



**MPAO**  
MALDIVES PENSION  
ADMINISTRATION OFFICE

# ANNUAL REPORT 2015



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# Chairperson's Statement



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 31<sup>st</sup> December 2015.

The fiscal year 2015, during which MPAO celebrated its 6<sup>th</sup> Anniversary, was yet again another year of significant achievements in implementing the Maldives Pension Act (8/2009) and the relevant regulations. The Board focused on achieving the vision and implementing the strategic goals of MPAO, and is pleased with the clear progress in reaching these strategic goals.

I would like to take this opportunity to acknowledge and express my 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, which was concluded in June 2015.

I thank my fellow Directors for their continued support and valuable contributions. I also take this opportunity to acknowledge and thank Ms. Fareeha Shareef and Mr. Mohamed Fizan, who left the board in 2015, for their contributions and services.

The success achieved by MPAO in such a short period is the direct 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 Hussain Maniku. On behalf of myself and the Board, I take this opportunity to thank them for their strong commitment and dedication towards MPAO.

Looking ahead for 2016, as we pursue the vision and mission of MPAO, the Board would like to assure the public 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

I am pleased to update on the progress MPAO has made on its strategic objectives for the year ended 2015.

The year ended 2015 marked another continued year of good developments for MPAO in an operating environment that was challenging in some areas.

Some of the major highlights of 2015 include:

January:	Administration fee levied on MRPS members reduced from 1% to 0.9%
May:	MPAO celebrated its 6th anniversary Maldives Finance Forum 2015, was held Corporate re-branding of MPAO MPAO Contact Centre was established MPAO mobile applications were released
August:	Pension Art Contest 2015 was commenced
November:	Maldives Institutional Investment Seminar 2015 was held Pension Art Exhibition 2015 was held
December:	Pension Radio Quiz 2015 was concluded

In addition, numerous programs were conducted throughout the year to increase stakeholder awareness on the pension schemes. This was accomplished through targeted public awareness programs that included public lectures, road shows, regular employer training programs, 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 gave a role to employees to ensure that their employers fulfilled their obligation to collect and pay pension contributions in a timely manner.

Necessary steps were also taken 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.

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, which was concluded at the end of June 2015, in the success of this operation. A special thanks goes to the Chairperson and Board for their continued guidance and for entrusting me to continue leading MPAO.

In conclusion, the year 2015 represented major progress for MPAO through the introduction of more efficient business processes, expansion of the membership base and strengthening of internal controls. 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.



