

Annual Report

2016



Table of Contents

Chairperson's Statement	03
CEO's Statement	04
Directors' Report	06
MPAO at a Glance	10
Operational Review	14
• Stakeholder Relations	15
• Operations	18
• Internal Audit and Risk Management	21
• Investment Review	22
Corporate Governance	28
• Board of Directors	28
• Investment Committee Report	33
• Audit and Risk Management Committee Report	35
• Remuneration and Nomination Committee Report	37
Outlook	39
Financial Report	41

Annual Review



Ms. Athifa Ali | Chairperson

On behalf of Board of Directors of Maldives Pension Administration Office (MPAO), it gives me great pleasure to present the Annual Report of MPAO for the financial year ended 31st December 2016.

The fiscal year 2016, during which MPAO celebrated its 7th 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. The Board also worked closely with management to review and where necessary strengthen corporate governance administration and controls we have. I am pleased to say that we have made significant progress in all these areas. Our CEO, Mr Mohamed Hussain Maniku will elaborate on MPAO's progress in his message.

I would like to take this opportunity to acknowledge and express my appreciation for continuous support provided by the Government Ministries and agencies, state institutions, financial institutions, employers and other stakeholders in the implementation and strengthening of the pension system in the Maldives.

I thank my fellow Board Directors for their advice, direction and valuable contributions in guiding MPAO and management in achieving its strategic goals and objectives.

On behalf of the Board of MPAO, I thank and congratulate Mr Mohamed Hussain Maniku for the continued success achieved by MPAO in such a short period under his strong leadership and guidance. I take this opportunity to thank him, the management and staff of MPAO for their strong commitment and dedication towards MPAO.

Looking ahead for 2017, 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. The Board remains confident in its management team and committed to working with all our stakeholders for the unified purpose of providing a strong and viable pension scheme for its current and future members.

CEO's Statement



*Mr. Mohamed Hussain Maniku
Chief Executive Officer*

I am pleased to update on the progress MPAO has made on its strategic objectives for the year ended 2016.

The year 2016 marked another continued year of good developments for MPAO in an operating environment that was challenging in some areas.

Major highlights of 2016 are as follows;

- 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 not only ensured employees accountability in fulfilling their obligations, but also made employers aware of their responsibility to collect and pay pension contributions in a timely manner.
- Necessary steps were 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 contributions with cases filed against them in the Civil Court. Number of planned and ad-hoc inspections were also carried out throughout the year.

Further, as a benefit enhancement for the MRPS members, Regulation on Collateralization of RSA funds towards housing schemes was published on August 2016, after the ratification of the third amendment of the Pension Act. In order to operationalize this scheme, MOU's were signed with three leading housing financiers.

- MOU signed between MPAO and BML for facilitation of collateralizing RSA funds for housing schemes on August 2016
- MOU signed between MPAO and HDFC for facilitation of collateralizing RSA funds for housing schemes on August 2016
- MOU signed between MPAO and MIB for facilitation of collateralizing RSA funds for housing schemes on Dec 2016

Moreover, first amendment to Regulation of Maldives Retirement Pension Scheme was published.

- A major accomplishment of the year was MPAO's decision to migrate the entire IT infrastructure of MPAO to Google Cloud Platform. This decision was taken in order to stabilize and improve IT infrastructure, connectivity and accessibility. This change has resulted in major improvement in providing services to the employers in making pension contributions and beneficiaries in accessing the member services, web applications and mobile application. This has also resulted in a significant reduction in the cost for the IT infrastructure. The Google Cloud Platform also contributes to the disaster recovery process as the backup of the systems are maintained remotely across the World.
- Pension Fund has been focusing on ways to broaden investment activities and increase assurance in retirement. Thus, considerable progress was also made in engagement and participation of our key stakeholders, particularly Government and State agencies, financial institutions, employers and clients.
- In this regard, in order to create a platform to deliberate on issues for the development of Maldivian Finance Sector, Maldives Finance Forum 2016 was held with a thematic focus on Financial Sector Modernization and Reform in May 2016.
- Further, in September 2016 Maldives Institutional Investment Seminar 2016 was held in collaboration with Privatization and Corporatization Board (PCB), Ministry of Finance and Treasury and Capital Market Development Authority (CMDA).
- In conclusion, the year 2016 represented major progress for MPAO through the introduction of more efficient business processes, expansion of the membership base and strengthening of internal controls. Further to enhance transparency and visibility for the members and general public, new website of MPAO was launched in November 2016.
- On December 2016, MPAO moved its operations to the new office building at City Square.

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 goal.

On behalf of MPAO, I thank them for their continued support throughout the year. A special thanks goes to the Chairperson and Board for their continued guidance and for entrusting me to continue leading MPAO.

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

Report of the Board of Directors

The Board of Directors of the Maldives Pension Administration Office (MPAO) presents its Annual Report of the MPAO and Pension Fund together with the Independent Auditor's

Report, Financial Statements and notes for the year ended 31st December 2016.

Our Aspirations

Vision

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

Mission

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

We endeavor to:

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

Core Values

Professionalism:

Integrity, confidentiality and objectivity

Communication:

Precise, concise, shared information and clarity

Innovation:

Simplicity, cutting edge technology and creativity

Work Ethics:

Team work, respect and learning culture

Accountability:

Responsibility, honesty, transparency and risk consciousness



All figures are as of 31 December 2016. All monetary values are in MVR.

Financial and Operational

Highlights for 2016

Participation of over **379** public sector employers in MRPS.

More than **1,330** employers have participated in MRPS from the private sector.

Total number of employees contributing to MRPS is more than **79,729**

Number of beneficiaries of Basic Pension is over **16,321**

Average monthly contribution to MRPS is MVR **78.10** million.

MRPS fund size (including Accrued Rights) is MVR **9.19** billion.

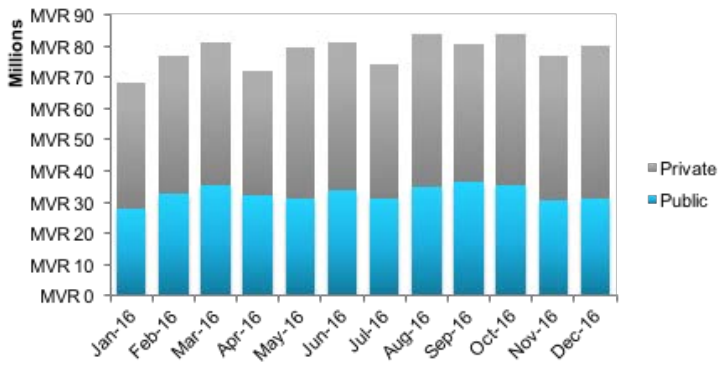
Average Retirement Pension disbursed per month is MVR **4.10** million.

Average Old Age Basic Pension disbursed per month is **36.01** million.

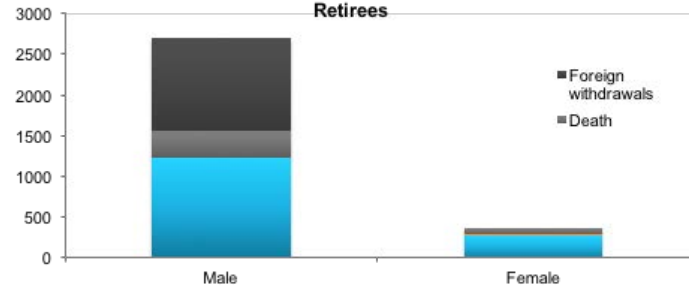
Average State-funded Other Pensions disbursed per month is **22.07** million.

Average Senior Citizen Allowance disbursed per month is **44.46** million.

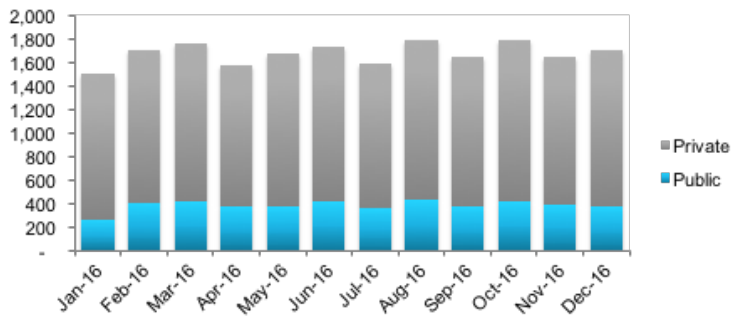
Contribution Collected



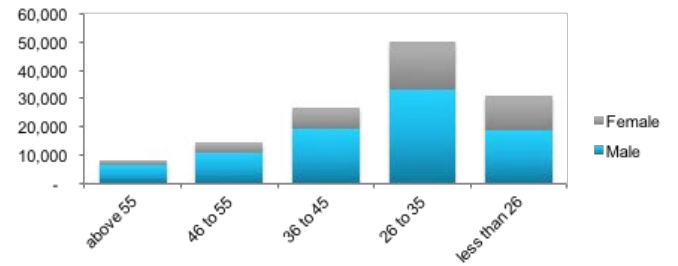
Retirees



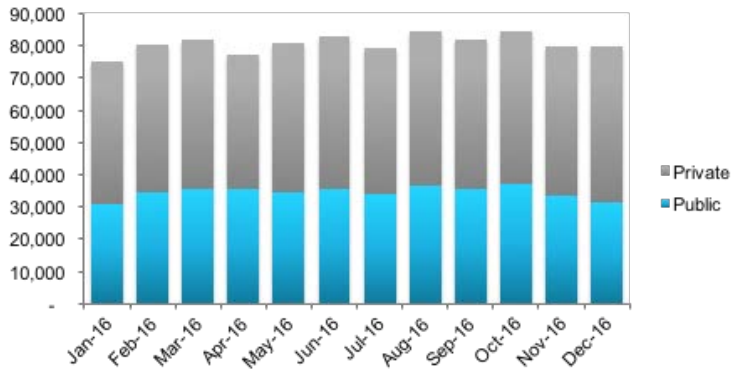
Employers



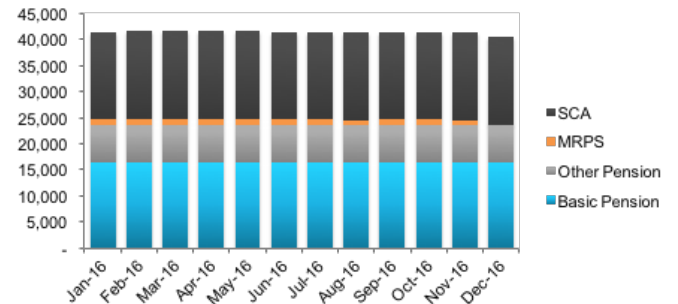
RSA Members



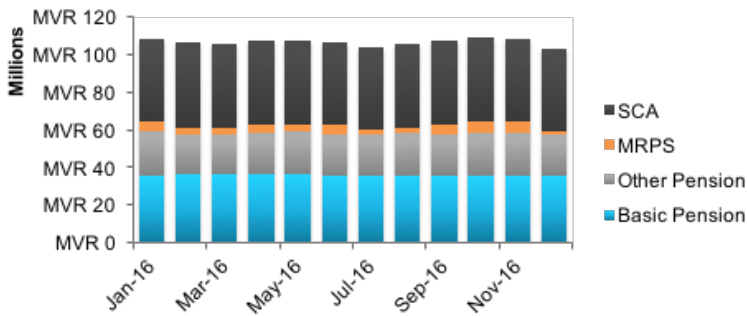
Employees



Beneficiaries



Payouts Disbursed



MPAO at a Glance



About MPAO

Maldives Pension Administration Office (MPAO) came into existence, under the Maldives Pension Act (Pension Act) ratified on 13th May 2009, as an independent legal entity.

