative)

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(iii) Investment in Equity Securities

The fair value of investments in equity securities in an active market is determined with reference to their quoted closing bid price at the measurement date. The fair value of investments in equity securities which are not traded in an active market is determined using an appropriate valuation technique.

5. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st January 2014 and have not been applied in preparing these financial statements. Those which may be relevant to the MRPS are set out below.

Title	Effective Date	Description	Expected adoption date and impact on the MRPS
IFRS 9 "Financial Instruments"	Annual periods beginning on or after 1 st January 2018.	This IFRS requires that MRPS classifies its financial assets as subsequently measured at either amortized cost or fair value depending on the MRPS's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.	The MRPS will not early adopt this standard. The adoption of this standard is not expected to have a significant impact on the MRPS's assets and liabilities.
IAS 32 "Financial Instruments: Presentation"	Annual periods beginning on or after 1 st January 2014.	Amendments to this IFRS clarify the offsetting criteria by explaining when a MRPS currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement.	The MRPS will not early adopt new amendment to this standard. The adoption of this standard is not expected to have a significant impact on the MRPS's assets and liabilities.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2013

6 INTEREST INCOME	2013 MRf	2012 MRf
Interest income from treasury bills	137,213,887	64,561,411
Interest income from fixed deposits	7,015,782	7,371,627
Interest income from HDFC bond	2,952,901	-
Interest income from recognition bonds (Note 6.1)	169,386,571	168,081,105
	<u>316,569,141</u>	<u>240,014,143</u>

6.1 Interest income from recognition bonds

Interest on Recognition Bonds is calculated quarterly every year using compound interest basis based on the value of recognition bonds deposited to individual retirement savings account. The bonds attract interest based on quarterly consumer price index (CPI) and quarterly gross domestic product (GDP) growth in the Maldives. Further, on 1st July 2012, above interest calculation basis was changed to apply the previous year end highest one year fixed deposit rate which was published by Maldives Monetary Authority for the forthcoming year interest rate for the recognition bond.

7 DIVIDEND INCOME	2013 MRf	2012 MRf
Dividend income from Dhivehi Rajjeyge Gulhun PLC	6,175,000	10,012,500

8 CONTRIBUTION REVENUE	2013 MRf	2012 MRf
Contributions from employers	376,483,374	352,523,439
Contributions from members	367,302,643	343,472,181
Net adjustment to Contribution from government on accrued rights (Note 8.1)	5,276,713	17,568,940
	<u>749,062,730</u>	<u>713,564,560</u>

8.1 Net adjustment to Recognition Bond on initial accrued rights

In accordance with section 25 of the Maldives Pension Act No 8 of 2009, "public service employees" who have not reached the age of 65 years at the commencement of this Act shall have their Accrued Pension Rights deposited in their Retirement Savings Accounts in the form of Recognition Bonds of the Government. As per the agreement between Maldives Pension Administration Office and the Ministry of Finance and Treasury dated 19th September 2011, both parties have agreed to recognize the Accrued Pension Rights of MRf. 2,380,156,835/- subject to a variation of 5% of the rights. Accordingly, MRPS has recognized revenue of MRf. 2,380,156,835/- as contribution from the Government on Accrued Pension Rights during the period ended 31st December 2010. However due to subsequent changes to initial recognition bond value, MRPS has recognized a net contribution of MRf. 5,276,713/- during the year ended 31st December 2013 (2012: MRf. 17,568,940/-) for the adjustment of initial recognition bond amount.

9 OTHER INCOME	2013 MRf	2012 MRf
Income from fines on the late Contributions	614,281	398,307

10 MANAGEMENT FEE	2013 MRf	2012 MRf
Management fee	21,080,388	12,392,557

In accordance with the section 6 (d) of Maldives Pension Act 8/2009, the MPAO is entitled to charge a fee towards the administration of the scheme from the members. Based on the daily asset value of the members' balance of the MRPS, prior to 2013 the fee was charged only on member balances in the Investment Portfolio. The Board of MPAO decided to levy fee on the Sharia and Conservative portfolio members effective from January 2013. The fees are subject to review on an annual basis. Management Fees are accounted for on accrual basis at the rate of 1% per annum.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2013