# **CORPORATE GOVERNANCE**

## **Directors' Report 2015**

# **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 31<sup>st</sup> December 2015.



# MPAO IN NUMBERS

Participation of

**419**

public sector employers in MRPS

**1343**

employers participated in MRPS from private sector

Beneficiaries for Basic Pension is

**16,091**

Total Number of employees in MRPS is

**81,922**

Basic Pension Average Monthly disbursement

**35,583,270.00**

**74,321,893.22**

average monthly Contribution from MRPS

Average Monthly State funded disbursement

**21,676,521.89**

Senior Citizen Allowance average disbursement

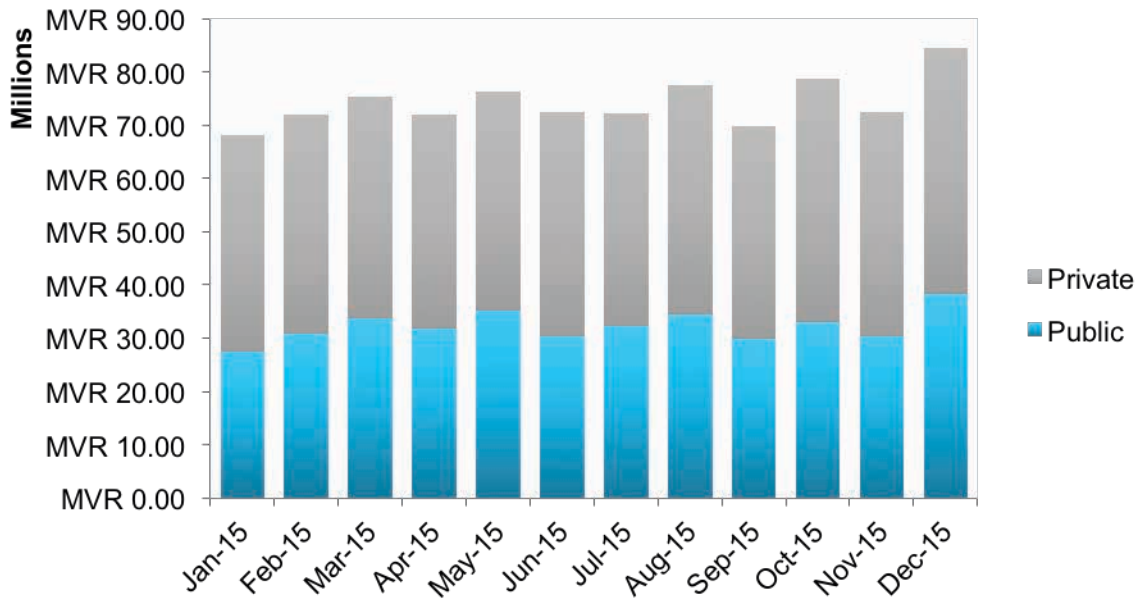
**21,676,521.89**

**4,069,972.47**

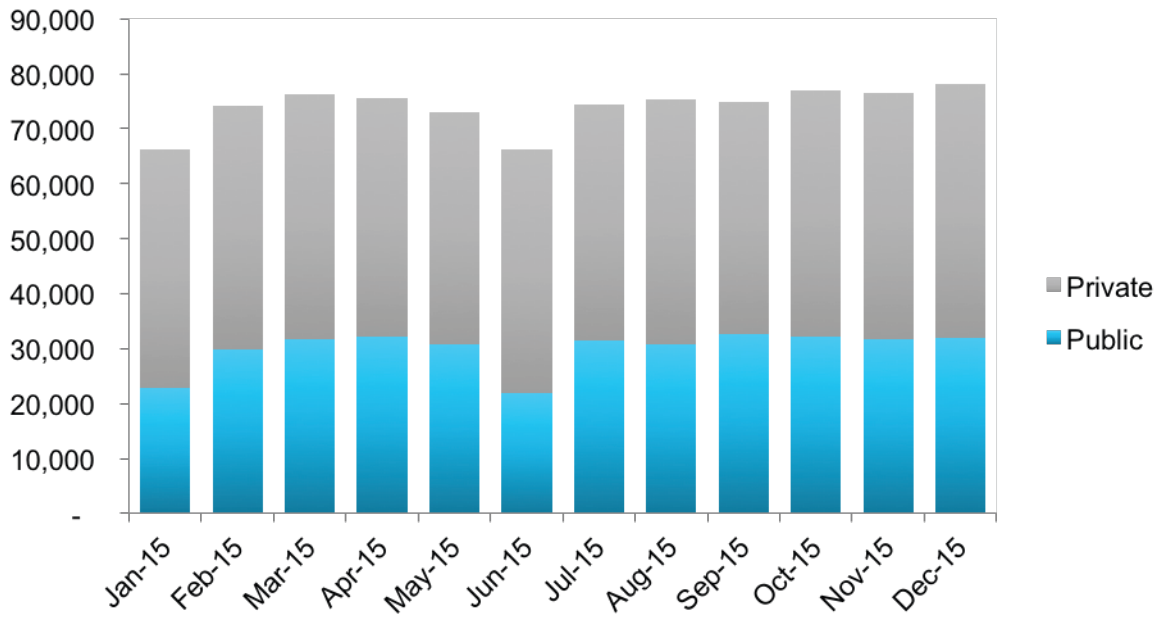
MRPS average monthly disbursement



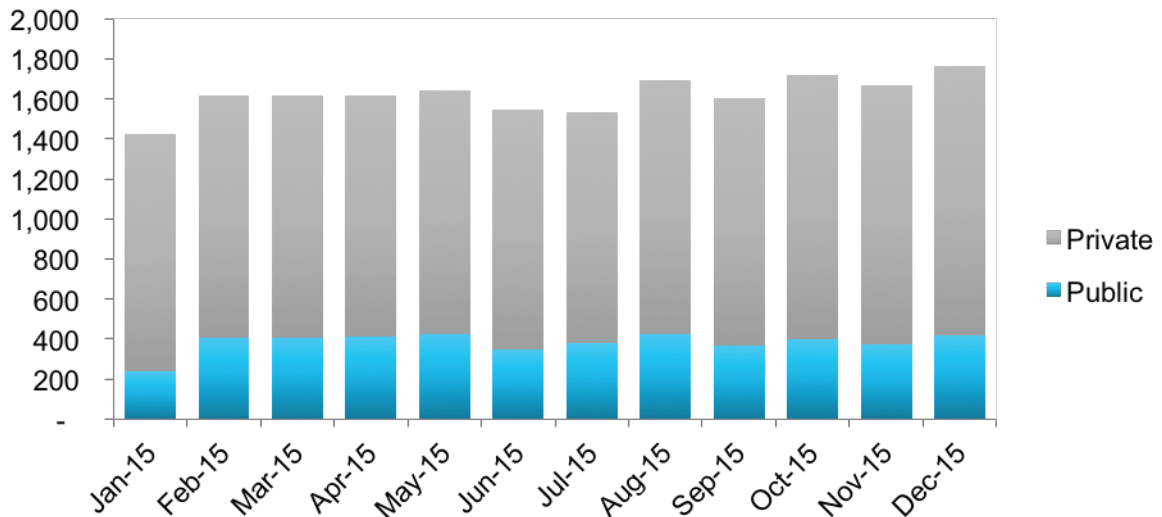
### Contribution Collected in 2015



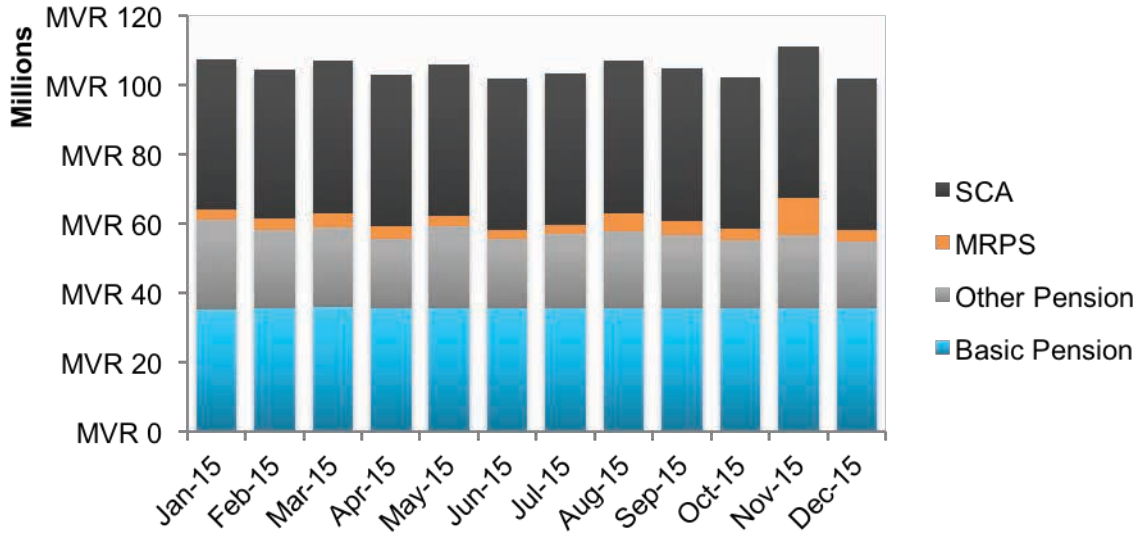
### Employees of 2015



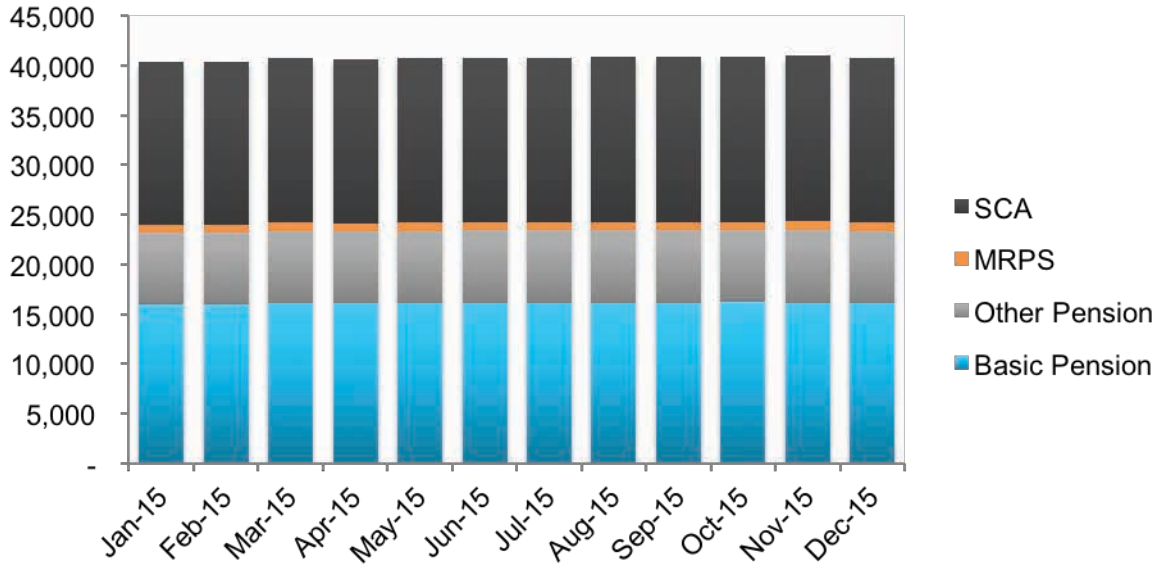
### Employers of 2015



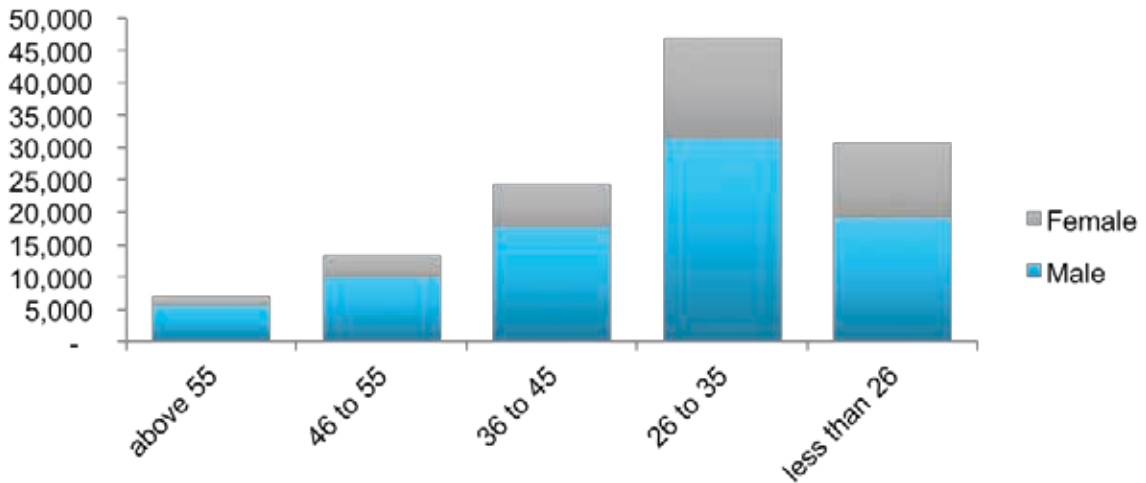
### Payouts disbursed in 2015



### Beneficiaries of 2015



### RSA Members





# 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. In February 2014, MPAO was assigned with the disbursement of Senior Citizen Allowance, a State-funded allowance provided to Maldivians above 65 years of age who receive monthly pension benefits below MVR 5,000.



# Operational Review

## Stakeholder Relations Review

### Public Awareness and Educational Programs



During the year 2015, numerous public awareness programs were conducted both in Male' and Atolls for employers and employees to educate and increase their knowledge of MRPS. As part of the campaign for 2015, 7 targeted information sessions were conducted in Male', which were attended by a total of 933 persons.

MPAO also organized public lectures targeted to mass audience; 14 such lectures were conducted in the atolls, and were attended by 535 persons.

Specific target group awareness sessions were also conducted in schools and colleges, where 27 such sessions were held at various schools and colleges in Male' and a total of 3031 students and 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 32 training sessions were conducted and 129 persons were trained. Training materials were also made available through MPAO website.



### Road Shows



Three Road Shows were conducted in Male' (on 21<sup>st</sup> October), Ibrahim Nasir International Airport (on 19<sup>th</sup> November) and Hulhumale' (on 21<sup>st</sup> November) to create awareness on pension schemes and usage of Retirement Savings Accounts (RSA). In addition to these Road Shows, a mini-Road Show was conducted in Male' (on 16<sup>th</sup> October) as well.



leaflets on pension schemes were distributed and registration service for viewing RSA details online was provided during the road shows.

## Media



In 2015, general mass media tools such as print, radio and television were used to educate and create awareness of the pension schemes.

For mass audience communications, MPAO's Public Relations staff appeared on 36 television talk shows and participated in 14 radio programs. The pension themes selected for these shows centered on pension fund and investment related issues. In addition, MPAO also conducted a media briefing session during the year.

Printed promotional materials used include posters and banners. In this regard, 3,700 leaflets distributed and 13 banners were used to promote pension related messages. The themes focused to provide messages for employees to be proactive in seeking their pension rights under the Pension Act.

Throughout the year, 39 articles appeared on daily newspapers and online news websites about pension related matters.

## Door to Door Visits



Door to Door visits were conducted during official trips to islands throughout the year. A total of 241 businesses and companies in 15 islands were visited.

During the visits, registration of employers was facilitation, non-compliant employers were identified and information on pension system was provided.

## Pension Radio Quiz 2015



"Pension Radio Quiz 2015" – a quiz contest targeted at the general population was conducted from 12<sup>th</sup> August to 23<sup>rd</sup> December 2015. A total of 13 episodes were broadcasted during this quiz.



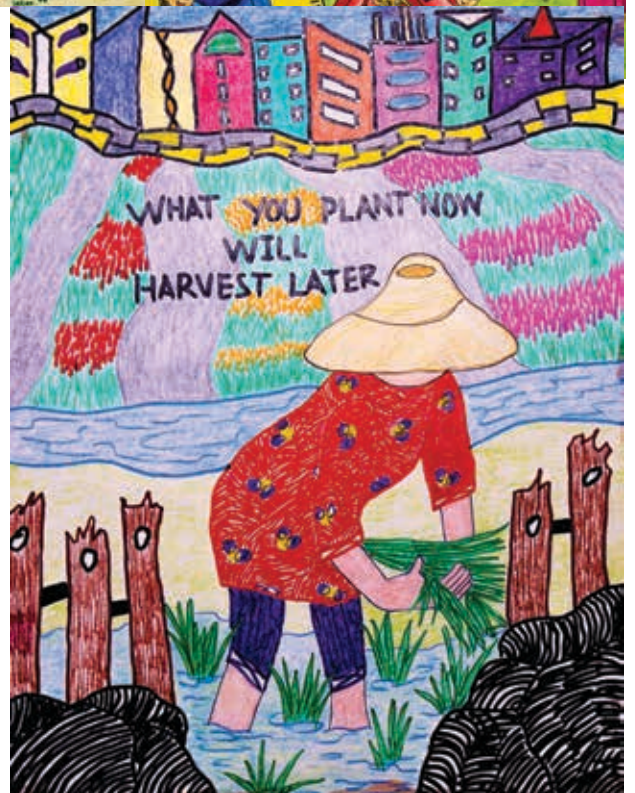
# Pension Art Contest & Exhibition



“Pension Art Contest 2015” – an art contest targeted at students throughout the country was held from 16<sup>th</sup> August to 4<sup>th</sup> October 2015. Students from 7 schools submitted 72 entries during this contest.

Following the art contest, the “Pension Art Exhibition” was held at the National Art Gallery from 10<sup>th</sup> to 11<sup>th</sup> November 2015. All the artwork 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 for 2016 and other printed materials.





## Events – Maldives Finance Forum 2015



Maldives Finance Forum 2015 was held on 20<sup>th</sup> May 2015 at Kurumba Maldives Resort. This forum, the fourth of its kind since its inauguration in 2012, was organised by MPAO in partnership with Maldives Monetary Authority, Capital Market Development Authority, Allied Insurance Company of the Maldives, Housing Development Finance Corporation, State Bank of India, Mauritius Commercial Bank, Habib Bank Limited and Maldives Stock Exchange. The thematic focus of the forum was “Post-Retirement Income Security and Pension Savings”.

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 over 70 participants representing national and global experts from financial, political, academic and social sectors.



# Events – Institutional Investment Seminar 2015



The Maldives Institutional Investment Seminar 2015 was held on 16<sup>th</sup> November 2015 at Hotel Jen, Male'. This seminar was held in collaboration with Schrodgers and Mercer, two globally renowned asset and wealth management firms.

Delivered by established international experts, the seminar brought home interesting insights about the business of institutional investment and global asset management.



## Other Events



MPAO also took part in a number of events organised by other governmental and non-governmental organisations, including Maldives Investment Forum 2015, organised by Ministry of Economic Development and held in China, and the Financial Expo 2015, organised by Maldives Monetary Authority (MMA).

MPAO was a co-sponsor of the Maldives Investment Forum 2015 and the Regional Seminar on Regulation and Supervision of Investment Funds, conducted by Capital Market Development Authority (CMDA).

# 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.

## 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	39	34	73
Ad Hoc / Complaint-based Inspections	1	35	36
<b>TOTAL:</b>	<b>40</b>	<b>69</b>	<b>109</b>

## 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 2015 against employers that failed to pay outstanding pension contributions, and 17 additional cases were sent to the Attorney General's Office in 2015 to be filed at the Civil Court.

# 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 addition, an Investment Compliance and Internal Audit function exists to oversee investment compliance and internal audits, and a CEO's Bureau exists to provide executive support to the CEO and secretariat support to the Board.

In addition, the World Bank funded Pension and Social Protection Administration Project (PSPAP)'s administrative staff worked in MPAO's office premises until the project was concluded at the end of June 2015.

## 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 and pension benefit disbursement.

# 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 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 2015, Mr. Adrianus Vugs (Disability Insurance Expert) worked as consultants for the project on assignments related to MPAO.

The project was concluded at the end of June 2015.

# Training and Development

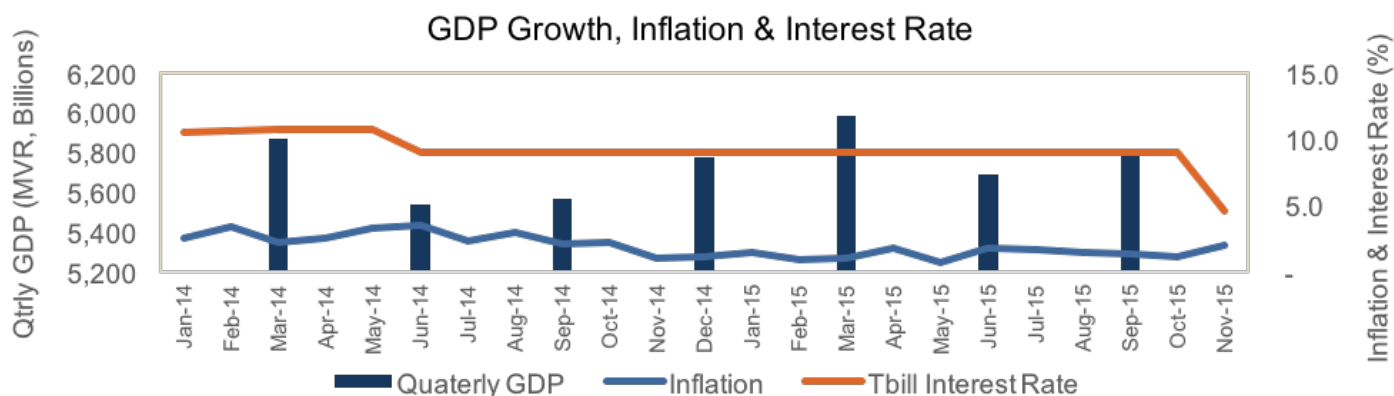
MPAO continued to invest in training and development of staff to ensure that they have the essential skills and knowledge to carry out their duties effectively. In this respect, 19 staff participated in 19 short training programmes conducted abroad, 18 staff participated in a training programme conducted in-house, 10 staff participated in trainings held locally, and 7 staff took part in 4 workshops and seminars held locally. The participated programmes were in the areas of Information Technology, customer service, finance, human resources and administrative skills.



# Financing of Maldives Pension Administration Office

MPAO operations for the year 2015 were financed solely by administration fee levied on MRPS. The total income from MRPS administration fee was MVR 38.20 million while a further MVR 3.41 million was received as other income, resulting in an aggregate income of MVR 41.62 million. The total expenditure for the year 2015 stood at MVR 31 million. Over 63% of this expenditure was incurred towards employee remunerations and custodian fees paid to the Custodian, Bank of Maldives.