The Pension Act mandates MPAO to carry out the following functions:

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

In addition to this the third amendment to Pension Act during 2016 establishes a scheme to assist financing homes through Collateralization of retirement savings.

Profile of Pension Schemes administered by MPAO

Under the Pension Act, MPAO administers three pension schemes, namely Maldives Retirement Pension Scheme (MRPS), Old-age Basic Pension Scheme (BP) and collateralization of MRPS funds for housing finance. In addition MPAO distributes other state funded pensions under and agency arrangement with Ministry of Finance Treasury.



Maldives Retirement Pension Scheme (MRPS)

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.



Old Age Basic Pension Scheme (BP)

Basic pension 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 Government provided to all Maldivian Citizens who have reached the age of 65, subject to meeting the eligibility criteria of the scheme.



Disbursement of State funded pensions

Under an MOU with the Ministry of Finance and Treasury, MPAO was assigned as the central agency to disburse various State-funded pension effective from April 2011.

In February 2014, MPAO was assigned with the disbursement of Senior Citizen Allowance – a state funded benefit provided to Maldivians above 65 years of age who do not receive monthly pension benefits of MVR 5,000.



Collateralization of Retirement Saving

MPAO made the necessary legal arrangements for the members to collateralize the pension saving towards the down payment of home mortgages in 2016. The scheme is administered in collaboration with mortgage finance providers. Under this scheme, members will be able to utilize the accumulated pension savings towards paying down payment for home mortgages.

Pension Reform

The pension system in place before the pension reform was a defined benefit scheme where the civil servants are paid a service-period-linked pension. The Maldives Pension Act of 2009 marks a significant point in the transition of the then existing pension system to a defined contribution scheme. Initiated by Government, this change was the outcome of the report by the World Bank on the effectiveness of safety nets and pension programs in the country with options for reform. The reform also established a state funded demogrant (Basic Pension) for the elderly.

The transitional arrangements from the old pension system to the new pension system required some public sector employees to receive recognition bonds as accrued pension rights for the past service to the state that is redeemed at retirement.

Operational Overview

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.

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 to conducting public awareness programmes, educating the scheme participants on pension schemes and communicating with the public. Other functions include facilitating service delivery

to scheme participants, employers and other relevant stakeholders.

Operations Division

The Operations Division 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 Operations Division also ensures employers comply with the Pension Act by carrying out planned and ad-hoc inspections and taking appropriate action against non-compliant employers. The Operations Division is responsible for the aspects of ICT hardware and software, security and data processing and storage.

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, 10 staff participated in 9 short training programmes conducted abroad, 28 staff participated in two in-house training programmes conducted at MPAO, 4 staff participated in a trainings held locally, and 7 staff took part in 3 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

As per the Pension Law MPAO is financed through the administrative fees levied on the member balances. The Administrative fees for the year 2016 was 0.9%. The total income from MRPS administration fee was MVR 49,150,369.90 million.

Stakeholder Relations



Public Awareness and Educational Programs

During the year 2016, numerous public awareness programs were conducted both in Male' and Atolls for employers and employees to create awareness of MRPS.

Door to door visits were conducted throughout the year. A total of 120 employers in 14 islands were visited. During the visits, registration of employers were facilitated, non-compliant employers were identified and information on pension system was provided.

Information sessions 2016

Location	Number of information sessions	Number of participants
Male' – Presentation to the general public	3	303
Male'- visiting employers in the public and private sectors	24	953
Atolls – visited 4 atolls (public presentations) and SPC trainings:	23	1295
Resorts - conducted trainings and information sessions	2	41
Schools and Colleges	21	2575
Total	73	5167

An essay competition targeted at college students was held in June 2016. The objective of this competition was to create an opportunity for tertiary level students to give their ideas about the benefits of changing the pension system in Maldives, and to raise awareness about different pension schemes run in Maldives.

As part of our stakeholder engagement and Corporate Social Responsibility activities, MPAO participated at the following events:

1. International Day of Older Persons in the island of B. Thulhaadhoo
2. Tree planting event organized jointly by all the independent institutions of the State
3. Youth Challenge organized by the Ministry of Youth and Sports

Printed promotional materials in the form of posters and leaflets were distributed to promote pension related messages.



Employer Trainings

Training sessions were conducted both in Male' and atolls to encourage employer participation in MRPS and ensure compliance to the Pension Act and regulations.

A total of 48 training sessions were conducted and 111 persons were trained to upload the monthly Statement of Pension Contributions (SPC).

In order to enhance the trainings on SPC related issues, video training materials have been made available through MPAO website.



Inter school Pension Quiz

The first Inter-School Pension Quiz was conducted from 22nd April to 5th May 2016. Students from 8 schools in Male' participated in this quiz. This event was an effective tool to provide required information for school age students as well as the public.

#	School Name
1	Thaajudheen School
2	Jamaaludheen School
3	Muhiyyudhin School
4	Hiriya School
5	Iskandar School
6	Ahmadhiya International School
7	Dharumavantha School
8	Al Madhrasathul Arabiyathul Islaamiyya



Pension Photo Contest & Exhibition

"Pension Photo Contest 2016" – a photography contest targeted at public was held in October 2016. This is the third time that this competition was held. As previous years noteworthy photographs were received, relevant to retirement and pensions.



Launching of MPAO's New Website

MPAO's website underwent a re-design and was launched along with a new Dhivehi version, on 2nd November 2016. The new website includes new features such as pension calculator for members to estimate savings for their retirement. The content in the website is now arranged in a more user friendly manner.



Events – Maldives Finance Forum 2016

Maldives Finance Forum 2016 was held on 11th May 2016 at Kurumba Maldives Resort. The theme of 2016 forum focused on “Financial Sector Modernization and Reform”.

This is the fifth year MPAO organized this event in partnership with Maldives Monetary Authority, Capital Market Development Authority, Allied Insurance Company of the Maldives, Housing Development Finance Corporation, Maldives Islamic Bank, State Bank of India, Habib Bank Limited and Maldives Stock Exchange.

The event was attended by over 100 participants representing national and global experts from financial, political, academic and social sectors.



Events – Institutional Investment Seminar 2016

The Maldives Institutional Investment Seminar 2016 was held on 25th September 2016 at Hotel Jen, Male’. This seminar was organized in collaboration with Privatization and Corporatization Board (PCB), Ministry of Finance and Treasury and Capital Market Development Authority (CMDA). Delivered by established international experts, the seminar provided interesting insights about the business of institutional investment and global asset management

Operations



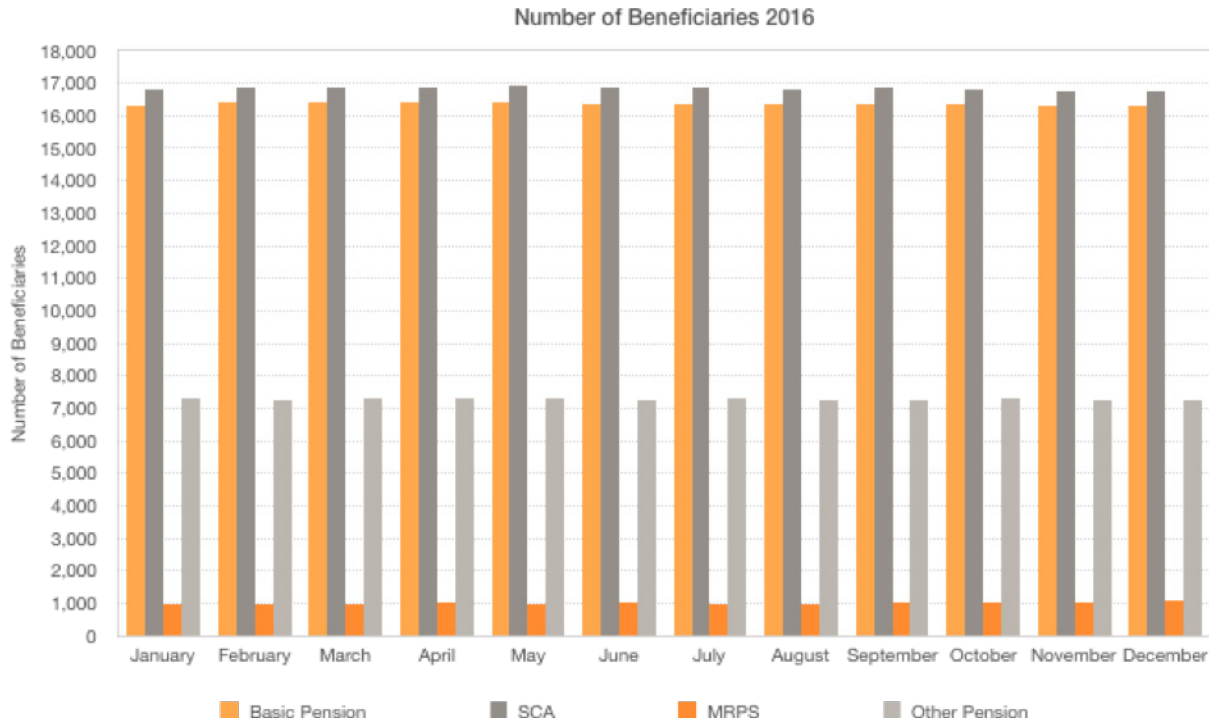
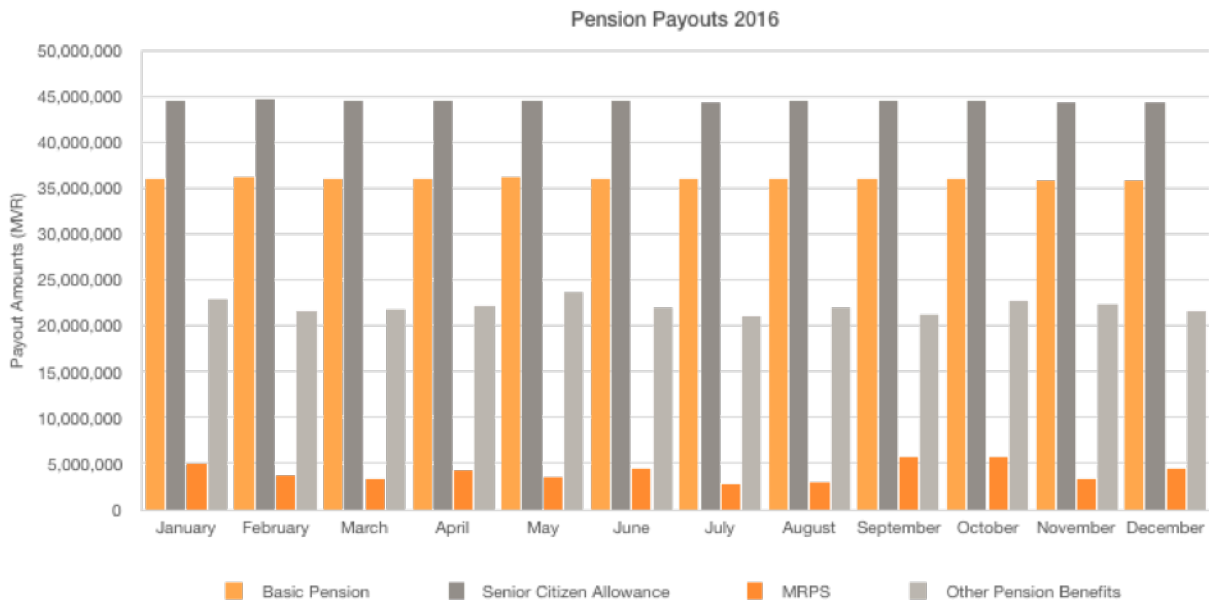
IT infrastructure