	31/12/2013	31/12/2012
	MRf	MRf
11 CASH AND CASH EQUIVALENTS		
Cash at bank (Note 11.1)	20,646,861	19,969,229
11.1 Cash at Bank		
Cash balance in Contribution Holding Account	6,433,264	5,576,444
Cash balance in Contribution Collection Account	14,180,621	14,284,623
Cash balance in Maldives Islamic Bank	32,976	108,162
	<u>20,646,861</u>	<u>19,969,229</u>
12 OTHER RECEIVABLES		
Receivable for Accrued Rights matured during the year	1,449,030	6,138,497
Other Receivables	937,664	134,485
	<u>2,386,694</u>	<u>6,272,982</u>
13 FINANCIAL ASSETS HELD TO MATURITY		
Treasury bills	2,128,710,778	1,321,779,335
Fixed deposits	245,912,636	229,019,340
Investment in Sukuk	15,000,000	-
	<u>2,389,623,414</u>	<u>1,550,798,675</u>
14 AVAILABLE-FOR-SALE INVESTMENT		
Investment in HDFC Bond (Note : 14.1)	46,864,834	-
Purchased share from Dhivehi Rajjeyge Gulhun PLC (Note : 14.2)	100,000,000	100,000,000
	<u>146,864,834</u>	<u>100,000,000</u>
14.1 Investment in HDFC Bond		
Investment made during the year	50,000,000	-
Interest accrued during the year	2,952,901	-
Interest paid during the year	(1,875,000)	-
Principle repayment during the year	(4,213,067)	-
Balance as at 31st December	<u>46,864,834</u>	<u>-</u>
	2013	2012
	MRf	MRf
14.2		
The Company has acquired 5,000 Bond of Housing Development Finance Corporation PLC at MRf. 10,000/- each on 10th of March 2013, carrying an interest of 7.5% per annum. Repayment will be taken place in ten semi annual installments commencing from six month after the date of allotment.		
The Company has acquired 1,250,000 shares of Dhivehi Rajjeyge Gulhun PLC at MRf. 80/- each during the year 2011. The fair value of this investment has been initially measured at the purchase cost, being the fair value and subsequently measured based on the income approach using discounted free cashflows of the investee company.		
The investee company's free cash flows have been calculated using a forecasted annual growth rate of 4% - 6% and discounted by a risk adjusted discount rate of 18% to arrive at the fair value of this investment.		
15 RECOGNITION BOND		
Accrued Pension Rights Receivables (Note : 15.1)	2,249,904,372	2,285,743,717
Interest receivable on recognition bonds (Note : 15.2)	509,283,363	346,315,002
	<u>2,759,187,735</u>	<u>2,632,058,719</u>
15.1 ACCRUED PENSION RIGHTS RECEIVABLES		
Balance as at 1st January	2,285,743,717	2,343,522,470
Net adjustment to contribution from government on accrued rights	5,276,713	17,568,940
Accrued right matured during the year	(41,116,058)	(75,347,693)
Balance as at 31st December	<u>2,249,904,372</u>	<u>2,285,743,717</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2013

15 RECOGNITION BOND (CONTINUED)

15.2 Interest receivable on recognition bonds	2013 MRf	2012 MRf
Balance as at 1st January	346,315,002	180,767,663
Additions during the year	169,368,571	168,081,105
Paid during the year	(6,400,210)	(2,533,766)
Balance as at 31st December	<u>509,283,363</u>	<u>346,315,002</u>

As per the section 25 of the Maldives Pension Act No 8 of 2009 of Maldives, the accrued rights of employees who were in employment with the government organizations at the time of the commencement of this Act should be protected. In this regard, Ministry of Finance and Treasury (MoFT) issued recognition bonds to all eligible employees. The face value of the bond and accrued interest thereon is matured on retirement or on the death of a member.

16 OTHER PAYABLES	31/12/2013 MRf	31/12/2012 MRf
Management fee payable	2,149,468	16,772,574
Excess collection from employers	70,845	1,066,904
Accrued rights excess collection payable	148,242	714,731
	<u>2,368,555</u>	<u>18,554,209</u>

17 CONTRIBUTION COLLECTION ACCOUNTS	31/12/2013 MRf	31/12/2012 MRf
Contribution received into Contribution Collection Account	757,966,638	710,280,243
Contribution transferred to Contribution Holding Account	(743,786,017)	(695,995,620)
Balance in Contribution Collection Accounts	<u>14,180,621</u>	<u>14,284,623</u>

18 COMMITMENTS

There were no material capital commitments approved or contracted as at the reporting date.

19 CONTINGENT LIABILITIES

There were no contingent liabilities which require disclosure in the financial statements as at the reporting date.

**MALDIVES RETIREMENT PENSION SCHEME
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31ST DECEMBER 2013

20 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iv) Liquidity Risk (Continued)

31st December 2012	<u>Carrying Amount Mrf.</u>	<u>0-6 Months Mrf.</u>	<u>6-12 Months Mrf.</u>
Financial Liabilities (Non- Derivative)			
Other payables	18,554,209	8,371,007	10,183,202
Balance in Contribution Collection Account	<u>14,284,623</u>	<u>14,284,623</u>	-
Total	<u>32,838,832</u>	<u>22,655,630</u>	<u>10,183,202</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(v) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(a) Interest Rate Risk

At the reporting date, the interest rate profile of MRPS's interest bearing financial instruments was:

	2013 Mrf.	2012 Mrf.
Variable Rate Instruments		
Financial Assets	<u>15,000,000</u>	<u>-</u>
Fixed Rate Instruments		
Financial Assets	<u>2,421,488,248</u>	<u>1,550,798,675</u>

21 COMPARATIVE INFORMATION

The comparative figures of the financial statements have been reclassified to conform with current year's classifications.

22 EVENTS AFTER THE REPORTING DATE

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

23 MANagements' RESPONSIBILITIES

The management of the MRPS is responsible for the preparation and presentation of these financial statements.