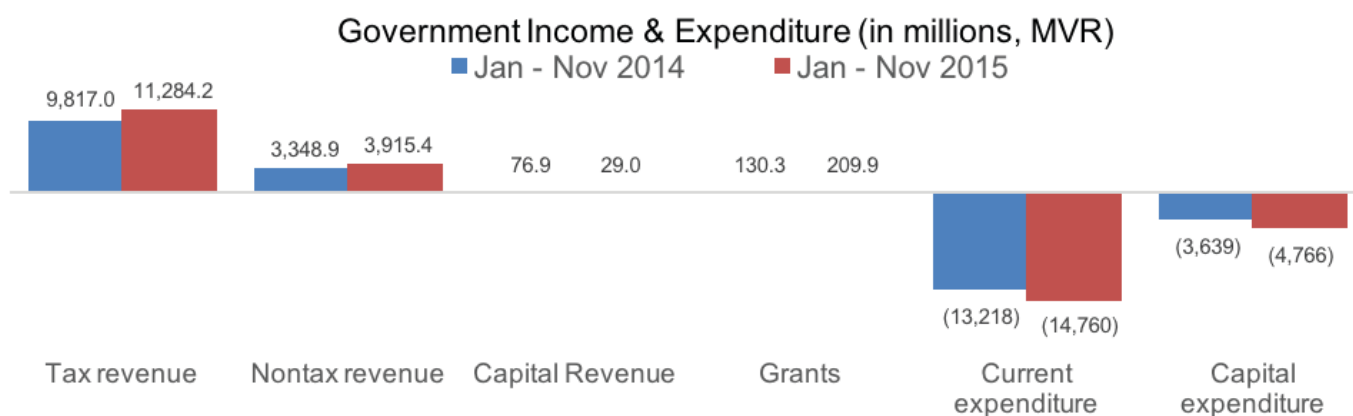
# Economic and Financial Sector Outlook



Source: MMA Statistical Bulletin, Dec 2015

Based on the reported Quarterly GDP (in real terms) for the year, the first three quarter GDP has grown by 2.8% compared to the same results of 2014 indicating the possibility that the GDP growth may fall below the expected growth rate of 4.5%. The loss of growth is primarily caused by lower than expected growth rates in the Tourism, Communication and Government Administration sector. Tourism which contributes 29% to the GDP fell by 5.2% in real terms, during the year affected by lower average stay. Despite increases in actual tourist arrivals, average stay declined to 5.7 nights compared to 6 nights from the previous year. As expected, the inflation during the year fell to 1.4% from 2.5% during 2014.

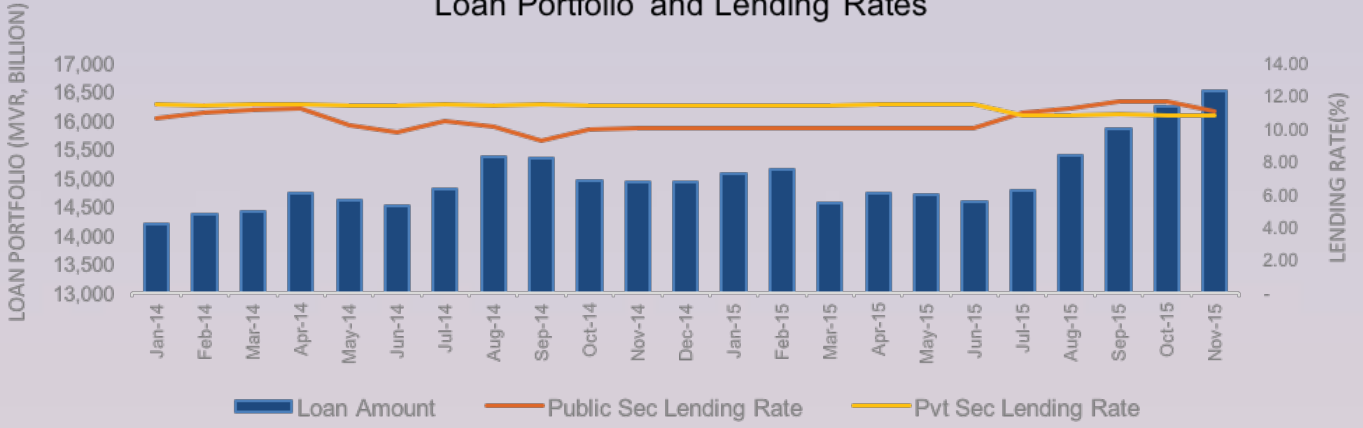
Towards the end of the year, domestic debt stood at MVR 22 billion from MVR 20 billion in 2014, representing a 10% growth in domestic debt. This is an improvement compared to the previous period (2013 to 2014) where domestic debt grew by more than 21%. Domestic debt includes treasury bills, treasury bonds and loans and advances and compose of 56%, 31% and 14% in the total debt respectively. Taking these factors into the government, the central bank decided to slash the interest rate from 9% under a tap system to 4.6% for the 364 day treasury bills and introduced a 5 year treasury bond with a coupon rate of 5%.



Source: MMA Statistical Bulletin, Dec 2015

In terms of the government finances, the total revenue of the government (Jan – Nov 2015) reported was MVR 15.2 billion compared to MVR 13.2 billion for the same period in 2014 - representing a 15% increase in revenue. The expenditure for the year (Jan – Nov 2015) was MVR 19.5 billion representing a 16% increase in expenditure from previous year. This represents a budget deficit of MVR 4.2 billion which is an increase of 19% from the budget deficit of the previous year for the same period. The biggest contributor to revenue are the taxes which includes GST, TGST, BPT and customs duty while current expenses such as civil servant wages and salaries is the biggest expenditure representing more than 80% of the entire government spending.

## Loan Portfolio and Lending Rates

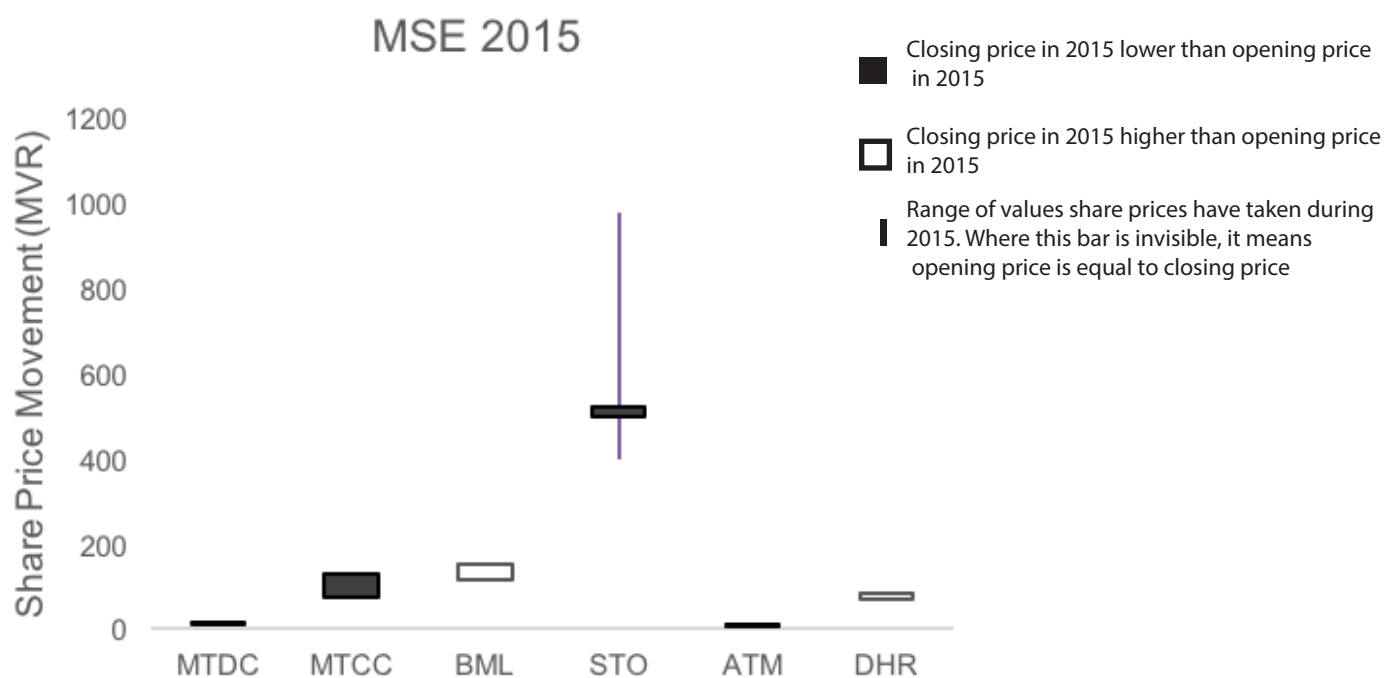


Source: MMA Statistical Bulletin, Dec 2015

The bank lending improved during the last half of the year, as interest rate which was tapped in June 2014, was slashed to 4.60%. Banks and other financial institutions which has been systematically investing in the Treasury Bill market focused on their core lending activities. By November 2015, bank loan portfolio stood at MVR 16.5 billion, representing a growth of 11% from November 2014. More than 70% of the loan portfolio is concentrated into three sectors; Tourism (41%), Commerce (16%) and Construction (14%). Public sector and private sector lending have remained at 10.57% and 11.13% respectively throughout the year.



# Stock Market Performance



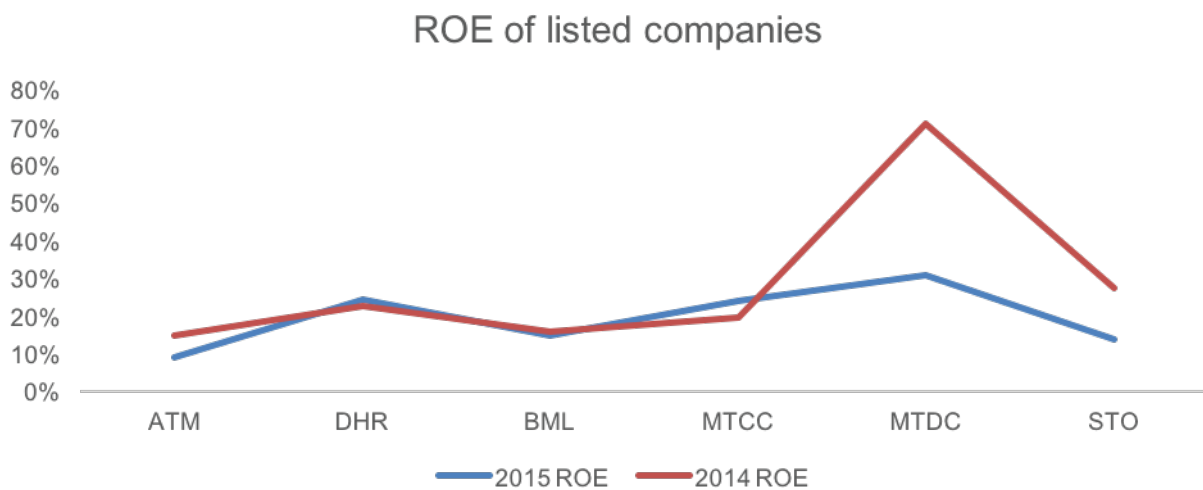
Company	No of Trades		Change	Volume (MRF)		Change
	2014	2015		2014	2015	
ATM	1,716,108	1,111,847	-35%	6,228,092	6,842,453	10%
BML	232,019	11,315	-95%	34,690,665	1,435,006	-96%
DHR	1,567,208	4,783	-100%	125,349,924	368,524	-100%
MTCC	102	95	-7%	12,110	11,800	-3%
MTDC	11,513	42,950	273%	122,330	437,050	257%
STO	292	550	88%	131,800	259,350	97%
Total	3,527,242	1,171,540	-67%	166,536,935	9,354,183	-94%

During the year, MSE recorded 1.1 million trades totaling to MVR 9.4 million. Compared to the previous year, the number of trades executed on the exchange and the volume of the transactions also fell by 67% and 94% respectively. During 2015, nearly 95% of all trades executed on MSE were Amaanaa Thakaful Maldives shares, which amounts to 73% of the total volume of the exchange.

In terms of the price performance of companies, except Dhiraagu and Bank of Maldives all shares closed at lower prices than its year opening prices.

STO recorded the highest share price at MVR 980 per share and its lowest at MVR 400 per share, making it the most volatile and highest traded share in the market during the year. Amana Thakaful recorded the lowest share price at MVR 6 per share

# Performance of Listed Companies



There are currently six companies listed on Maldives stock Exchange representing Telecommunication, Transport, Tourism and Financial services sector. Based on the earnings report of the companies for Q3, the performance of the year on average declined compared to the ROE figures for 2014. This is in line with the trends observed for the Quarterly GDP earnings for the figures for the year, where the first three quarter GDP has grown by 2.8% compared to the same results of 2014 and is expected to fall short of the 4.5% GDP growth rate predicted on official statistics. The profit after tax for ATM, STO and MTDC have fallen by 38%, 40% and 44% respectively compared to the performance up to Q3 results for 2014.

As for DHR and BML, the earnings have increased by a modest 7% and 3%, significantly lower than previous year figures. MTCC produced the best performance compared to the same period of the previous year.