MPAO achieved a major milestone during the year by moving the entire IT infrastructure to Google Cloud platform. This not only significantly reduced the cost but also eased the staff accessibility to information, increase in security, speed and performance. MPAO also established Facebook Workplace as the main internal communication platform which enabled easier staff collaboration and reduced email usage. This has been a very successful transformation for motivating staff and increasing efficiency and accountability.

During the year RSA member portal was re-engineered which improved member experience in accessing the RSA statement on the website and mobile application. As part of major developments to Koshaaru, new features were introduced to cater for RSA collateralization, Overpayment Collections, Billing Refunds and Payout Adjustments.

Pension and claims

The pension and claims business process addresses the timely benefit disbursement and updating of death registration to avoid non eligible payments. Timely information is passed to the members in the form of notifications sent, 6 months prior to attaining the pensionable age.



During the year 2016, total payout disbursed as Basic Pension (BP) is 432.1 million, while Senior Citizen Allowance (SCA) amounted to 533.4 million. The total disbursement for state allowances and other pensions for the year is 264.8 million. An average of 16,605 beneficiaries are registered for both BP and SCA, while an average of 7,281 members received monthly state pensions and allowances. Every month an average of 916 members withdraw benefits under Maldives Retirement Pension Scheme.

Compliance and Enforcement

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

i. On-site Inspections

An important part of compliance is carrying out on-site inspections to validate that all employees are covered and employers pay contributions correctly. MPAO selects employers for on-site inspections based on two 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.

	Total
Planned Inspections	82
Ad hoc / Complaint-based Inspections	157
TOTAL:	239

ii. Legal Action

In conformity with the procedure for taking action against non-compliant employers, 11 cases were filed with the Civil Court in 2016 against employers that failed to pay outstanding pension contributions, and 4 cases were re-submitted to enforce judgement.

iii. Legislative and Regulatory Developments

Laws and Regulations	First Introduced	Last Amended
Maldives Pension Act (Act no. 8/2009)	13 May 2009	28 April 2016
Regulation on Collateralization of Accumulated Savings in the Pension Fund for Home Financing	1 August 2016	-
Regulation on Maldives Retirement Pension Scheme	14 February 2010	23 October 2016
Regulation on Maldives Retirement Pension Scheme	14 February 2010	

Internal Audit and Risk Management

The risk management and auditing activities continues to be an integral part of good governance to support and assess the effectiveness of internal controls across the operation. This important oversight function is supervised and overseen by Audit and Risk Management Committee (Committee) as delegated by MPAO Board. Under the guidance of the Committee, the function continued to evolve and improve during the financial year ending 2016.

With over a year since internal audit function set up, most of the work undertaken were towards the development of the function. Particularly, at the beginning of the review period, efforts were taken to learn the key business processes and prepare model work programs for audits to be conducted in the future. Additionally, steps were taken to streamline the overall process, which included, documentation of internal audit manual and implementation of periodic reporting of internal audit activities to the Committee. Further, to meet resource requirements, an auditor was recruited to the audit team by the end of 2016.

In setting the program of internal audits for the period, priority were those areas of business where risk was rated highest. Specific reviews undertaken include, audits related to pension payments, investigations and contribution collection process of the retirement pension scheme. Apart from this, through an external engagement, KPMG provided internal audit services on a special assignment covering the claims and pension processes and system and fieldwork was completed by the end of the year. Following completion of reviews, the results of the audit work during the year were

reported with recommendations for remedial action.

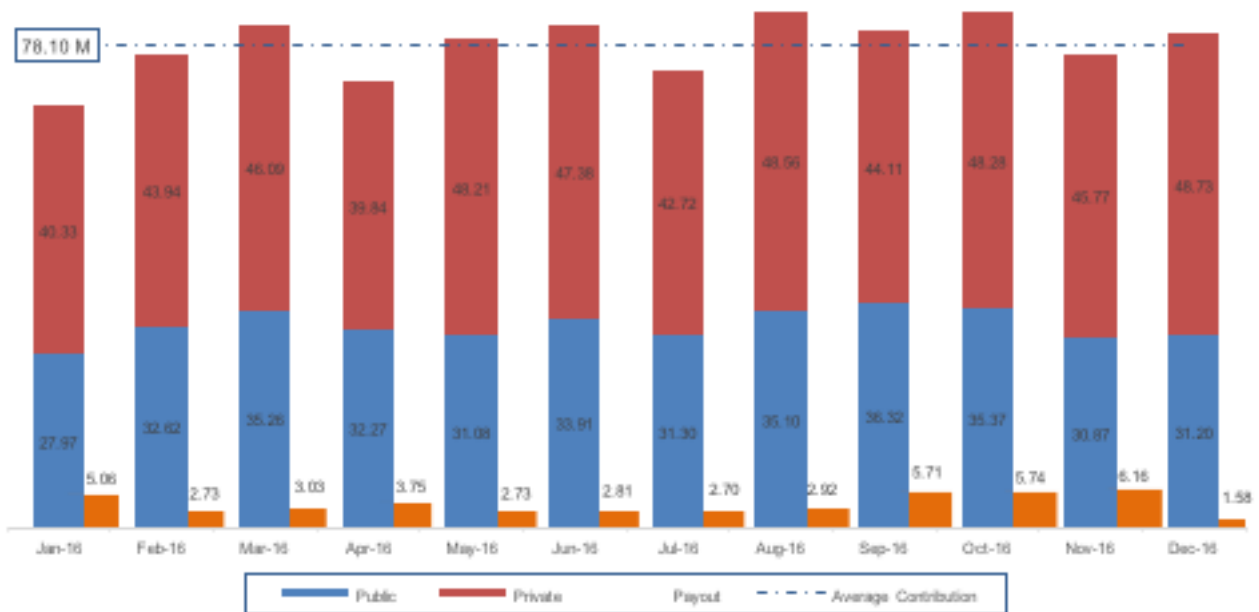
In keeping with best practices, Internal Audit regularly monitors the status of management action plans with respect to audit findings in order to ensure completion of actions identified. Ad hoc reviews of areas of concern identified by management or the Audit Committee are also carried out by the audit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

Another significant part of the function is carrying out activities related to risk management. Risk management activities are governed through an organizational wide risk management framework. It supports the identification, measurement and management of risks. As part of enhancing the risk management process, risk monitoring and reporting procedure was implemented which sets the roles and responsibilities of risk reporting across the institution. During the year, operational risks were identified in the annual risk assessment, which were then captured in a risk register. Subsequently, the identified risks, with risk mitigation actions were reported to Committee.

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.

Investment Performance

Contributions and Payouts (MVR, millions)



During the year, MRPS members contributed a total of MVR 937.24 million which represented 5% increase from the previous year. The average contributions for the year was MVR 78.10 million per month which represents an increase of MVR 3.8 million per month from the previous year. The total pension payouts for the year was MVR 45 million representing an average pension payout of 3.7 million per month. In terms of the contribution composition, private sector contributions represented 58 of the total contributions to the scheme. By the end of the year, MRPS has more than 129,194 account holders from 13,349 employers.