# Financial Sector Developments

During the year important developments took place on the regulatory side and in terms of licensing new entities for operation.

The Government amended the Public Finance Act to allow the Government to borrow without the approval of the Parliament and to give sovereign guarantees for borrowers involved in national projects. The amendment also included a clause to enable Government to further extend financial assistance to such parties. These changes are expected to improve the speed and flexibility in securing finance for large projects such as the Male-Hulhumale Bridge and the Ibrahim Nasir International Airport development project. During the year, the Government announced that it has secured a combined amount USD 573 million (MVR 8.8 billion) in loans for these two projects. It is also hoped that SOEs would have easier access to cheaper finance either by issuing bonds or by acquiring loans by securing sovereign guarantees from the Government.

Work on a number of laws and regulations are also underway and are currently published for public opinion prior to sending to Parliament for approval. These include the Maldives Companies Act, Collective Investment Schemes Bill and Regulations, Maldives Trust Bill, Central Securities Depository Bill and Regulation on Providing Annuities. It is hoped

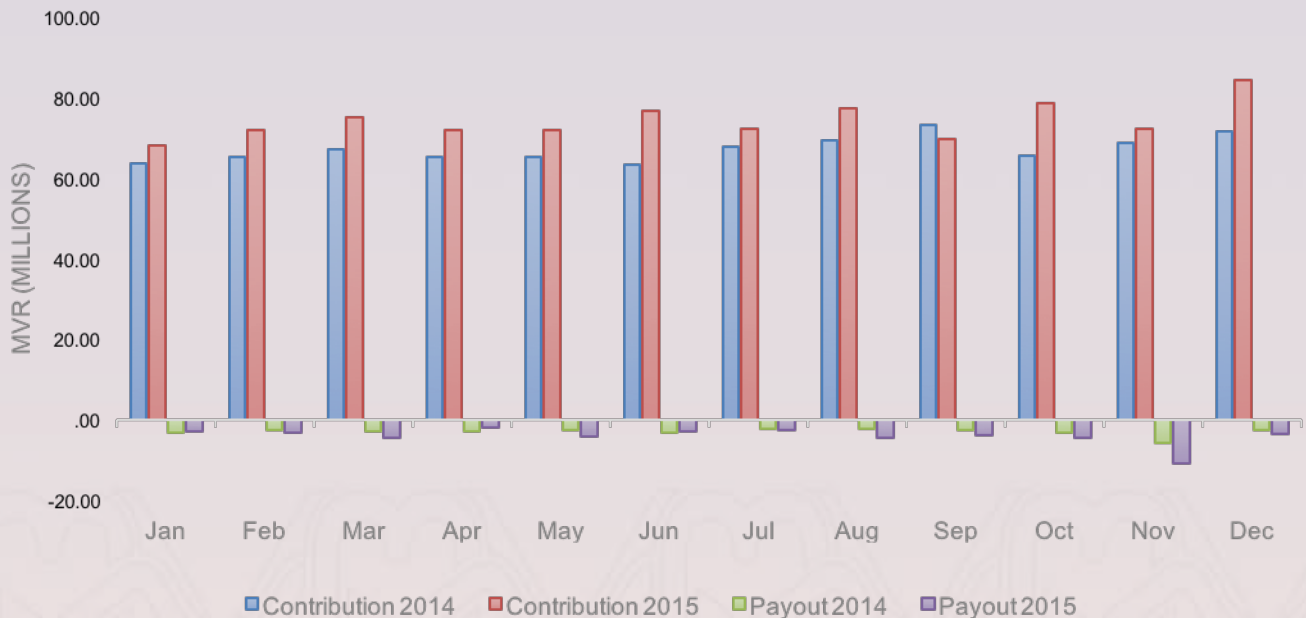
that these bills and regulations would ease current restrictions on listing, raising finance from markets and resolve issue of foreign ownership of shares currently faced. Moreover the trust law is expected to make provisions relating to the establishment and operation of trusts of all kinds. Currently the absence of a trust law means that financial institutions face significant challenges in legally taking custody of funds on behalf of clients and the introduction of this law is expected to resolve issues surrounding this. The introduction of a law to govern the activities of collective investment schemes are expected to encourage private parties in registering mutual and private equity funds and take a greater role in providing long term finance for larger projects. The regulation on annuities is a much anticipated regulation and is expected to facilitate the creation of an annuities market in the Maldives as the number of retirees increase from the Maldives Retirement Pension Scheme (MRPS) in the coming years.

In the banking sector, during 2015 MMA announced that it is at the final stages of licensing a new international bank to operate in the Maldives. The new bank is expected to improve lending to key sectors such as tourism and transport and revive projects experiencing difficulties in securing finance. In order to help banks to pump in extra lending, MMA has also reduced its reserve requirement from 20% to 10% during the year and further reduced lending rate on Treasury Bills from 7% to 4.60% as well.



# MRPS Performance

MRPS Inflows and Outflows 2014 - 2015



Source: MPAO

## Contribution and Payout

During 2015, total pension contributions collected amounted to MVR 893.81 million, up from MVR 809.55 million in 2014, representing an increase of 10% during the period. In terms of MRPS payout, during the year, MVR 48.84 million was paid out as benefits to MRPS members from 35.91 million in 2014 representing a 36% increase for the period. The average contribution collected has increased to MVR 74.32 million per month from MVR 67.46 million per month in 2014. During the past three years, contributions have on average increased at a rate of 8% per annum for the scheme.

## Investment Review

MRPS funds are invested in financial instruments specified by the Pension Act and according to the principals prescribed by the Investment Committee. MRPS funds are managed in-house by the Asset Management Division.

MRPS comprises of funds which invest pension contribution in conventional assets and in sharia compliant assets. Additionally, MRPS consists of a passively managed Recognition Bond fund. Recognition Bonds are issued by the State, expressed in cash terms representing contribution periods of public sector employees who joined the MRPS in 2009 from the old defined benefit pension scheme for the public sector employees.

# Details of MRPS funds

Assets Under Administration	Net Asset Value		Change
	2015	2014	
<b>Pre-retirement Funds</b>			
Investment	4,548.80	3,398.14	34%
Sharia	49.2	33.3	48%
Recognition Bond	3,027.60	2,894.40	5%
<b>Post-retirement Funds</b>			
Conservative	227.1	188.2	21%
Sharia Conservative	0.1	0	100%
<b>Total</b>	<b>7,852.80</b>	<b>6,514.04</b>	<b>21%</b>

Source: MPAO

Assets Under Administration (AUM) reached MVR 7.8 billion during the year, representing a 21% increase from the previous year. Excluding the recognition bond fund, the AUM reached MVR 4.8 billion marking a 33% increase from 2014. MRPS Investment Fund which also the default fund, invests in conventional asset classes such as fixed income, equities and in bank deposits. The investments of the Sharia Fund is segregated and invests in assets determined as Sharia-compliant by a relevant Sharia approval body in Maldives. During the year, the Investment and Sharia Fund has grown by 34% and 48% respectively which represent growth from new contributions and investment returns. When members of the Investment Fund and Sharia Fund retire, their funds are moved to Conserva-

tive Fund and Sharia Conservative Fund which typically invests in short term instruments to manage liquidity. During the year, Conservative Fund grew by 21% which represents inflows from Investment Fund from retiring members and investment returns. The Sharia Conservative fund was created in 2015, with the retirement of the first member from the Sharia Fund.

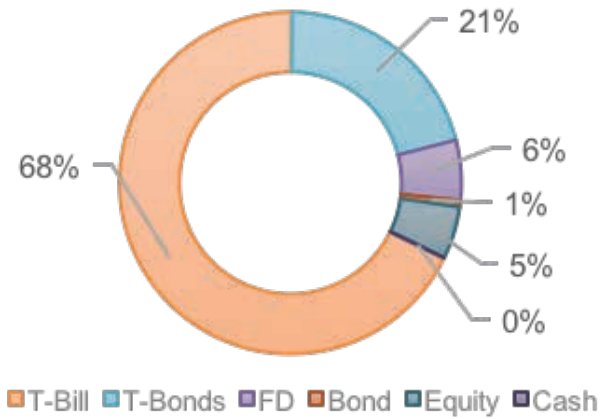
MRPS Fund Returns	2015	2014	2 Year	Since inception
Investment	8.60%	9.40%	9.00%	7.50%
Sharia	2.90%	0.80%	1.90%	1.20%
Conservative	7.70%	8.00%	7.90%	6.40%
Recognition Bond (RB)	6.50%	6.50%	6.50%	6.60%

Source: MPAO

Note: This calculation does not take into account the Administration Fee MPAO charge on each fund, (except RB fund) for asset management expenses. AMF for 2015 was 0.9% p.a calculated on a monthly basis.

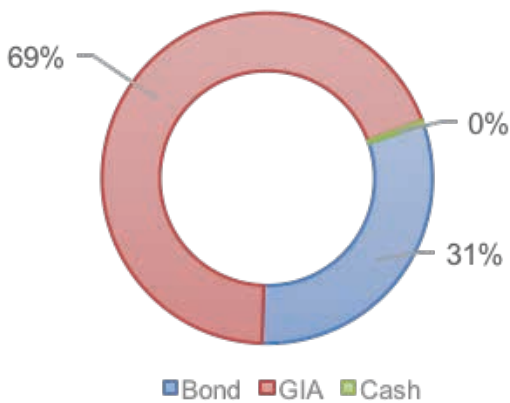
In terms of the Fund returns, the Investment Fund achieved an investment return of 8.6% compared to the 9.4% return it achieved in 2014. This performance is a result a series of reduction of 364 day Treasury Bill rates and the subsequent reduction in Fixed Deposit rates.

## Investment Fund



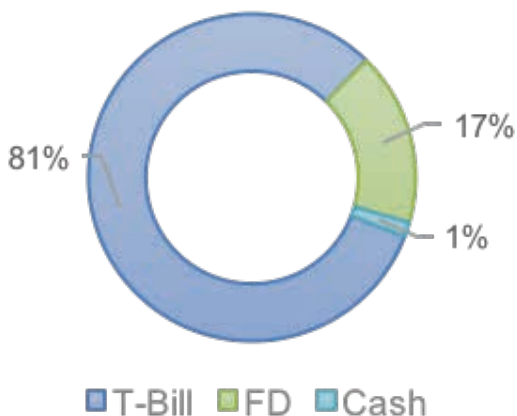
Treasury Bill rates first reduced in June 2014 from 10.78% to 9% and reduced for a second time in October 2015 from 9% to 4.60%. The 364 day Treasury bills formed more than 85% of the Fund investments for the period mentioned above. The Conservative Fund which primarily invests in Treasury Bills and Fixed Deposits also experienced a reduction in returns from 8% in 2014 to 7.7% in 2015. However, the Sharia Fund achieved its highest return since inception during the year earning a return of 2.9% as the GIA investments yielded better returns during the year. The Sharia Conservative Fund was established during mid-year and remains at a cash accumulation phase to commence investments. At the end of the year, the value of funds remained at MVR 104,915 for this Fund and is currently used for member payout.

## Shariah Fund



Following the reduction of Treasury Bill rates, MPAO Board brought changes to the MRPS Strategic Asset Allocation (SAA) policy to reduce exposure to Treasury Bill rates fluctuations and lock in investment returns for a longer period. Under the new SAA, a greater allocation has been given to fixed income instruments and new investments during the year in Government Treasury bonds has reduced Investment Fund exposure to Treasury Bills from 85% at the beginning of the year to 68% at the end of the year. Exposure to long term treasury bonds remained at 21% at the end of the end of the year.

## Conservative Fund



For the Sharia Fund, 69% of the fund remains invested in GIA instruments while 31% is invested in a Sukuk investment. Efforts are made to improve the returns for this Fund by investing in longer maturities and by negotiating better returns for the funds invested. For the Conservative Fund, the new SAA prescribes short term investments to manage its payout liquidity. At the end of the year, 81% of the Fund was invested in Treasury Bills and the remaining in Fixed Deposit investments.



# Risk Management & Internal Audit

The MPAO Board places emphasis on assessment of risks facing the institution and MRPS. Particularly, it focuses on the value of mainstreaming risk management practices and internal controls within business processes.

To proactively manage risks in a systematic and comprehensive manner across the institution, MPAO continues to implement organization wide risk management framework during the year ended 2015. Risks are also identified in the course of the regular statutory audits, where the external audits carried out reviews of the effectiveness of the controls put in place in financial and operational areas.

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 key areas assessed by the inspection include investment risks, operational risks, risk to member data and public awareness and support 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. During the year, the areas reviewed include, contribution collection, valuation, investment, benefit disbursement and record-keeping and accounting. With external appointment ending in 2015, the in-house internal audit department continued to conduct routine internal audits. In this respect, total 05 internal audits related to pension payments were completed by the end of year. To strengthen the function, staff development was given emphasis during the year.