MRPS Funds Performance

Fund Returns

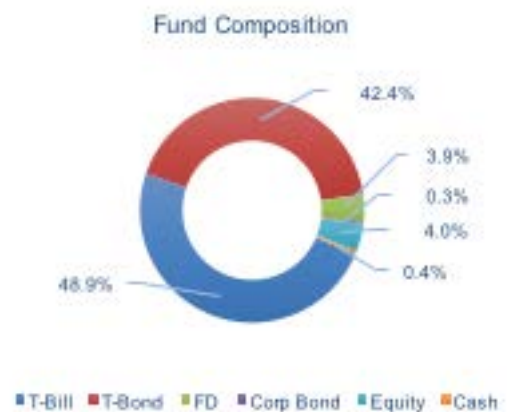
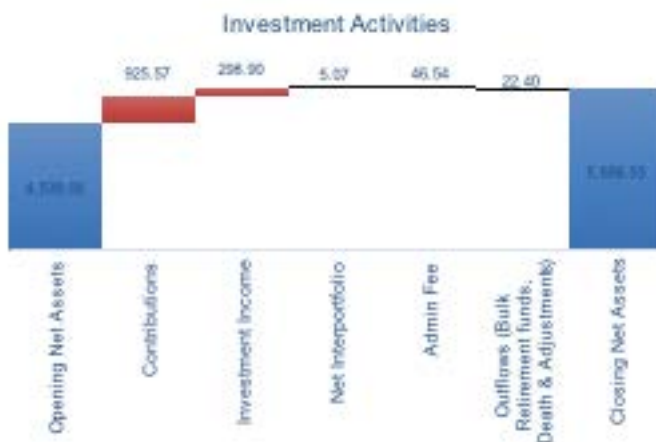
MRPS Funds	Net Assets (MVR, millions)	Returns			
		2016	2015	2 Year	Since
Pre-retirement Funds					
Investment	5,689.41	6.1%	8.6%	7.3%	7.3%
Sharia	66.14	4.4%	2.9%	3.6%	1.7%
Post-retirement Funds					
Conservative	259.54	5.2%	7.7%	6.4%	6.2%
Sharia Conservative	2.5				
Recognition Bond	3,175.07	6.5%	6.5%	6.5%	6.1%

MRPS funds were affected by the 2015 reduction of treasury bills and the subsequent fall in bank deposit rates. Most treasury bills and bank deposits invested prior to 2015, matured during the year, and new investments were made in the prevailing new rates during the year. This caused a fall in performance for all the funds except Sharia Fund.

The investment fund made a return of 6.1%, compared to the 8.6% return for 2015, while the Sharia fund improved returns to 4.4% from the 2.9% reported in 2015. The conservative fund which is a treasury bill fund made a return of 5.2% from 7.7% return reported in 2015. The Sharia conservative fund, commenced investments during the last-half of the year and hence performance will be reported during 2017. The recognition bonds which takes a fixed rate of return (highest FD rate during the previous year) accrued a return of 6.5% during the year.

Investment Activities and Composition of MRPS Funds

Investment Fund



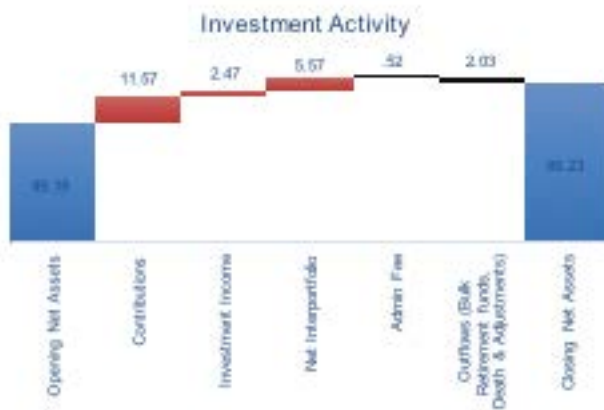
The default fund of MRPS is the Investment Fund. Over the year, members of the fund contributed MVR 925 million in pension contributions which represents a 5% increase in contributions from the previous period. The fund also added MVR 298 million as investment income, while a combined MVR 74 million in outflows were made as portfolio change transfers, administration fee and retirement and death benefits. By the end of 2016, the fund registered 8419 new members, increasing total number of account holders to 124,023.

In terms of the composition of the fund, the share of T-bills dropped significantly from 68% in 2015, to 49% by the end of 2016.

The holding of T-bonds increased from 21% in 2015 to 42% during 2016, as efforts by MPAO to lock in returns from short-term instruments to long-term instruments resulted in increasing subscription of Government T-bonds offering better rates. The amount of equity holding remained at MVR 225 million which represented 5% of total assets in 2015, but reduced to 4% in 2016 as the overall fund size increased, without corresponding increase in equity investments. Fixed deposits represented 3.9% of the total fund's assets which also represents a reduction from its 2015 holding of 6% as returns on fixed deposits fell and MPAO rebalanced funds in either bonds or treasury bills offering better rates.



Sharia Fund



Over the year, members of Sharia fund contributed MVR 11.57 million in pension contributions which represents a 17% increase in contributions from the previous period. The fund also added MVR 2.47 million as investment income, while a combined MVR 2.55 million in outflows were made as administration fee and retirement and death benefits. Members from the investment fund who opted to change to Sharia fund resulted in a net inflow of MVR 5.57 million during the

year. By the end of 2016, the fund registered 125 new members, increasing total number of account holders to 1529.

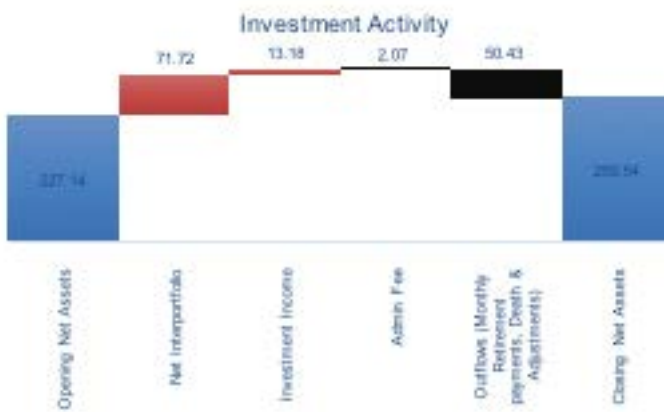
In terms of fund composition, by the end of 2016, investments in GIA instruments increased to 76.5% from 69% from 2015, while Sukuk holdings fell to 22.7% from 31% 2015 as fund size increased without additional Sukuk investments.

Conservative Fund

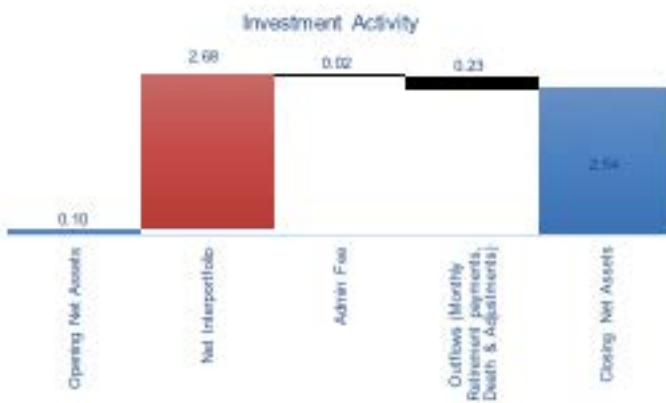
Conservative fund is a payout fund where entire balances from members retiring from the investment fund are invested, as they commence their monthly pension. During the year, net inflows to the fund from investment fund totaled MVR 71.72 million, while the investment income was MVR 13.18 million. Total outflows from the fund was as monthly retirement benefits reached MVR 50.43 million. By the end of year, 567 members retired from investment

fund and were transferred to conservative fund, with the total number of conservative fund members reaching 3,632 members.

Since the beginning of the year, MPAO started investing in only T-bills from the fund, as the interest rates offered to fixed deposits came down. By the end of year, almost all the funds were invested in T-bills.



Sharia Conservative Fund



The Sharia conservative fund invests funds of members retiring from the Sharia Fund in Sharia compliant assets available in Maldives. Investments of the fund commenced in the last-half of the year. Hence, investment performance of the fund would be made available, in 2017 when profits are realized upon maturity of the investments. The fund commenced with one approximately MVR 100,000 from inflows of its first batch of retirees. The fund continued to receive bulk

interportfolio transfer payments totalling MVR 2.68 million during the year from additional retirees during the year. Nearly all the funds have been invested in General investment accounts on a profit-sharing basis. The cash balances of the fund represents, funds reserved for liquidity purposes such as pension payments or for any unexpected payments. By the end of the year, members of the funds totalled to 10 members.

The Board of Directors



Ms. Athifa Ali | Chairperson



Zumra Ahmed



Fathimath Sara



Muznee Mohamed



Munthazim Ibrahim



Ali Shareef



Fathmath Muaza



Ali Faris Mohamed

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

Governance

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

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

bodies.

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

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

In accordance to the Pension Act, the current board structure comprises of eight members, representing both Public and Private Sector. The composition of the Board for the year 2016 was as follows.

Board Member	Term Details
Athifa Ali Chairperson of the Board	<ul style="list-style-type: none">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 Member representing the Securities Market Regulator	<ul style="list-style-type: none">Appointed on 20th February 2014, for a 3 year term.
Zumra Ahmed Member representing Ministry of Finance and Treasury	<ul style="list-style-type: none">Appointed on 20th February 2014, for a 3 year term.
Fathimath Sara Member representing the Social Security Ministry	<ul style="list-style-type: none">Appointed on 29th January 2015, for a 3 year term.
Munthazim Ibrahim Member representing the Private sector	<ul style="list-style-type: none">Appointed on 31st August 2014 for a 3 year term.
Ali Shareef Member representing the Private sector	<ul style="list-style-type: none">Appointed on 04th February 2015 for a 3 year term.
Fathmath Muaza Member representing the Private sector	<ul style="list-style-type: none">Appointed on 12th October 2015 for a 3 year term.
Ali Faris Mohamed Member representing the Private sector	<ul style="list-style-type: none">Appointed on 22th November 2015 for a 3 year term.

Board Appointments

The Board Members are appointed by the President 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 in the year

2016 was 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 and Board committee meetings attendance

During the year 2016, the Board met 16 times. The Board meeting attendance was as follows:

	Meetings eligible to attend	Meetings attended
Athifa Ali	16	16
Muznee Mohamed	16	15
Zumra Ahmed	16	15
Fathmath Sara	16	16
Munthazim Ibrahim	16	14
Ali Shareef	16	10
Fathmath Muaza	16	15
Ali Faris Mohamed	16	16

Board Committees

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

Board Succession

There was no change in the Board membership during the year 2016.

2016 Board Activity Review

The highlights of the Board discussions are as follows:

Benefit Enhancement:

To enhance the benefits to the Maldives Retirement Pension Scheme (MRPS) members, during the year Board deliberated on a number of benefit enhancement schemes;

The highlight for the year was the establishment of a Housing Collateralization Scheme to secure home ownership. This scheme was established by the 3rd amendment of the Pension Act, and the subsequent publication of a regulation detailing the operation of the scheme. Under this scheme members of MRPS will be able to pledge their retirement saving account balances towards securing a mortgage loan. Further, MOU's were signed with three leading housing financiers to operationalize this scheme.

Further, progress has also been made on introducing annuities for MRPS retirees. An EOI was opened up during the year for licensed life insurers to express their interest in providing annuity products for MRPS members.

Strengthening governance:

During the year, the board initiated the review and formulation of a number of internal policies designed to improve accountability and transparency of MPAO internal procedures. As part of this process two policies were discussed and implemented; (1) the reporting procedure for MPAO's Internal Audit Department (2) internal fraud detection policy. Further the board also deliberated on the findings of the annual CMDA on-site inspection and provided guidance on implementing the recommendations of the report.