In keeping with best practices, Internal Audit regularly monitors the status of management action plans with respect to audit findings in order to ensure completion of actions identified. Ad hoc reviews of areas of concern identified by management or the Audit Committee are also carried out by the audit department.

# CORPORATE GOVERNANCE

## 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 Princi-

ples 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 for the year 2015 was as follows**



**Athifa Ali (Chairperson)**

Director; International,  
Legal and Regulatory  
Dhiraagu

-Appointed on 20th August 2009 for a 3 year term as the Chairperson of the Board.  
-Reappointed as Chairperson on 20th August 2014, for a 3 year term.



**Muznee Mohamed**

Senior Manager  
Capital Market Development Authority

-Appointed on 20th February 2014, as a senior member from the Securities Market Regulation sector.



**Zumra Ahmed**

Funds Executive  
Ministry of Finance and Treasury

-Appointed on 20th February 2014, as a senior member from Civil Service representing Ministry of Finance and Treasury.



**Fathimath Sara**

Assistant Director,  
General Administration & Procurement  
National Social Protection Agency (NSPA)

-Appointed on 29th January 2015, as a senior member from Civil Service representing the Social Security Sector.



**Fareeha Shareef**

Managing Director  
FJS Consulting Pvt. Ltd

-Appointed on 20th August 2009 to 19th August 2012 for a 3 year term as a Board member from Private Sector.  
-Reappointed on 20th August 2012 for a 3 year term.  
-Resigned from the Board on 15th May 2015.  
(3 Year term ended on 19th August 2015)



**Mohamed Fizan**

Partner  
Shah, Hussain & Co. Barristers  
and Attorneys

-Appointed on 20th August 2012 for a 3 year term, as a Board member from Private Sector.  
-Completed 3 Year term on 19th August 2015



**Munthazim Ibrahim**

Assistant General Manager  
Aasandha Company Limited

-Appointed on 31st August 2014 for a 3 year term as a Board member from Private Sector.



**Ali Shareef**

Director, Finance  
Housing Development Corporation

-Appointed on 04th February 2015 for a 3 year term as a Board member from Private Sector.



**Fathmath Muaza**

Business Development Manager,  
Crown Company

-Appointed on 12th October 2015 for a 3 year term as a Board member from Private Sector.



**Ali Faris Mohamed**

Freelance Accountant & Tax Consultant

-Appointed on 22th November 2015 for a 3 year term as a Board member from Private Sector.



# Board Appointments

The Board Members are appointed by the President of the Republic of Maldives as outlined in the Maldives Pension Act. 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. 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 & Board committee meetings attendance

During the year 2015, the Board met 15 times. The Board meeting attendance was as follows

Member	Meetings eligible to attend	Meetings attended
Fareeha Shareef	6	5
Mohamed Fizan	9	5
Muznee Mohamed	15	15
Zumra Ahmed	15	13
Fathmath Sara	14	14
Athifa Ali	15	14
Munthazim Ibrahim	15	14
Ali Shareef	14	12
Fathmath Muaza	5	5
Ali Faris Mohamed	3	3

## 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.

In addition, in order to ensure that competitive and fair remuneration and benefits are provided to MPAO staff and Board members, and to oversee the nomination and appointment of executives to top management level positions, a Remuneration and Nomination Committee was established in December 2014.

# Board Succession

The year 2015 marked four major changes in the Board membership.

Ms. Fathimath Sara, Assistant Director at National Social Protection Agency was appointed to the Board on 29<sup>th</sup> January 2015 as the representative of Ministry of Health in the MPAO Board.

Mr. Ali Shareef, Director Finance at Housing Development Corporation was appointed to the Board on 04<sup>th</sup> February 2015 as one of the four private sector representatives in the MPAO Board.

Ms. Fareeha Shareef resigned from MPAO Board on 15<sup>th</sup> May 2015. Ms. Fareeha completed her first term of 3 years on 19<sup>th</sup> August 2012 and she was re-appointed for a second term on 20<sup>th</sup> August 2012. She was replaced in the Board by Mr. Ali Faris Mohamed, a freelance Accountant and Tax Consultant, on 22<sup>nd</sup> November 2015.

Uz. Mohamed Fizan, one of the four private sector representatives in the Board completed his term on 19<sup>th</sup> August 2015. He was replaced in the Board by Ms. Fathmath Muaza, Business Development Manager at Crown Company on 11<sup>th</sup> October 2015.

On behalf of all the current and former Board Directors and the management of MPAO, we would like to thank Ms. Fareeha Shareef and Uz. Mohamed Fizan for their valuable contributions to MPAO. As well, we would like to congratulate the new members, Ms. Fathimath Sara, Mr. Ali Shareef, Ms. Fathmath Muaza and Mr. Ali Faris Mohamed who have joined MPAO Board.

# 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, two Board Directors participated in a short training on Pension Fund strategy held in Paris, France which was conducted from 23rd to 25th March 2015. Also, two Board Directors participated in the World Pension Summit held from 10th to 11th September 2015 at The Hague, Netherlands. With this year’s theme ‘Building Better Pensions: Creating Long Term Value’ this summit included insightful and educational presentations, case studies and in-depth panel discussions that provided members with the information they need along with new insights and ideas to improve and innovate pension systems.

On September 2015 one Board Director took part in the Directors Training programme conducted by CMDA in association with Institute of Corporate Directors and Secretariat (ICDS). The training was held at Villa College, Male’ and in addition to the existing programme content, concepts such as The Islamic Bonds (SUKUK) as well as Gender sensitization was also highlighted.

Moreover, two Board Directors participated in a study tour held in Singapore from 21st to 24th July 2015 in association with Mercer Investments of Singapore, and two Board Directors took part in the Introduction to Fund Management Seminar conducted by Capital Market Development Authority which was held in Male’ from 23rd to 24th November 2015.



# INVESTMENT COMMITTEE REPORT

## The Investment Committee

Pursuant to Pension Act section (9), the investment committee of MPAO deliberates on all matters related to the investment of pension assets. This involves the formation of the Statement of Investment Principles (SOIP) to govern the investment process and regularly reviewing the investment processes to reflect the latest changes in the investment universe.

## Committee Composition and Appointments

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. The current Chairman of the Committee is Ms. Zumra Ahmed.

During the year, Ms. Fareeha Shareef resigned from the Board on 26 May 2015 and Mr. Ahmed Fizan departed the Board following the end of his tenure as a board member on 19 August 2015. Ms. Fathmath Muaza and Mr. Ali Shareef were appointed to the committee on 23 November 2015

During the year, six investment committee meetings were held. The meetings took place between 25 January 2016 and 6 December 2016. The attendances of these meetings are as below

Member	Meetings eligible to attend	Meetings attended
Zumra Ahmed (Chairperson)	6	6
Mohamed Fizan	5	5
Fareeha Shareef	5	5
Fathmath Muaza	1	1
Ali Shareef	1	1

## 2015 Committee Activity Review

The committee deliberated on various avenues to expand and diversify MRPS investments. During the year, MMA reduced the interest rates of treasury bills where a significant portion of MRPS funds were invested. Given this backdrop, the committee deliberated on ways to sustain the performance of MRPS funds from a diversified investment base and to reduce over-reliance on a single class of asset to achieve a higher rate of return. Taking this view into account, MRPS Strategic Asset Allocation (SAA) policy was revised, investments were diversified into new and long term investments. Further, investment proposals from both public and private sector were evaluated for possible investments.

# Investment Highlights 2015

1. During March, MRPS Strategic Asset Allocation (SAA) policy was revised to allow greater allocation towards long term investments. Under the new SAA, allocations for Growth Assets (GA) will be increased and the allocation for Cash and Cash Equivalent (CCE) assets would be reduced in the coming five years' time. Below outlines the MRPS strategic asset allocation policy.

Asset Class	Strategic Asset Allocation		Limits	
	Investment Fund	Conservative Fund	Investment Fund	Conservative Fund
<b>Cash and Cash Equivalents (CCE)</b>	30%	100%	To decrease SAA, by 500 basis points YOY for five years	
Treasury Bills	As applicable	As applicable	Not applicable	
Fixed Deposit	As applicable	As applicable	Single Bank exposure is 25%; No more than 50% of FDs in a single bank	Not applicable
<b>Growth Assets (GA)</b>	70%	0%	To increase SAA, by 500 basis points YOY for five years	
Domestic Equity	30%	0%	Allocate up to 30% of GA	
Fixed Income	70%	0%	Allocate up to 70% of GA & further allocate 20% of portfolio to private sector	

Asset Class	Strategic Asset Allocation		Limits	
	Sharia Fund	Sharia Conservative Fund	Sharia Fund	Sharia Conservative Fund
<b>Cash and Cash Equivalents (CCE)</b>	40%	100%	To allocate min 40% of the fund	
Treasury Bills- Sharia	As applicable	As applicable		
Fixed Deposits (GIA)	As applicable	As applicable		
<b>Growth Assets (GA)</b>	60%	0%	To allocate max 60% of fund	
Domestic Equity-Sharia	10%	0%	10% allocation of GA	
Fixed Income- Sukuk	50%	0%	50% allocation of GA	

2. The year began with more than 86% of MRPS funds locked in investments of one year term. The Committee discussed avenues to expand MRPS investments into longer maturities as it was of view that government the Treasury Bill rates at the current levels were high and not sustainable in the near term. A proposal by the GoM to commence issuing long term bonds and a possible subscription to the program was discussed at the committee level and taken to MPAO Board for a final decision. The Board made a decision to invest in the first issue of GoM Treasury Bond program and review further subscription based on macro-economic conditions. The first series of the bond was subscribed on 13 July 2015, for MVR 472 million (5 Yr, 5% coupon). Following the slashing of Treasury Bill rates during October 2015, the Board made a decision to invest in a further MVR 459 million (6 Yr, 5.10% coupon) on 14 December 2015. By the end of the year, total value of treasury bonds (with accrued interest) remained at MVR 942 million, representing 20% of MRPS funds.

3. During the year, an Investment Advisor from Mercer Investment of Singapore was hired by MPAO to provide expert input to the development of a strategic plan for MRPS investment management and to review the current practices of asset management, risk management and performance monitoring related to MRPS Funds. A comprehensive training assessment was also conducted as part of this project. The study conducted by Mercer highlighted increasing fixed income and equity investments of MRPS to achieve better risk adjusted returns and suggested recommendations to improve the overall performance and liquidity of the funds.

4. A number of equity investment proposals from the private sector were also discussed for their suitability for MRPS investments. The committee was of view that a number of SOEs were suitable for equity purchase based on historical performance, management and reporting quality. As GoM controls majority shareholding in many of these SOEs a proposal was drawn for submission to GoM, to purchase equity stakes in these companies for MRPS.

5. Following the reduction of interest rate, the committee was of view that conditions were favourable for the private sector firms to pursue listing at the Maldives Stock Exchange for issuing corporate bonds to raise finance for larger projects. MPAO investment management team met with a number of public and private sector entities to understand the financing needs and the difficulties these institutions faced in raising funds from the market. Further, information was also disseminated about MRPS investment rules as specified in the Pension Act, to potential investors.

6. Towards the end of the year, as part of the 6 month review process of MRPS SAA, the committee met to discuss possible changes to the policy adopted by the beginning of the year. It was decided that the current SAA was adequate for current practices and it was decided there was no need to revise the policy during the year.



# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

## Introduction

The Audit and Risk Management Committee (ARMC) is delegated by Board with the responsibility to provide an independent review and supervision of financial reporting, internal controls, risk and internal and external audit of MPAO.

## Committee composition

ARMC is comprised of four Board members. At the beginning of 2015, committee consisted of one member, Ms. Zumra Ahmed (member representing the Investment Committee), and the remaining members, Mr. Munthazim Ibrahim (Chairperson), Mr. Ali Shareef (member), Ms. Fathmath Sara (member) were appointed on February 2015. Later in November 2015, Board member Mr. Ali Farish Mohamed was appointed to the committee as Mr. Ali Shareef left ARMC upon his appointment to the Investment Committee.

At the end of the 2015, the committee consisted of four members, Mr. Munthazim Ibrahim (Chairperson), Ms. Zumra Ahmed, Ms. Fathmath Sara and Mr. Ali Farish Mohamed.

## 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 2015 a total of 3 ARMC meetings were held.

Member	Meetings eligible to attend	Meetings attended	Member Duration
Munthazim Ibrahim	3	3	Appointed on 23 <sup>rd</sup> Feb 2015
Ali Shareef*	3	3	Appointed on 23 <sup>rd</sup> Feb 2015 to 23 <sup>rd</sup> Nov 2015.
Fathimath Sara	3	3	Appointed on 23 <sup>rd</sup> Feb 2015
Zumra Ahmed	3	3	Appointed on 05 <sup>th</sup> May 2014
Ali Faris Mohamed	-	-	Appointed on 23 <sup>rd</sup> Nov 2015

# Audit and Risk Management Committee Attendance

## 2015 Committee Activity Review

The highlights of the committee decisions and activity reviews are follows:

With new appointments to MPAO Board, on 23rd February 2015 the ARMC was reconstituted. During its first meeting held on 30th March 2015, Mr. Munthazim Ibrahim was appointed as the Chairperson of the ARMC. It was also decided that the appointment of the Chairperson will be for a period of one year on a rotation basis.

In respect of the draft annual report and audited financial statements for the year ended 31st December 2014 by KPMG, after review and discussion, in 30th March 2015, the audit committee endorsed and recommended the same to the Board for approval.

At its meeting held in 5th August 2015, ARMC reviewed and approved external auditor's terms of engagement and remuneration and endorsed the appointment of Ernst & Young as MPAO independent auditors for 2015-2017.

The internal audit services of the first quarter of the year were undertaken by E&Y under an external audit engagement. The committee was presented with E&Y internal audit reports of key findings undertaken for the periods, March, June and Dec 2014 and Mar 2015. The reports highlighted areas of concern in relation to level of risk, which were then discussed and where required, action plans to address any matters raised were agreed with management.

From August 2015, after discussion with ARMC,

the internal audit function was undertaken by internal audit department (IAD) of MPAO. During the period under review, the IAD reported on internal audits of Maldives Retirement Pension Scheme (MRPS) and state paid other pension payment audits.

Following the review of internal audit reports, the ARMC provided necessary guidance to management on the importance of timely implementation of the audit recommendations, and directed the IAD to closely monitor on how improvements are made on these areas. During the course of the year, ARMC received updates on progress of the implementation of the previous audit's recommendations by IAD.

During the financial year 2015, ARMC received updates of internal control responsibilities. In this regard, ARMC reviewed internal controls measures for pension payout recommended by IAD. Other review activities carried out by ARMC include reviewing MPAO operational budget expenditure statements for the period January to June 2015.

# REMUNERATION AND NOMINATION COMMITTEE REPORT

## Introduction

The Board of Maldives Pension Administration Office (MPAO) established Remuneration and Nomination Committee (RNC) on 2nd December 2014, primarily for the purpose of ensuring that competitive and fair remuneration and benefits packages are provided to MPAO staff and Board members. In addition, it would also oversee the nomination and appointment of executives to top management level positions at MPAO.

## Committee composition

The RNC is comprised of three members, two Board Directors and the Chief Executive Officer (CEO). At the beginning of 2015, the committee comprised of Board Directors Ms. Zumra Ahmed and Mr. Munthazim Ibrahim along with the CEO Mr. Mohamed Hussain Maniku.

In November 2015, Ms. Zumra Ahmed was replaced in the committee by Ms. Fathimath Muaza.

## Responsibilities

The RNC is entrusted with the responsibility of ensuring that competitive and fair remuneration and benefits packages are provided to MPAO staff and Board members by overseeing and reviewing the over-arching objectives, principles and parameters relevant to the remuneration and benefits structures and policies of MPAO. It is also responsible for overseeing and reviewing the policies and processes relevant to nomination and appointment of executives to top management level positions.

## Committee Meetings

During the year 2015, 3 meetings of the RNC were held.



# Committee Attendance

Member	Meetings eligible to attend	Meetings attended	Member Duration
Zumra Ahmed	3	3	From 02.12.2014 – 23.11.2015
Munthazim Ibrahim	3	3	From 02.12.2014 – present
Mohamed Hussain Maniku	3	3	From 02.12.2014 – present
Fathmath Muaza	0	0	From 23.11.2015 – present

*\* Ms. Zumra Ahmed was replaced by Ms. Fathimath Muaza*

## 2015 Committee Activity Review

The highlights of the RNC decisions and activity reviews are follows:

The first meeting of the RNC was held on 4th March 2015. At this meeting, Ms. Zumra Ahmed was appointed as the Committee Chairperson. In addition, the committee endorsed the new salary increments structure and policy on payment of Retention Allowance to MPAO staff. Both these endorsements were subsequently approved by the Board.

The second meeting of the RNC was held on 6th May 2015. At this meeting, the committee approved Retention Allowance to be provided to 7 staff of MPAO.

The third meeting of the RNC was held on 26 August 2015. At this meeting, the committee approved the creation of the post "Director, Programmes", the main responsibilities of the post and appointment of a staff to the post.

# OUTLOOK

Looking forward, 2016 will be another significant year for MPAO. Significant progress has been made towards introducing of three major schemes to enhance MRPS member benefits and provide additional social security. The three schemes are:

## 1. Retirement Savings Collateralization (RSA) Scheme for Homeownership

This scheme is designed to allow members to collateralize their accumulated RSA balances to secure home financing loans. Mortgage lenders who accept collateralized RSA balances as security for home loans will provide financing for members with sufficient RSA balances. One of the challenges of securing home financing loans is the inability to pay substantial amounts of money as down payment of the loan, which is typically 20% of the property value for loans issued in Maldives. This scheme is expected to address this issue and it is estimated that nearly 550 members will be able to secure home financing under this scheme in the first year, with more members becoming eligible in the coming years.

## 2. Disability Insurance Scheme (DIS)

Under this scheme, MPAO will make arrangements to cover MRPS members against total and permanent disability occurring while in employment. This provides an additional safety-net to MRPS members against unexpected losses arising while in employment. It is hoped that once fully implemented, this scheme will provide compensation for loss of

income and ensure continued contribution towards pension for in cases of total and permanent disability.

## 3. Introduction of Annuity Products

Retirees of MRPS currently receive their pension as drawn-down payments, which will cease once their respective RSA balances exhaust. Significant progress has been made towards introducing annuity products for MRPS members through insurance companies and it is hoped that the required legislative framework will be put in place during 2016. Once introduced, this scheme will ensure continued pension for life and provide option for purchasing members to commute part of their RSA balances at the time of retirement.

Additionally a 5 year Strategic Plan will begin implementation in 2016, targeted at streamlining services and strengthening the institutional governance. The five main objectives of this Strategic Plan are as follows.

- Stakeholders and interest groups informed and educated on Maldives pension system
- Inclusive and expanded MRPS membership coverage and contributions
- ICT model aligned for enhanced automation and continuous service improvement
- Investment management strengthened
- Good governance, dedicated and productive human capital ensured.







# FINANCIALS

# **MALDIVES PENSION ADMINISTRATION OFFICE**

## **AUDITOR'S REPORT & FINANCIAL STATEMENTS 2015**

**MALDIVES PENSION ADMINISTRATION OFFICE**

**AUDITORS' REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2015**



## **Independent Auditors' Report To the Shareholders of the Maldives Pension Administration Office**

### **Report on the financial statements**

We have audited the accompanying financial statements of the Maldives Pension Administration Office (Formed under the Maldives pension Act No.8 of 2009), which comprise the statement of financial position as at 31 December 2015 and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



15 April 2016  
Malé

**Maldives Pension Administration Office**  
**(Formed under the Maldives Pension Act No.8 of 2009)**  
**INCOME STATEMENT**  
**for the year ended 31 December 2015**

	Notes	2015 MVR	2014 MVR
Income	3	38,199,390	30,944,974
Other income	4	3,408,913	855,181
Salaries and allowances	5	(11,313,391)	(9,234,771)
Bank Charges and Custodian Fees	6	(8,206,297)	(7,234,546)
Administrative expenses		(11,475,951.63)	(9,972,354.00)
Net income over expenditure for the year		<u>10,612,664</u>	<u>5,358,484</u>

The accounting policies and notes on pages 6 to 17 form an integral part of the financial statements.



**Maldives Pension Administration Office**  
**(Formed under the Maldives Pension Act No.8 of 2009)**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2015**

	Notes	2015 MVR	2014 MVR
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	3,171,042	1,570,423
Intangible assets	8	4,885,056	6,513,408
Prepaid Lease rent	9	24,000,000	12,000,000
		<u>32,056,098</u>	<u>20,083,831</u>
<b>Current assets</b>			
Prepayment and Other Receivables	10	4,968,350	4,372,452
Cash and balances with banks	11	20,590,516	20,855,382
		<u>25,558,866</u>	<u>25,227,834</u>
<b>Total assets</b>		<u><u>57,614,964</u></u>	<u><u>45,311,665</u></u>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Accumulated funds		<u>47,999,123</u>	<u>37,386,459</u>
		<u>47,999,123</u>	<u>37,386,459</u>
<b>Current liabilities</b>			
Accrued Expenses and Other Payables	12	9,615,841	7,925,206
<b>Total equity and liabilities</b>		<u><u>57,614,964</u></u>	<u><u>45,311,665</u></u>

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed for and on behalf of the Board by,

Name of the Director

Signature

Athifa Ali (Chairperson)  
 .....  
 Ali Faris Mohamed (Chairperson ARMC)  
 .....  
 Mohamed Hussain Maniku (CEO)  
 .....

.....  
 .....  
 .....

The accounting policies and notes on pages 6 to 17 form an integral part of the financial statements.

15 April 2016  
 Male'

**Maldives Pension Administration Office**  
**(Formed under the Maldives Pension Act No.8 of 2009)**  
**STATEMENT OF CHANGES IN ACCUMULATED FUNDS**  
**for the year ended 31 December 2015**

	<u>Accumulated Funds MVR</u>
Balance as at 1 Jan 2014	32,027,975
Gains for the year	5,358,484
Balance as at 31 December 2014	<u>37,386,459</u>
Gains for the year	10,612,664
Balance as at 31 December 2015	<u><u>47,999,123</u></u>

The accounting policies and notes on pages 6 to 17 form an integral part of the financial statements.



**Maldives Pension Administration Office**  
**(Formed under the Maldives Pension Act No.8 of 2009)**  
**STATEMENT OF CASH FLOWS**  
**for the year ended 31 December 2015**

		2015 MVR	2014 MVR
Cash Flows from Operating activities			
Net income over expenditure for the year		10,612,664	5,358,484
Non-cash adjustment			
Depreciation and amortisation	7.2	2,608,346	2,524,953
Working capital adjustment			
Decrease in Prepayments and other receivables		(595,898)	(1,558,184)
Increase in trade and other payables		1,690,635	520,309
Cash flows from operating activities		<u>14,315,747</u>	<u>6,845,562</u>
Investing activities			
Acquisition of property, plant and equipment	7	(2,580,613)	(205,394)
Prepayment of lease rent		(12,000,000)	(12,000,000)
Net cash flows used in investing activities		<u>(14,580,613)</u>	<u>(12,205,394)</u>
Net decrease in cash and cash equivalents		(264,866)	(5,359,832)
Cash and cash equivalents as at 1 January		20,855,382	26,215,214
Cash and cash equivalents as at 31 December	11	<u><u>20,590,516</u></u>	<u><u>20,855,382</u></u>

The accounting policies and notes on pages 6 to 17 form an integral part of the financial statements.

Maldives Pension Administration Office  
(Formed under the Maldives Pension Act No.8 of 2009)  
NOTES TO THE FINANCIAL STATEMENT  
Year ended 31 December 2015

1. Reporting Entity

General

Maldives Pension Administration Office ("MPAO") was formed on 13<sup>th</sup> 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 Pension 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 in accordance with International Financial Reporting Standards (IFRSs and IASs).

b) Basis of Measurement

The financial statements have been prepared on the historical cost basis.

c) Functional and Presentation Currency

The 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 recognized 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 recognized 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.

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



Maldives Pension Administration Office  
(Formed under the Maldives Pension Act No.8 of 2009)  
NOTES TO THE FINANCIAL STATEMENT  
Year ended 31 December 2015

3. Significant Accounting Policies (Continued)

3.1 Foreign Currency Transactions (Continued)

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.

(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.



Maldives Pension Administration Office  
(Formed under the Maldives Pension Act No.8 of 2009)  
NOTES TO THE FINANCIAL STATEMENT  
Year ended 31 December 2015

3. Significant Accounting Policies (Continued)

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.

(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 equipment 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.



Maldives Pension Administration Office  
(Formed under the Maldives Pension Act No.8 of 2009)  
NOTES TO THE FINANCIAL STATEMENT  
Year ended 31 December 2015

3. Significant Accounting Policies (Continued)

3.4 Intangible Asset (Continued)

(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.

3.5 Impairment

(i) Financial Assets

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.

MPAO 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) Non-financial Assets

The carrying amounts of the MPAO'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.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. 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.

3.6 Provisions

A provision is recognized if, as a result of a past event, MPAO has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be



Maldives Pension Administration Office  
(Formed under the Maldives Pension Act No.8 of 2009)  
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Year ended 31 December 2015

3. Significant Accounting Policies (Continued)

3.6 Provisions (Continued)

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.

3.7 Income

Government and other grants are recognized only to the extent of the amount received. Income derived from Management fees has been recognized on an accrual basis.

3.8 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.