A number of new internal policies were also

established which includes the formulation of CSR policy, document archiving policy and a scholarship policy for MPAO staff members. A review of the MPAO recruitment policy and overtime policy was also conducted.

Strengthening MPAO Investment Management:

During the year, the board continued to provide guidance on strengthening the investment management and investment operations of MPAO. As part of this, a unit pricing policy and a valuation policy for MRPS funds was adopted and a number of recommendations of the Investment Committee to reduce the reliance of single party exposure of MRPS assets was implemented. Further, decisions were also made to reduce over-reliance on short-term securities and invest in longer term maturities.

Improving Operational Effectiveness of MPAO:

In line with the mission of MPAO to achieve excellence in pension services, the board has deliberated on streamlining the services MPAO provides to the public. During the year, the board made a landmark decision to migrate the entire IT infrastructure of MPAO which includes the core pension management system, "Koshaaru" and internal IT services to a cloud based system. This decision is expected to reduce the costs of running the retirement scheme significantly and in anticipation of this, the Board also made a decision to reduce the administration fee charged on MRPS members from 0.9% to 0.8% effective from January 2017.

Further, the board also implemented a 5 year strategic plan focusing to further automate and streamline MPAO services. A decision was also made to join the International Social Security Association (ISSA), an international social security organisation with more than

Further, the board also implemented a 5 year strategic plan focusing to further automate and streamline MPAO services. A decision was also made to join the International Social Security Association (ISSA), an international social security organisation with more than 330 member organisations around the world to collaborate and share knowledge in areas of pension and social security.

Outreach Initiatives:

As an outreach initiative the Board deliberated the appointment of Service Delivery Channels in different parts of the country to facilitate convenient service delivery to scheme participants. Moreover, Board contributed in delivering financial awareness to the Public through diverse Forums.

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.

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.

Board’s learning was ensured through external exposure conferences and seminars and other necessary trainings. In this respect, two Directors participated in the Investment Fund Operations & Administration training held from 25th to 27th January 2016 at Dubai. One Director participated in the Modern Corporate Governance training held from 14th to 17th March 2016 at Dubai. This training was conducted with emphasizing on corporate governance issues in financial services, and concluded with an analysis of current proposals for reform.

Furthermore, two Board Directors participated in a 2-day workshop on Internal Control & Fraud Awareness held from 18th to 19th April 2016 at Singapore. The workshop focused on the importance of good controls both for business reasons and for regulatory compliance with a practical focus to enable good practice in the workplace. Also, one Director attended the Schroder’s Institute Seminar held from 13th to 17th June 2016 at London, UK.

On September 2016, One Board Director took part in the Asian Official Institutions Seminar held from 19th to 23rd September 2016 at Sydney, Australia. This seminar included fundamentals of fixed income and equity investing, and concentrated on the various investment topics that will shape the global landscape. The seminar was conducted with emphasis on peer-to-peer interaction, networking opportunities and with in-depth discussions.

Moreover, one Board Director attended the World Pension Summit held from 09th to 10th November 2016 at The Hague, Netherlands. With this year’s theme ‘Managing Rising Risks’ this summit addressed on key issues of the changing pension landscape and met the needs of senior professionals, actively involved in the pension sector. Further, it 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 December 2016 one Board Director took part in the Internal Audit training for Board and Audit Committee that was held from 15th & 16th December 2016 at Singapore. This program was designed to provide insight into the roles and relationships amongst the stakeholders involved in the governance, risk, and control aspects of the organizations.

Investment committee

Report

Investment Committee is the Board sub-committee responsible for formulating the investment principles and policies for MRPS funds. It comprise of three members; two members from private sector and the Board member from representing the Ministry of Finance.

The chairpersonship of the committee is a one year post, appointed on a rotating basis among the investment committee members. The current committee Chairperson is Mr. Ali Shareef, and was appointed to the post on 30th March 2016.

Attendance of Members

Name of Member	Meetings Eligible to Attend	No of Meetings Attended
Ali Shareef (Chairperson)	8	8
Zumra Ahmed	8	8
Fathmath Muaza	8	8

Main decisions and discussions

Investment Strategy

MRPS adopted benchmark return targets for its funds for the first time and reviewed the Strategic Asset Allocation which favor growth assets to achieve this target. The committee agreed that a benchmark indexed to long term financial instruments would be best return targets to adopt, taking into account practical issues in the current macroeconomic environment and in local financial and capital market.

The following return targets were adopted for MRPS funds:

The annual SAA adopted proposes to escalate the proportion of growth assets up to 75% for Investment Fund and 60% of the Sharia Fund in the medium term. This decision also follows committee deliberation on the current low interest rate for short-term assets in local markets and the need to lock in MRPS investment returns for the medium term.

Fund	Benchmark
Investment Fund	8 Year GoM T-Bond Rate + 160 basis points
Sharia Fund	60 month GIA Rate + 160 basis points

Diversification and Investment Expansion

The committee made a decision to continue investing in the GoM T-Bonds for MRPS funds. The committee approved 4 series amounting to MVR 2.1 Billion, scheduled to take place from May 2016 to May 2017. The bonds have tenures ranging from 6 to 8 years and is expected to form the majority asset class by first quarter of 2017, significantly decreasing the holdings of T-Bills.

In order to expand investments, the committee also made a decision to allow Sukuk investments from MRPS investment fund. Earlier, only the Sharia Fund was allowed make Sukuk investments, and this new change will allow, greater investments to be made the developing local Sukuk markets. Further, the committee also deliberated on a number of equity and co-investment opportunities that became available in the local market.

Further discussions were also held regarding the existing investment challenges, particularly on the issue of the limited long-term investment opportunities available for MRPS. The current investment regime, follows the directions issued under the Article 16 of Pension Act which dictates the particular asset classes MPAO is allowed to invest. A decision was made to seek, expert investment advisory to holistically review the existing investment mandate and the relevant laws to move forward.

Awareness Initiatives

The committee also launched The Maldives Institutional Investment Forum, an initiative to present the funding opportunities for local SOEs and large enterprises interested in sourcing finance from the pension fund.

The theme of the forum was “Medium to long term financing through pension fund” and presentations were made by MPAO and participants on the opportunities available in a number of key industries.

Audit And Risk Management Committee Report

Introduction

The Audit and Risk Management Committee (the "Committee") 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.

The purpose of this report is to provide an overview of the membership, summary of responsibilities and activities of the Committee in respect of the year ended 31st December 2016.

During the year 2016, the executive management of MPAO reported to Committee on issues related to audit and matters related to risk, accounting and financial reporting.

Composition and Support of the Committee

The Committee comprised of four members of MPAO Board. The members of the committee that served during the year were;

- Mr. Ali Faris Mohamed (Chairperson)
- Mr. Munthazim Ibrahim (Member)
- Ms. Fathmath Sara (Member)
- Ms. Zumra Ahmed (Member representing the Investment Committee)

Meetings were also attended by Chief Executive Officer and representatives from business functions as required.

Responsibilities

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

Committee Meetings and Attendance

During the fiscal year 2016 a total of 6 Committee meetings were held. The table shows the membership of the Committee together with their attendance for 2016.

	Meetings eligible to attend	Meetings attended	Duration
Ali Faris Mohamed	6	6	Appointed on 23rd Nov 2015
Munthazim Ibrahim	6	6	Appointed on 23rd Feb 2015
Fathmath Sara	6	6	Appointed on 23rd Feb 2015
Zumra Ahmed	6	6	Appointed on 05th May 2014

2016 Committee Activity Review

The highlights of the Committee decisions and activity reviews are as follows.

- During the meeting held on 25th April 2016, the Committee appointed Mr. Ali Faris as the Chairperson for one year period, as Mr. Munthazim Ibrahim, who previously filled the position completed his term.
- During the review period, the Committee considered the auditor's report and audited financial statements for the year ended 31st December 2015 by Ernst & Young. After review and discussion, on 25th April 2016, Committee endorsed and recommended it for Board approval.
- The committee was presented with internal audit reports from the work undertaken by the audit function in the course of the review period. The reports focused on pension disbursements, which highlighted key findings according to risk level classification framework which were then discussed and where required, action plans to address any matters raised were agreed with management.
- Following the review of internal audit reports, the Committee provided necessary guidance to management on the importance of timely implementation of the audit recommendations. To closely monitor progress against recommendations, it was decided to discuss it on regular basis and as such, Committee received progress reports throughout the review period.
- During period under review, Committee considered report of a special investigation carried out by internal audit on pension payments and recommended actions to address the incident.
- Apart from internal audit issues, Committee also discussed risks faced by MPAO. To

this end, the Committee reviewed report on operational risks derived from annual risk assessment, which highlighted the high and medium risk priorities along with risk mitigation action plans proposed by management. In addition, the Committee noted the regulatory authority's (CMDA) annual inspection findings and discussed on the actions proposed by management to address the issues raised.

- For the reporting period, the Committee reviewed its internal control responsibilities. In this regard, the Committee considered fraud response policy and recommended to develop whistleblowing policy to ensure appropriate responses are in place to deal with potential incidences.
- A number of improvements to the current audit and risk management practices were considered in 2016. Notably, Committee endorsed the audit manual, internal audit and risk reporting procedures. Other proposals received include risk and audit strengthening plans, and after review, Committee advised ways to strengthen and develop the function. Further, to evaluate the effectiveness of the internal audit, the Committee decided to provide feedback on the performance review of Head of Internal Audit.

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

At the start of the year, the RNC was comprised of two Board Directors Ms. Fathmath Muaza and Mr. Munthazim Ibrahim, and the Chief Executive Officer (CEO), Mr. Mohamed Hussain Maniku.

From July 2016 onwards, as per the decision of the MPAO Board, the composition of the RNC was changed to three Board Directors and the CEO. As such, Board Director Mr. Ali Shareef was appointed to the RNC.

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 2016, four meetings of the RNC were held.

Committee Attendance

	Meetings eligible to attend	Meetings attended	Duration
Munthazim Ibrahim	4	4	From 02.12.2014 – present
Fathmath Muaza	4	4	From 23.11.2015 – present
Ali Shareef	2	2	From 24.07.2016 – present
Mohamed Hussain Maniku	4	4	From 02.12.2014 – present

2016 Committee Activity Review

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

- During the first meeting of RNC of the year, held on 1st March 2016, the committee appointed Ms. Fathmath Muaza as the committee Chairperson. During this meeting the committee also endorsed to provide MVR 3,000 and additional gifts in-kind to MPAO staff as Ramazan Allowance, and endorsed to provide Retention Allowance to 8 key staff nominated by the management.
- During the second meeting of the RNC held on 22nd June 2016, the committee endorsed two options to be proposed to the Board regarding increasing of MPAO Board Directors' remuneration. The committee also endorsed to increase Board Secretary's sitting fee.
- During the third meeting of the RNC held on 24th July 2016, the committee endorsed to increase the Chief Executive Officer's remuneration.
- During the fourth meeting of the RNC held on 10th August 2016, the committee endorsed the proposed changes to MPAO's organisation structure and the staff remuneration structure.

Looking forward


2017 will be another significant year for MPAO. Significant progress has been made towards introducing of two major schemes to enhance MRPS member benefits and provide additional social security. These schemes are:

1. Disability Insurance Scheme (DIS)

Under this scheme, employers would pay a premium to MPAO will cover MRPS members to 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.

2. 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 2017. 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.

A photograph of an elderly man with a grey beard, wearing large black headphones and bright green sunglasses. He is reclining on a black beach chair on a sandy beach. He is wearing a light blue button-down shirt and a blue and white plaid sarong. The background shows the ocean waves and a person in the distance. The overall mood is relaxed and leisurely.

**“Retire from
work, but not
from life”**

Financial Reports

MALDIVES PENSION ADMINISTRATION OFFICE
AUDITOR'S REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2016

AHF/AJ

Independent Auditor's Report

To the Shareholders of the Maldives Pension Administration Office

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the Maldives Pension Administration Office ("MPAO"), which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the MPAO as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the MPAO in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management for the financial statements

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

In preparing the financial statements, management is responsible for assessing the MPAO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the MPAO or to cease operations, or has no realistic alternative but to do so.

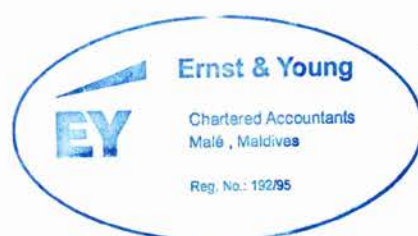
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MPAO's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the MPAO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the MPAO to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

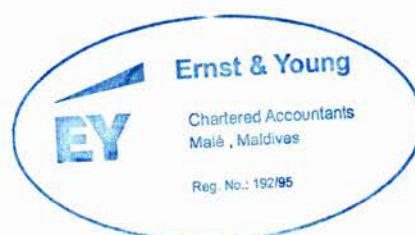
27 April 2017
Male'



Maldives Pension Administration Office
(Formed under the Maldives Pension Act No.8 of 2009)
INCOME STATEMENT
Year ended 31 December 2016

	Notes	2016 MVR	2015 MVR
Income	6	49,150,370	38,199,390
Other income	7	571,625	3,408,913
Salaries and allowances	8	(12,833,218)	(11,313,391)
Bank charges and custodian fees	9	(8,742,520)	(8,206,297)
Administrative expenses		(13,011,864)	(11,475,951.00)
Net income over expenditure for the year		<u>15,134,393</u>	<u>10,612,665</u>

The accounting policies and notes on pages 7 to 18 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 2016

	Notes	2016 MVR	2015 MVR
Assets			
Non-current assets			
Property, plant and equipment	10	2,734,715	3,171,042
Intangible assets	11	3,256,704	4,885,056
Prepaid lease rent	12	24,000,000	24,000,000
		<u>29,991,419</u>	<u>32,056,098</u>
Current assets			
Prepayment and other Receivables	13	10,256,991	4,968,350
Cash and balances with banks	14	32,448,535	20,590,516
		<u>42,705,526</u>	<u>25,558,866</u>
Total assets		<u><u>72,696,945</u></u>	<u><u>57,614,964</u></u>
Equity and liabilities			
Capital and reserves			
Accumulated funds		<u>63,133,517</u>	<u>47,999,124</u>
		63,133,517	47,999,124
Current liabilities			
Accrued expenses and other payables	12	9,563,428	9,615,840
Total equity and liabilities		<u><u>72,696,945</u></u>	<u><u>57,614,964</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,

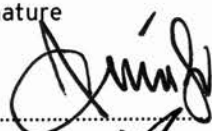
Name of the Director

ATHIFA ALI

ALI FARIS MOHAMED

MOHAMED HUSSAIN MANIKU

Signature

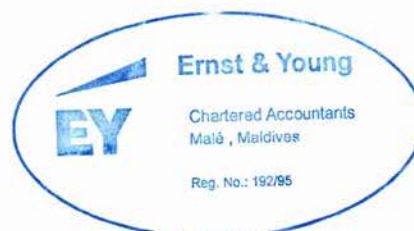






The accounting policies and notes on pages 7 to 18 form an integral part of the financial statements.

27 April 2017
Male'



Maldives Pension Administration Office
(Formed under the Maldives Pension Act No.8 of 2009)
STATEMENT OF CHANGES IN ACCUMULATED FUNDS
Year ended 31 December 2016

	<u>Accumulated Funds MVR</u>
Balance as at 01 January 2015	37,386,459
Net income over expenditure for the year	10,612,665
Balance as at 31 December 2015	<u>47,999,124</u>
Net income over expenditure for the year	15,134,393
Balance as at 31 December 2016	<u><u>63,133,517</u></u>

The accounting policies and notes on pages 7 to 18 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
Year ended 31 December 2016

		2016 MVR	2015 MVR
Cash Flows from Operating activities			
Net income over expenditure for the year		15,134,393	10,612,664
Non-cash adjustment			
Depreciation and amortisation	10.2	2,858,102	2,608,346
Loss on disposal of property Plant and Equipment		150,190	-
Working capital adjustment			
Increase in prepayments and other receivables		(5,288,641)	(595,898)
Decrease / (increase) in trade and other payables		(52,413)	1,690,635
Cash flows from operating activities		12,801,631	14,315,747
Investing activities			
Acquisition of property, plant and equipment	10	(943,612)	(2,580,613)
Prepayment of lease rent		-	(12,000,000)
Net cash flows used in investing activities		(943,612)	(14,580,613)
Net decrease in cash and cash equivalents		11,858,018	(264,866)
Cash and cash equivalents as at 1 January		20,590,516	20,855,382
Cash and cash equivalents as at 31 December	14	32,448,534	20,590,516

The accounting policies and notes on pages 7 to 18 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 2016**

1. Reporting Entity

General

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

The principal activities of MPAO are;

- Administering the Pension Schemes established under the Act.
- Providing the Maldives Retirement Pension.
- Formulating regulations, standards and guidelines to operate the schemes established under the Act.
- Paying Maldives Old-Age Basic 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 2016**

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 2016**

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 2016**

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
-------------------	--------------

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.

**Maldives Pension Administration Office
(Formed under the Maldives Pension Act No.8 of 2009)
NOTES TO THE FINANCIAL STATEMENT
Year ended 31 December 2016**

3. Significant Accounting Policies (Continued)

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 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. Standards that are issued , but not yet effective

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the MPAO's financial assets, but no impact on the classification and measurement of the MPAO's financial liabilities.

**Maldives Pension Administration Office
(Formed under the Maldives Pension Act No.8 of 2009)
NOTES TO THE FINANCIAL STATEMENT
Year ended 31 December 2016**

5. Standards that are issued , but not yet effective (Continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

The MPAO is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IAS 7 Disclosure Initiative - Amendments to IAS 7

The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the MPAO.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2017, the MPAO plans to assess the potential effect of IFRS 16 on its financial statements.

Maldives Pension Administration Office
(Formed under the Maldives Pension Act No.8 of 2009)
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

6	Income	2016 MVR	2015 MVR
	Management fee	49,150,370	38,199,390
		<u>49,150,370</u>	<u>38,199,390</u>

Management fee is the income recognized for administration and management of assets of the Maldives Retirement Pension Scheme (MRPS). Management fee is charged on accrual basis based on the daily net asset value of the members' balance at the rate of 0.9% (2015: 0.9%) per annum.

7	Other income	2016 MVR	2015 MVR
	Fines	379,500	384,300
	Reimbursement income	159,990	3,024,050
	Miscellaneous income	32,135	563
		<u>571,625</u>	<u>3,408,913</u>

8	Salaries and allowances		
	Directors' remuneration	1,089,000	936,791
	Retirement contribution obligations	646,318	567,236
	Employee insurance	123,732	189,329
	Salaries and wages	10,974,168	9,620,035
		<u>12,833,218</u>	<u>11,313,391</u>

9	Bank Charges and Custodian fees		
	Bank charges	29,902	30,242
	Custodian fees	8,712,618	8,176,055
		<u>8,742,520</u>	<u>8,206,297</u>

Custodian fee is paid to Bank of Maldives for provision of Custody Services to MRPS under an agreement between MPAO and Bank of Maldives. Custodian fee is charged based on assets under custody. The fee rates are 0.16% up to MVR 5 Billion and 0.10% thereafter.

Maldives Pension Administration Office
(Formed under the Maldives Pension Act No.8 of 2009)
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

10 Property, plant and equipment

10.1 Gross carrying amounts	Balance	Additions	Disposals	Balance
	as at 01.01.2016			as at 31.12.2016
At cost	MVR	MVR	MVR	MVR
Computers and accessories	4,259,269	344,559	494,116	4,109,712
Furniture and fittings	792,228	60,435	664,686	187,977
Office equipment	2,250,198	538,618	128,211	2,660,606
	7,301,695	943,612	1,287,012	6,958,296

10.2 Depreciation	Balance	Charge	Disposals	Balance
	as at 01.01.2016			as at 31.12.2016
At cost	MVR	MVR	MVR	MVR
Computers and accessories	2,784,376	711,605	425,333	3,070,648
Furniture and fittings	761,107	10,581	624,037	147,651
Office equipment	585,170	507,563	87,452	1,005,281
	4,130,653	1,229,750	1,136,822	4,223,581
Net book value	3,171,042			2,734,715

10.3 Property, plant and equipment

During the financial period, the Company acquired plant and equipment to the aggregate value of MVR 943,612/- (2015: MVR 2,580,6134/-) .