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 Interpretations

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an interim standard which provides relief for first time -adopters of IFRS in relation to the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). The standard permits these entities to continue to apply their previous GAAP accounting

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NOTES TO THE FINANCIAL STATEMENT  
Year ended 31 December 2015

5. New Standards and Interpretations (Continued)

IFRS 14 Regulatory Deferral Accounts (Continued)

policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts.

IFRS 14 is effective for annual periods beginning on or after 1 January 2016.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

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

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Equity Method in Separate Financial Statements (Amendments to IAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Annual Improvements to IFRSs 2012-2014 Cycle - various standards.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).
- Disclosure Initiative (Amendments to IAS 1).



**Maldives Pension Administration Office**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015**

3	Income	2015 MVR	2014 MVR
	Management fee	38,199,390	30,944,974
		<u>38,199,390</u>	<u>30,944,974</u>

Management fee is the income recognised for managing the assets of the Maldives Retirement Pension Scheme (MRPS). Management fee has recognised on an accrual basis based on the daily asset value of the MRPS fund at the rate of 0.9% (2014: 1%) per annum.

4	Other income	2015 MVR	2014 MVR
	Fines	384,300	311,800
	Reimbursement income	3,024,050	543,381
	Miscellaneous income	563	-
		<u>3,408,913</u>	<u>855,181</u>

5	Salaries and allowances		
	Directors' remuneration	936,791	964,500
	Retirement contribution obligations	567,236	499,358
	Employee insurance	189,329	27,552
	Salaries and wages	9,620,035	7,743,360
		<u>11,313,391</u>	<u>9,234,771</u>

6	Bank Charges and Custodian fees		
	Bank charges	30,242	33,824
	Custodian fees	8,176,055	7,200,723
		<u>8,206,297</u>	<u>7,234,546</u>

MPAO is paying custodian fees to Bank of Maldives at the rate 0.20% based on the total investment standing of Maldives Retirement Pension Scheme as at the end of the year.



**Maldives Pension Administration Office**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015**

7 Property, plant and equipment

7.1 Gross carrying amounts	Balance	Additions	Balance
	as at 01.01.2015		as at 31.12.2015
At cost	MVR	MVR	MVR
Computers and accessories	3,484,594	774,676	4,259,269
Furniture and fittings	772,936	19,292	792,228
Office equipment	463,553	1,786,645	2,250,198
	<u>4,721,083</u>	<u>2,580,613</u>	<u>7,301,695</u>
	Balance	Charge	Balance
7.2 Depreciation	as at		as at
	01.01.2015		31.12.2015
At cost	MVR	MVR	MVR
Computers and accessories	2,104,245	680,131	2,784,376
Furniture and fittings	745,342	15,765	761,107
Office equipment	301,073	284,097	585,170
	<u>3,150,660</u>	<u>979,993</u>	<u>4,130,653</u>
Net book value	<u>1,570,423</u>		<u>3,171,042</u>

7.3 Property, plant and equipment

During the financial period, the Company acquired plant and equipment to the aggregate value of MVR 2,580,613/- (2014: MVR 205,394/-) .

8 Intangible assets	2015	2014
	MVR	MVR
At cost		
Balance 1 January	8,141,760	8,141,760
Balance as at 31 December	<u>8,141,760</u>	<u>8,141,760</u>
Amortisation		
Balance 1 January	1,628,352	-
Amortisation for the period	1,628,352	1,628,352
Balance as at 31 December	<u>3,256,704</u>	<u>1,628,352</u>
Net book value	<u>4,885,056</u>	<u>6,513,408</u>

**Maldives Pension Administration Office**  
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	2015 MVR	2014 MVR
9 Prepaid Lease Rent		
Prepaid Lease Rent	24,000,000	12,000,000
	<u>24,000,000</u>	<u>12,000,000</u>

MPAO has entered into a lease agreement with State Trading Organisation PLC on 18 August 2014 to lease 8000 square feet (2 Floors) of Umar Shopping Arcade Office complex. As leasee, MPAO has agreed to pay amount of 24 Million on an installment basis as rent charge for a period of 25 years effective from the date of completion of construction of building. This prepayment will be amortized throughout the period of 25 years from the date of occupying the building.

	2015 MVR	2014 MVR
10 Trade and other receivables		
Asset Management Fee Receivable	3,662,514	3,047,767
MRPS Receivable	264,960	264,960
Prepayments	97,274	158,125
Other Receivables	-	901,600
MRPS Fines Receivables	941,600	-
Accounts Receivable - USD	2,002	-
	<u>4,968,350</u>	<u>4,372,452</u>

11 Cash and cash equivalents in the statement of cash flow		
Cash in hand	27,823	47,482
Balances with banks	20,562,693	20,807,900
	<u>20,590,516</u>	<u>20,855,382</u>

12 Trade and other payables		
Accrued expenses	9,437,178	7,688,946
Pension Contribution Payable	-	(228,833)
MRPS Pension payouts	165,426	49,137
Payable to MRPS	-	128,686
Other Payables	13,237	287,270
	<u>9,615,841</u>	<u>7,925,206</u>

**Maldives Pension Administration Office**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015**

13 Financial risk management objectives and policies

13.1 Overview

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

- a) Credit risk
- b) Liquidity risk
- c) Market risk

This note presents information about the MPAO's exposure to each of the above risks, MPAO's objectives, policies and processes for measuring and managing risk, and MPAO's management of capital. Further, quantitative disclosures are included throughout the MPAO's financial statements.

13.2 Risk management framework

The board of Directors has overall responsibility for the establishment and oversight of the MPAO's risk management framework.

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

13.3 Credit risk

Credit risk is the risk of financial loss of MPAO's if a debtor fails to meet its contractual obligations. The credit risk arises principally from MPAO's receivables from Maldives Retirement Pension Scheme.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2015 MVR	2014 MVR
Asset management receivable	<u>3,927,474</u>	<u>3,312,727</u>
	<u>3,927,474</u>	<u>3,312,727</u>

The MPAO believes that the unimpaired amounts that are outstanding are still collectible, based on historic payment behavior.



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13 Financial risk management objectives and policies *continued*

13.3 Liquidity risk

Liquidity risk is the risk that MPAO will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. MPAO's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to MPAO's reputation.

2015	Carrying amount	0-6 Months
	MVR	MVR
Accrued expenses and other payables	<u>9,615,841</u>	<u>9,615,841</u>
2014		
Accrued expenses and other payables	<u>7,925,206</u>	<u>7,925,206</u>

13.4 Market risk

Market risk relates to the impact of fluctuations in market rates in MPAO's assets and liabilities or else the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The primary objective of market risk management is to ensure that the MPAO optimises that the risk reward relationship and does not expose to unacceptable losses outside its risk appetite.

13.5 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. This represents exposures the Company has due to changes in the values of current holdings and future cash flow positions denominated in currencies other than the local currency.

	2015 USD	2014 USD
Cash and balances with Banks	138,182	33,342

The following exchange rates were applied during the year:

	2015 USD	2014 USD	2013 USD
1 US\$ : MVR	15.42	15.42	15.42

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There was no material capital commitments approved or contracted as at the reporting date and there was no contingent liabilities which require disclosure in the financial statements as at the date of the financial position.

15

Comparative information

Comparative information of the Financial Statements have been reclassified whenever necessary to confirm with current years presentation.

Property, plant and equipment	As per 2014 financial statements MVR	Reclassification MVR	Reclassified amounts MVR
Cost			
Computers and accessories	3,413,537	71,057	3,484,593
Furniture and fittings	660,872	112,064	772,936
Office equipment	409,472	54,082	463,554
	<u>4,483,881</u>	<u>237,202</u>	<u>4,721,082</u>
Depreciation			
Computers and accessories	1,987,265	116,980	2,104,245
Furniture and fittings	633,278	112,064	745,342
Office equipment	292,915	8,158	301,073
	<u>2,913,458</u>	<u>237,202</u>	<u>3,150,660</u>

16 Related Party Transactions

16.1 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 MVR 936,731/- (2014: 964,500/-) as emoluments.

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	2015	2014
	<u>MVR</u>	<u>MVR</u>
I Administrative expenses		
Salaries and allowances	11,313,391	9,234,771
Stationery and Office Requisites	206,459	215,110
Administrative supplies	89,243	60,081
Communication	659,997	491,115
Publication and Announcements	194,323	221,064
Carriage and Conveyance	62,684	10,773
Travel, Training and Seminars	5,246,885	3,721,086
Professional Services Fees	725,612	437,719
Fees Related to MRPS Investment	4,670	886,810
License, Maintenance and Supporting Service Fee	1,002,300	1,002,300
Maintenance and Repair	114,017	70,043
Grant and Sponsors	332,413	331,300
Bank Charges and Custodian Fees	8,206,297	7,234,546
Depreciation and Amortization	2,608,346	2,524,953
Miscellaneous Expenses	229,002	-
	<u>30,995,639</u>	<u>26,441,671</u>





# **MALDIVES RETIREMENT PENSION SCHEME**

## **AUDITOR'S REPORT & FINANCIAL STATEMENTS 2015**

MALDIVES RETIREMENT PENSION SCHEME

AUDITORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2015





Building a better  
working world

AHF/FS

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Reg. No: C-192/95

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

### **Report on the financial statements**

We have audited the accompanying financial statements of the Maldives Retirement Pension Scheme ("MRPS"), which comprise the statement of financial position as at 31 December 2015 and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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**

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 from the Government. As stated in note 12.1, MRPS has recorded an Accrued Pension Rights Receivable amounting to MVR 2,380,156,835 in 2011 and subsequently adjusted due to the contributions and accrued rights payments. Accordingly MRPS has recorded a revenue of MVR 2,673,098/- (2014: MVR 2,082,822/-) as a contribution. Based on the said Accrued Rights, MRPS has recorded an interest income amounting to MVR 186,693,701/- (2014: MVR 178,353,835/-).

We were unable to determine whether the Bonds issued for Accrued Rights recognized initially and subsequent recognition of Accrued Rights, and interest there on since interest depends on value of Recognition of bonds. Therefore, we were unable to verify the completeness and accuracy of the interest and value of the Recognition Bonds.

Qualified opinion

In our opinion, except for the effects of the matters described in basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the MRPS as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



15 April 2016  
Malé



**Maldives Retirement Pension Scheme**  
**INCOME STATEMENT**  
for the year ended 31 December 2015

	Notes	2015 MVR	2014 MVR
Income			
Interest Income	3	504,635,296	433,819,859
Dividend Income	4	26,896,008	25,555,620
Contribution Revenue	5	893,810,159	809,554,917
		<u>1,425,341,463</u>	<u>1,268,930,396</u>
Other income	6	810,406	1,356,282
Administrative expenses		(89,063,602)	(66,787,657)
Net Increase in net asset available for benefits		<u>1,337,088,267</u>	<u>1,203,499,021</u>

The accounting policies and notes on pages 6 to 18 form an integral part of the financial statements.



**Maldives Retirement Pension Scheme  
STATEMENT OF FINANCIAL POSITION  
As at 31 December 2015**

	Notes	2015 MVR	2014 MVR
<b>Assets</b>			
Cash and Cash equivalents	8	16,382,669	25,768,900
Other Receivables	9	2,308,184	3,729,464
Financials Assets Held to Maturity	10	4,552,644,287	3,326,479,661
Available-for-sale Investment	11	253,884,960	263,698,668
Recognition Bond	12	3,027,605,254	2,894,359,524
<b>Total assets</b>		<b>7,852,825,354</b>	<b>6,514,036,217</b>
<b>Liabilities</b>			
Other Payables	13	5,277,910	3,271,053
Contribution collection accounts		4,799,795	5,105,781
<b>Total liabilities</b>		<b>10,077,705</b>	<b>8,376,834</b>
<b>Reserves and Accumulated members balance</b>			
Accumulated Members balance		7,842,747,649	6,505,659,383
<b>Total reserve &amp; Accumulated members balance &amp; liabilities</b>		<b>7,852,825,354</b>	<b>6,514,036,217</b>

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed for and on behalf of the Board by,

Name of the Director

Signature

Athifa Ali (Chairperson)  
.....  
Ali Faris Mohamed (Chairperson ARMC)  
.....  
Mohamed Hussain Maniku (CEO)  
.....

*(Handwritten signatures)*  
.....  
.....  
.....

The accounting policies and notes on pages 6 to 18 form an integral part of the financial statements.

15 April 2016  
Male'

**Maldives Retirement Pension Scheme**  
**STATEMENT OF CHANGES IN ACCUMULATED FUNDS**  
**for the year ended 31 December 2015**

	<u>Accumulated Members Balance MVR</u>
Balance as at 1 Jan 2014	5,302,160,362
Net increase in net asset available for benefits	1,203,499,021
Balance as at 1 January 2015	<u>6,505,659,383</u>
Net increase in net asset available for benefits	1,337,088,267
Balance as at 31 December 2015	<u><u>7,842,747,649</u></u>

The accounting policies and notes on pages 6 to 18 form an integral part of the financial statements.