11 Intangible assets	2016	2015
	MVR	MVR
At cost		
Balance 1 January	8,141,760	8,141,760
Balance as at 31 December	8,141,760	8,141,760
Amortisation		
Balance 1 January	3,256,704	1,628,352
Amortisation for the period	1,628,352	1,628,352
Balance as at 31 December	4,885,056	3,256,704
Net book value	3,256,704	4,885,056

Maldives Pension Administration Office
(Formed under the Maldives Pension Act No.8 of 2009)
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

	2016 MVR	2015 MVR
12 Prepaid lease rent		
Prepaid lease rent	24,000,000	24,000,000
	24,000,000	24,000,000

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 lessee, MPAO has agreed to pay amount of 24 Million on an installment basis as rent chargeable 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.

	2016 MVR	2015 MVR
13 Trade and other receivables		
Asset management fee receivable	4,585,525	3,662,514
MRPS receivable	264,960	264,960
Prepayments	4,462,904	97,274
MRPS fines receivables	941,600	941,600
Accounts receivable	2,002	2,002
	10,256,991	4,968,350

13.1 Prepayments includes of payments made by the company amounting MVR 4,244,408 for the acquisition of the Property Plant and equipment to be received in 2017.

14 Cash and cash equivalents in the statement of cash flow

Cash in hand	11,613	27,823
Balances with banks	32,436,922	20,562,693
	32,448,535	20,590,516

15 Trade and other payables

Accrued expenses	6,853,749	9,437,178
MRPS pension payouts	2,709,679	165,426
Other payables	-	13,236
	9,563,428	9,615,840

Maldives Pension Administration Office
(Formed under the Maldives Pension Act No.8 of 2009)
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

16 Financial risk management objectives and policies

16.1 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.

16.2 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.

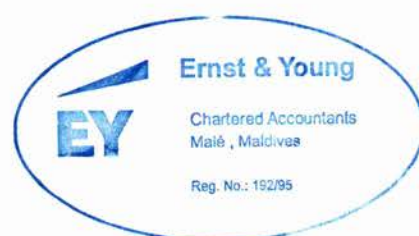
16.3 Credit risk

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:

	<u>2016</u> MVR	<u>2015</u> MVR
Asset management fee receivable	4,850,485	3,927,474
	<u>4,850,485</u>	<u>3,927,474</u>

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



Maldives Pension Administration Office
(Formed under the Maldives Pension Act No.8 of 2009)
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

16 Financial risk management objectives and policies *continued*

16.4 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.

2016	Carrying amount MVR	0-6 Months MVR
Accrued expenses and other payables	<u>9,563,428</u>	<u>9,563,428</u>
2015		
Accrued expenses and other payables	<u>9,615,840</u>	<u>9,615,840</u>

16.5 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.

16.6 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.

	2016 USD	2015 USD
Cash and balances with Banks	54,352	138,182

The following exchange rates were applied during the year:

	2016 USD	2015 USD
1 US\$: MVR	15.42	15.42

Maldives Pension Administration Office
(Formed under the Maldives Pension Act No.8 of 2009)
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

17 Commitment

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.

18 Comparative information

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

19 Related Party Transactions

19.1 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 1,089,000/- (2015: 936,731/-) as emoluments.

MALDIVES RETIRMENT PENSION SCHEME

AUDITORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2016

AHF/AJ

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Maldives Retirement Pension Scheme ("the Fund", which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in Accumulated Fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

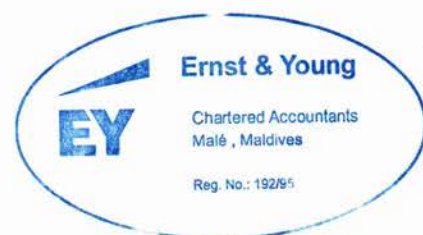
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

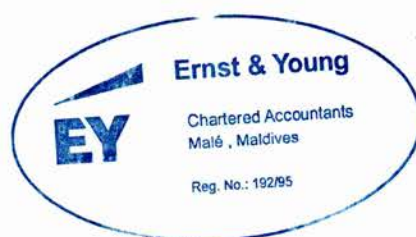
27 April 2017
Male'



Maldives Retirement Pension Scheme
INCOME STATEMENT
Year ended 31 December 2016

	Notes	2016 MVR	2015 MVR
Income			
Net contribution revenue	6	888,804,832	842,990,329
Interest income	7	479,516,337	504,635,296
Dividend income	8	29,850,068	26,896,008
		<u>1,398,171,237</u>	<u>1,374,521,633</u>
Other income	9	936,954	810,406
Administrative expenses	10	(49,152,092)	(38,243,772)
Net Increase in net asset available for benefits		<u><u>1,349,956,099</u></u>	<u><u>1,337,088,267</u></u>

The accounting policies and notes on pages 7 to 20 form an integral part of the financial statements.



**Maldives Retirement Pension Scheme
STATEMENT OF FINANCIAL POSITION
As at 31 December 2016**

	Notes	2016 MVR	2015 MVR
Assets			
Cash and cash equivalents	11	33,140,588	16,382,669
Other receivables	12	7,279,882	2,308,184
Financials assets held to maturity	13	5,469,938,032	4,222,729,420
Available-for-sale Investment	12	243,328,728	253,884,960
Recognition bond	15	3,174,974,656	3,027,605,254
Loans and receivables	14	276,914,036	329,914,867
Total assets		9,205,575,922	7,852,825,354
Liabilities			
Other payables	15	6,609,598	5,277,910
Contribution collection accounts	16	6,262,576	4,799,795
Total liabilities		12,872,174	10,077,705
Reserves and accumulated members balance			
Accumulated members balance		9,192,703,748	7,842,747,649
Total reserve, accumulated members balance & liabilities		9,205,575,922	7,852,825,354

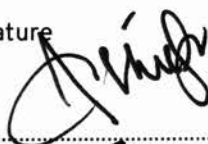
The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed for and on behalf of the Board by,

Name of the Director

Signature

ATHIFA ALI



ALI FARIS MOHAMED

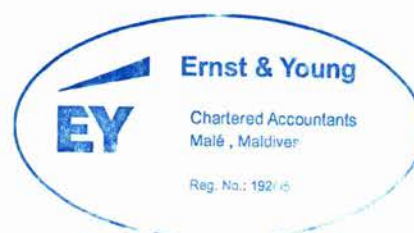


MOHAMED HUSSAIN MANIKU



The accounting policies and notes on pages 7 to 20 form an integral part of the financial statements.

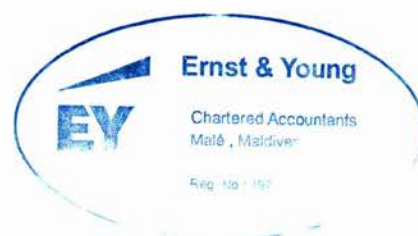
27 April 2017
Male'



Maldives Retirement Pension Scheme
STATEMENT OF CHANGES IN ACCUMULATED FUNDS
Year ended 31 December 2016

	<u>Accumulated Members Balance 2016</u>
Balance as at 1 January 2015	6,505,659,383
Net increase in net asset available for benefits	1,337,088,267
Balance as at 31 December 2015	<u>7,842,747,649</u>
Net increase in net asset available for benefits	1,349,956,099
Balance as at 31 December 2016	<u><u>9,192,703,748</u></u>

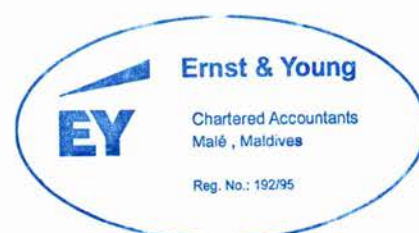
The accounting policies and notes on pages 7 to 20 form an integral part of the financial statements.



Maldives Retirement Pension Scheme
STATEMENT OF CASH FLOWS
Year ended 31 December 2016

		2016 MVR	2015 MVR
Cash flows from operating activities			
Contribution received to contribution collection account (CCA)		933,213,481	891,633,078
Amount received for matured recognition bond accrued right		47,545,640	56,121,069
Fine on late contribution		936,954	810,406
Interest income		344,246,240	307,083,205
Management fee paid		(48,227,358)	(37,597,825)
Benefits paid to members		(47,325,006)	(48,839,643)
		<u>1,230,389,952</u>	<u>1,169,210,290</u>
Cash flows from investing activities			
Dividend received	8	29,850,068	26,896,008
Proceed from maturing of investments		5,197,258,528	3,216,445,764
Payments for purchase of investments		(4,981,673,726)	(3,488,440,394)
Investment made in bond		(1,469,385,878)	(943,084,403)
Repayment of principle on bond		10,318,974	9,586,505
Net cash used in investment activities		<u>(1,213,632,033)</u>	<u>(1,178,596,520)</u>
Net Increase in cash and cash equivalents		16,757,919	(9,386,231)
Cash and cash equivalents at beginning of the year		16,382,669	25,768,900
Cash and cash equivalents at end of the period	11	<u><u>33,140,588</u></u>	<u><u>16,382,669</u></u>

The accounting policies and notes on pages 7 to 20 form an integral part of the financial statements.



**Maldives Retirement Pension Scheme
NOTES TO THE FINANCIAL STATEMENT
Year ended 31 December 2016**

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.

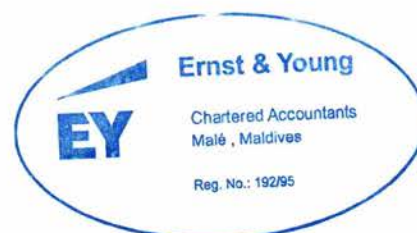
(d) Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, 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 2016**

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

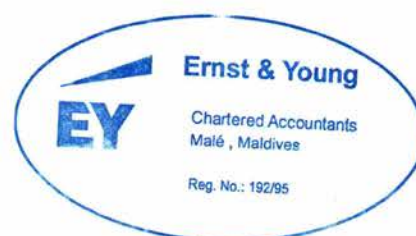
Receivables

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 2016**

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, Government Treasury Bonds & Investments in Sukuk classified as held to maturity.

Available-for-sale

The MRPS's investments in bond securities and investments in equity 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.

Loans and Receivables

The MRPS's Investment in Fixed Deposit is classified as loans and receivables. Loans and receivables assets are recognized initially at fair value plus any directly attributable transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate ("EIR"), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR method. The amortisation is included in finance income in the Statement of Profit or Loss.

(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.

**Maldives Retirement Pension Scheme
NOTES TO THE FINANCIAL STATEMENT
Year ended 31 December 2016**

3. Significant Accounting Policies (Continued)

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

3.3 Impairment

(i) Financial Assets (including receivables)

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

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

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

(ii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets arising through significant or prolonged declines in fair value are 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 2016**

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.