**Maldives Retirement Pension Scheme**  
**STATEMENT OF CASH FLOWS**  
**for the year ended 31 December 2015**

		2015 MVR	2014 MVR
Cash flows from operating activities			
Contribution Received to Contribution Collection Account (CCA)		891,633,078	799,270,496
Amount Received for matured recognition bond		56,121,069	43,123,938
Fine on late contribution		810,406	1,356,282
Interest income		307,083,205	208,165,927
Management fee paid		(37,597,825)	(30,046,675)
Benefits paid to members		(48,839,643)	(35,913,565)
		<u>1,169,210,290</u>	<u>985,956,403</u>
Cash flows from investing activities			
Dividend Received	4	26,896,008	25,555,620
Proceed from maturing of investments		3,216,445,764	2,542,506,954
Payments for purchase of investments		(3,488,440,394)	(3,431,845,763)
Investment in shares		-	(125,957,210)
Investment made in Bond		(943,084,403)	-
Repayment of principle on Bond	11.1	9,586,505	8,906,035
Net cash used in investment activities		<u>(1,178,596,520)</u>	<u>(980,834,364)</u>
Net Increase in cashs and cash equivalents			
		(9,386,231)	5,122,039
Cash and cash equivalents at beginning of the year		<u>25,768,900</u>	<u>20,646,861</u>
Cash and cash equivalents at end of the period	8	<u>16,382,669</u>	<u>25,768,900</u>

The accounting policies and notes on pages 6 to 18 form an integral part of the financial statements.



**Maldives Retirement Pension Scheme**  
**NOTES TO THE FINANCIAL STATEMENT**  
**Year ended 31 December 2015**

**1. Reporting Entity**

Maldives Retirement Pension Scheme (MRPS) was established under Maldives Pension Act No 8/2009 on 13th May 2009. The registered office is located at Ministry of Finance and Treasury Building, Ameene Magu, Male', Republic of Maldives.

The objective of MRPS is to provide a stable retirement income for the participants of the scheme based on the contributions made and performance of the investments. This forms an important pillar of the national social protection system. The MRPS is a Defined Contribution Scheme, where the employee and employer together contribute 14% of the pensionable wage on a monthly basis to the scheme. The pension payout starts at retirement and pensioners are currently provided with monthly pension benefits for life expected at the time of retirement. The MRPS commenced in May 2010 with contributions from Public Sector employees and in May 2011 with Private Sector employees.

The Investment and administration activities of MRPS are managed and administered by Maldives Pension Administration Office (MPAO) in accordance with the requirements of the Act.

At the end of the financial year MRPS comprised of four sub-funds: Investment Fund, Sharia Fund, Conservative Fund and Sharia Retirees Fund.

**2. Basis of preparation**

**(a) Statement of Compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IASs).

**(b) Basis of Measurement**

The financial statements have been prepared on the historical cost basis except financial instruments which are measured at fair value if any.

**(c) Functional and Presentation Currency**

These financial statements are presented in Maldivian Rufiyaa, which is the MRPS'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 recognized 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 recognized in the MRPS'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 Retirement Pension Scheme  
NOTES TO THE FINANCIAL STATEMENT  
Year ended 31 December 2015

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.

Cash and cash equivalent

Cash and cash equivalents comprise balances with banks.



Maldives Retirement Pension Scheme  
NOTES TO THE FINANCIAL STATEMENT  
Year ended 31 December 2015

3. Significant Accounting Policies (Continued)

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, Government Treasury Bonds & 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.

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.



Maldives Retirement Pension Scheme  
NOTES TO THE FINANCIAL STATEMENT  
Year ended 31 December 2015

3. Significant Accounting Policies (Continued)

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 recognized 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 recognized 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 recognized, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.

(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.



Maldives Retirement Pension Scheme  
NOTES TO THE FINANCIAL STATEMENT  
Year ended 31 December 2015

3. Significant Accounting Policies (Continued)

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.

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.



Maldives Retirement Pension Scheme  
NOTES TO THE FINANCIAL STATEMENT  
Year ended 31 December 2015

5. New Standards and Interpretations

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an interim standard which provides relief for first time -adopters of IFRS in relation to the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). The standard permits these entities to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts.

IFRS 14 is effective for annual periods beginning on or after 1 January 2016.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

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

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Equity Method in Separate Financial Statements (Amendments to IAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Annual Improvements to IFRSs 2012-2014 Cycle – various standards.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).
- Disclosure Initiative (Amendments to IAS 1).



**Maldives Retirement Pension Scheme  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2015**

	2015 MVR	2014 MVR
3 Interest Income		
Interest Income from Recognition Bonds(note 3.1)	186,693,701	178,353,835
Interest income Treasury bond	12,084,402	-
Interest income from fixed deposits	12,237,124	9,568,260
Interest income from HDFC bond	2,362,426	3,052,759
Income from Sukuk	759,600	126,000
Interest income from Treasury Bills	290,498,043	242,719,005
	<u>504,635,296</u>	<u>433,819,859</u>

3.1 Interest income from Recognition Bonds

Interest on Recognition Bonds is determined with reference to the fixed deposit rate since June 2014 as agreed between Ministry of Finance and MPOA. The deposit rate used for the financial year was the highest one year deposit rate as at the end of the preceding year.

	2015 MVR	2014 MVR
4 Dividend Income		
Dividend income from Dhivehi Raaje Gulhun PLC	<u>26,896,008</u>	<u>25,555,620</u>

5 Contribution Revenue

Contribution from employers	450,742,056	398,809,541
Contribution from members	440,395,004	408,662,554
Contribution from government on Accrued Rights (Note 5.1)	2,673,098	2,082,822
	<u>893,810,159</u>	<u>809,554,917</u>

5.1 During the year, MRPS has recognised a net contribution of MVR 2,673,098/- (2014: MVR 2,082,822/-) for the adjustment of the initial recognition bond amount.

6 Other income

	2015 MVR	2014 MVR
Fines on late Contribution	810,406	469,472
Reimbursed from MPAO	-	886,810
	<u>810,406</u>	<u>1,356,282</u>

**Maldives Retirement Pension Scheme**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015**

	2015 MVR	2014 MVR
7	Administrative expenses	
	Management fee (note 7.1)	38,199,390
	Benefits paid to members	48,839,643
	Other expenses	2,024,569
		-
		66,787,657
7.1	In accordance with section 6(d) of the Maldivian 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 the 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 annual basis. Management Fees are accounted for on accrual basis at rate of 1% per annum.	
8	Cash and cash equivalents	
	Balances with banks (note 8.1)	25,768,900
8.1	Balances with banks	
	Cash Balance in Contribution Holding Account	25,768,900
	Cash Balance in Maldives Islamic Bank	37,550
		-
		25,768,900
9	Other Receivables	
	Receivable for Accrued Rights matured during the year	3,589,960
	Other Receivables	139,504
		-
		3,729,464
10	Financial Assets Held to Maturity	
	Treasury Bills	3,054,586,605
	Fixed Deposits	256,893,056
	Investments in Sukuk	15,000,000
	Treasury Bonds	943,084,403
		-
		3,326,479,661



**Maldives Retirement Pension Scheme**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015**

	2015 MVR	2014 MVR
11 Available-for-sale Investments		
Investment in HDFC Bond (note 11.1)	27,927,750	37,741,458
Investment in Shares of Dhivehi Raaje Gulhun PLC (note 11.2)	225,957,210	225,957,210
	<u>253,884,960</u>	<u>263,698,668</u>
11.1 Investment in HDFC Bond		
Balance as at 1 January	37,741,458	46,864,834
Interest accrued during the year	2,362,425	3,052,759
Interest paid during the year	(2,589,629)	(3,270,100)
Principal repayment during the year	(9,586,505)	(8,906,035)
balance as at 31 December	<u>27,927,749</u>	<u>37,741,458</u>

The Company has acquired 5,000 bonds of Housing Development Finance Cooperation PLC at MVR 10,000/- each on 10 March 2013, carrying interest of 7.5% per annum. Repayment will take place in ten semi annual installments commencing from six month after the date of allotment.

11.2 Investment in Shares of Dhivehi Raaje Gulhun PLC

Balance as at 1 January	225,957,210	100,000,000
Additions during the year	-	125,957,210
Balance as at 31 December	<u>225,957,210</u>	<u>225,957,210</u>

Available-for-sale investments, comprising principally marketable equity securities, are measured at fair value annually at the close of business on 31 December. For investments traded in active markets, fair value is determined by reference to Stock Exchange quoted bid prices.

12 Recognition Bond

Accrued Pension Rights Receivable (Note 12.1)	2,176,621,142	2,216,016,969
Interest Receivable on Recognition Bonds (Note 12.2)	850,984,112	678,342,555
	<u>3,027,605,254</u>	<u>2,894,359,524</u>

12.1 Accrued Pension Rights Receivable

Balance as at 1 January	2,216,016,969	2,249,904,372
Net Adjustment to contribution from Government on accrued rights	2,673,098	2,082,822
Accrued rights matured during the year	(42,068,925)	(35,970,225)
Balance as at 31 December	<u>2,176,621,142</u>	<u>2,216,016,969</u>

In accordance with section 25 of the Maldives Pension Act No. 8 of 2009, "publics 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 the MPAO and Ministry of Finance and Treasury dated 19th September 2011, both parties have agreed to recognise the Accrued Pension Rights of MVR. 2,380,156,835/- subject to a variation of 5% of the rights. Accordingly, MRPS has recognised revenue of MVR. 2,380,156,835/- as contribution from the Government on Accrued Pension Rights during the period ended 31st December 2010

(continued)



**Maldives Retirement Pension Scheme  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2015**

12 Recognition Bond (continued)

	2015 MVR	2014 MVR
12.2 Interest Receivable on Recognition Bonds		
Balance as at 1 January	678,342,555	509,283,363
Additions during the year	186,693,701	178,353,835
Paid during the year	(14,052,144)	(9,294,643)
Balance as at 31 December	<u>850,984,112</u>	<u>678,342,555</u>

As per section 25 of the Maldives Pension Act No 8 of 2009, the accrued rights of employees who were in employment with Government organisations at the time of 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 will mature on retirement or on the death of a member.

	2015 MVR	2014 MVR
13 Other Payables		
Management fee payable	3,649,331	3,047,766
Excess Collection from employers	1,477,042	75,045
Accrued rights excess collection from MOFT	148,242	148,242
Other payables	3,295	-
	<u>5,277,910</u>	<u>3,271,053</u>
14 Contribution Collection Accounts		
Contribution received into Contribution Collection Account	896,747,262	812,577,876
Contribution transferred to Contribution Holding Account	(891,947,467)	(807,472,095)
Balance in Contribution Collection Accounts	<u>4,799,795</u>	<u>5,105,781</u>

15 Comments

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

16 Contingent Liabilities

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

**Maldives Retirement Pension Scheme**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015**

17 Financial Instruments and Risk Management

17.1 Overview

This note presents information about the MPAO's exposure to each of the above risks, MPAO's objectives, policies and processes for measuring and managing risk, and MPAO's management of capital. Further, quantitative disclosures are included throughout the MPAO's financial statements.

17.2 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Entities risk management framework.

17.3 Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31.12.2015	31.12.2014
	MVR	MVR
Balance with banks	16,382,669	25,768,900
Other Receivables	2,308,184	3,729,464
Financial Assets held to maturity	4,552,644,287	3,326,479,661
Recognition Bond	3,027,605,254	2,894,359,524
	<u>7,598,940,394</u>	<u>6,250,337,549</u>

17.4 Liquidity Risk

Liquidity risk is risk that the Entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses risking damage to Entity's reputation.

The following are the contractual maturities of financial liabilities as at the period end:

31 December 2015	Carrying Amount	0 - 6 Months
Financial Liabilities (Non-Derivative)	MVR	MVR
Other payables	5,277,910	5,277,910
Balance in Contribution Collection Account	4,799,795	4,799,795
Total	<u>10,077,705</u>	<u>10,077,705</u>
31 December 2014		
Financial Liabilities (Non-Derivative)		
Other payables	3,271,053	3,271,053
Balance in Contribution Collection Account	5,105,781	5,105,781
Total	<u>8,376,834</u>	<u>8,376,834</u>

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



**Maldives Retirement Pension Scheme**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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17 Financial Instruments and Risk Management (continued)

17.5 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.

Interest Rate Risk

at the reporting date, the interest rate portfolio of MRPS interesting bearing financial instruments was:

	2015 MVR	2014 MVR
Variable Rate Instruments Financial Assets	<u>15,000,000</u>	<u>15,000,000</u>
Fixed Rate Instruments Financial Assets	<u>4,565,572,036</u>	<u>3,349,221,119</u>

18 Comparative Information

The comparative figures of the financial statement have been reclassified to confirm with current years classifications.

19 Events after the reporting date

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

20 Managements Responsibilities

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