3.8 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 2016**

4. Summary of significant accounting judgements, estimates and assumptions

Estimates and assumptions

Going concern

MRPS's management has made an assessment of the MRPS's ability to continue as a going concern and is satisfied that the MRPS has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the MRPS's ability to continue as a going concern. Therefore, the financial statements are prepared on the going concern basis.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

5. Standards that are issued , but not yet effective

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the MRPS's financial assets, but no impact on the classification and measurement of the MRPS's financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

The MRPS is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IAS 7 Disclosure Initiative - Amendments to IAS 7

The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the MRPS.

**Maldives Retirement Pension Scheme
NOTES TO THE FINANCIAL STATEMENT
Year ended 31 December 2016**

5. Standards that are issued , but not yet effective (Continued)

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2017, the MRPS plans to assess the potential effect of IFRS 16 on its financial statements.

Maldives Retirement Pension Scheme
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

	2016 MVR	2015 MVR
6 Contribution revenue		
Contribution from employers	473,724,232	450,742,056
Contribution from members	462,582,814	440,395,004
Contribution from self-employed	8,400	-
Contribution from government on accrued rights (Note 6.1)	(185,608)	692,911
	<u>936,129,838</u>	<u>891,829,972</u>
Contribution expenses		
Benefits paid to members	47,325,006	48,839,643
	<u>47,325,006</u>	<u>48,839,643</u>
Net contribution revenue	<u>888,804,832</u>	<u>842,990,329</u>

6.1 During the year, MRPS has recognised a net contribution expense of MVR (185,608)/- (2015: MVR 692,911/-) for the adjustment of the initial recognition bond amount.

	2016 MVR	2015 MVR
7 Interest income		
Interest Income from Recognition Bonds (note 7.1)	195,100,649	186,693,701
Interest income Treasury bond	77,472,878	12,084,402
Interest income from fixed deposits	11,704,197	12,237,124
Interest income from HDFC bond	1,624,805	2,362,426
Income from Sukuk	1,264,800	759,600
Interest income from Treasury Bills	192,349,008	290,498,043
	<u>479,516,337</u>	<u>504,635,296</u>

7.1 Interest income from Recognition Bonds

Interest on Recognition Bonds is calculated based on published highest fixed deposit rate on annual basis.

	2016 MVR	2015 MVR
8 Dividend income		
Dividend income from Dhivehi Raaje Gulhun PLC	29,850,068	26,896,008
9 Other income		
Fines on late Contribution	936,954	810,406
	<u>936,954</u>	<u>1,620,812</u>

Maldives Retirement Pension Scheme
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

	2016 MVR	2015 MVR
10 Administrative expenses		
Other expenses	1,722	44,382
Management fee (note 10.1)	49,150,370	38,199,390
	<u>49,152,092</u>	<u>38,243,772</u>
10.1 Management fee		
<p>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 0.9% per annum for 2016.</p>		
11 Cash and cash equivalents	2016 MVR	2015 MVR
Balances with banks (note 11.1)	<u>33,140,588</u>	<u>16,382,669</u>
11.1 Balances with banks		
Cash Balance in contribution holding account	33,114,270	16,345,119
Cash Balance in Maldives Islamic Bank	26,318	37,550
	<u>33,140,588</u>	<u>16,382,669</u>
12 Other Receivables		
Receivable for Accrued Rights matured during the year	1,148,263	2,308,184
Advances (note 12.1)	6,000,000	-
Other Receivables	131,619	-
	<u>7,279,882</u>	<u>2,308,184</u>
12.1 Advances		
<p>The advances balance of MVR 6 Mn pertains to the amount transferred on 28.12.2016 with the purpose of opening a fixed deposit. The Fixed deposit was opened with effect from 02.01.2017.</p>		
13 Financial Assets Held to Maturity	2016 MVR	2015 MVR
Treasury Bills	3,042,467,751	3,264,645,017
Investments in Sukuk	15,000,000	15,000,000
Treasury Bonds	2,412,470,281	943,084,403
	<u>5,469,938,032</u>	<u>4,222,729,420</u>
14 Available-for-sale Investments		
Investment in equity shares (note 14.1)	225,957,210	225,957,210
Investment in HDFC Bond (note 14.3)	17,371,518	27,927,750
	<u>243,328,728</u>	<u>253,884,960</u>

Maldives Retirement Pension Scheme
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

14 Recognition Bond (continued)

14.1 Investment in equity shares-Quoted

	Number of shares		Carrying Value	
	2016	2015	2016 MVR	2015 MVR
Dhivehi Raaje Gulhun PLC	2,813,390	2,813,390	225,957,210	225,957,210
			<u>225,957,210</u>	<u>225,957,210</u>

14.2 Available-for-sale investments, comprising principally marketable equity securities, are measured at fair value annually at the close of business on 31 December. Since there is no active market, the management has performed a valuation on a basis of discounted cash flows to decide the fair value.

	2016 MVR	2015 MVR
14.3 Investment in HDFC Bond		
Balance as at 1 January	27,927,749	37,741,458
Interest accrued during the year	1,619,903	2,362,425
Interest received during the year	(1,857,160)	(2,589,629)
Principal repayment during the year	(10,318,974)	(9,586,505)
balance as at 31 December	<u>17,371,518</u>	<u>27,927,749</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.

15 Recognition Bond

Accrued Pension Rights Receivable (Note 15.1)	2,143,257,035	2,176,621,142
Interest Receivable on Recognition Bonds (Note 15.2)	1,031,717,621	850,984,112
	<u>3,174,974,656</u>	<u>3,027,605,254</u>

15.1 Accrued Pension Rights Receivable

Balance as at 1 January	2,176,621,142	2,216,016,969
Net adjustment to contribution from Government on accrued rights	(185,608)	692,911
Accrued rights matured during the year	(33,178,500)	(40,088,738)
Balance as at 31 December	<u>2,143,257,035</u>	<u>2,176,621,142</u>

In accordance with section 25 of the Maldives Pension Act No. 8 of 2009, "public service employees" who have not reached the age of 65 years at the commencement of this Act shall have their Accrued Pension Rights deposited in their Retirement Savings Accounts in the form of Recognition Bonds of the Government. As per the agreement between 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.

**Maldives Retirement Pension Scheme
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016**

15	Recognition Bond (continued)	2016	2015
15.2	Interest Receivable on Recognition Bonds	MVR	MVR
	Balance as at 1 January	850,984,112	678,342,555
	Additions during the year	195,100,649	186,693,701
	Paid during the year	(14,367,140)	(14,052,144)
	Balance as at 31 December	<u>1,031,717,621</u>	<u>850,984,112</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.

16	Loans and receivables	2016	2015
		MVR	MVR
	Fixed Deposits	276,914,036	329,914,867
		<u>276,914,036</u>	<u>329,914,867</u>

17	Other Payables	2016	2015
		MVR	MVR
	Management fee payable	4,572,343	3,649,331
	Excess collection from employers	91,864	91,865
	Accrued rights excess collection from MOFT	1,941,297	1,533,419
	Other payables	4,094	3,295
		<u>6,609,598</u>	<u>5,277,910</u>

18	Contribution Collection Accounts	2016	2015
	Contribution received into contribution collection Account	966,476,637	896,747,262
	Contribution transferred to contribution holding account	(960,214,061)	(891,947,467)
	Balance in contribution collection accounts	<u>6,262,576</u>	<u>4,799,795</u>

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

20 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
Year ended 31 December 2016

21 Financial Instruments and Risk Management

21.1 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.

21.2 Risk management framework

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

21.3 Credit Risk

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

	<u>31.12.2016</u>	<u>31.12.2015</u>
	MVR	MVR
Balance with banks	33,140,588	16,382,669
Other receivables	7,279,882	2,308,184
Financial assets held to maturity	5,469,938,032	4,222,729,420
Recognition bond	3,174,974,656	3,027,605,254
	<u>8,685,333,158</u>	<u>7,269,025,527</u>

21.4 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 2016	Carrying Amount	0 - 6 Months
Financial Liabilities (Non-Derivative)	MVR	MVR
Other payables	6,609,598	6,609,598
Balance in contribution collection account	6,262,576	6,262,576
Total	<u>12,872,174</u>	<u>12,872,174</u>
31 December 2015		
Financial Liabilities (Non-Derivative)		
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>

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
Year ended 31 December 2016

21 Financial Instruments and Risk Management (continued)

21.5 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:

	<u>2016</u> <u>MVR</u>	<u>2015</u> <u>MVR</u>
Variable Rate Instruments		
Financial Assets	<u>15,000,000</u>	<u>15,000,000</u>
Fixed Rate Instruments		
Financial Assets	<u>5,749,223,586</u>	<u>4,565,572,037</u>

22 Comparative Information

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

23 Events after the reporting date

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

24 Managements Responsibilities

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

25 Reclassification

Followings Reclassifications were occurred during the period

25.1 Benefit Paid to members was classified under net contribution revenue from Administration Expenses year ended 31 December 2015.

	<u>As reported</u> <u>previously</u>	<u>Reclassification</u>	<u>Current</u> <u>presentation</u>
Administrative expenses	89,063,602	(50,819,830)	38,243,772
Net contribution Revenue	893,810,159	(50,819,830)	842,990,328

25.2 Fixed deposits were classified under Loans and receivables From Available-for-sale Investments and Financial Assets Held to Maturity respectively as at 31 December 2015

	<u>As reported</u> <u>previously</u>	<u>Reclassification</u>	<u>Current</u> <u>presentation</u>
Financial Assets Held to Maturity	4,552,644,287	(329,914,867)	4,222,729,420
Loans and receivables	-	329,914,867	329,914,867



Maldives Retirement Pension Scheme
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

26 Segment Information

26.1 MRPS comprise of the following sub funds.

Income	Investment	Shariah	Consevative	Shariah Retirees	Recognition Bond	Consolidation Adjustments	Total
Net Contribution Revenue	924,453,242	11,564,069	(47,445,193)	(210,053)	442,766		888,804,832
Interest Income	269,052,006	2,469,408	12,894,274	-	195,100,649		479,516,337
Dividend Income	29,850,068						29,850,068
	<u>1,223,355,316</u>	<u>14,033,477</u>	<u>(34,550,919)</u>	<u>(210,053)</u>	<u>195,543,416</u>	<u>-</u>	<u>1,398,171,237</u>
Other income	931,773	2,089	3,090	4	-	-	936,954
Inter-Portfolio Movements	(27,256,874)	3,453,198	69,219,155	2,668,043	(48,083,521)		-
Administrative expenses	(46,538,593)	(523,266)	(2,071,368)	(18,865)			(49,152,092)
Net Increase in net asset available for benefits	1,150,491,622	16,965,499	32,599,957	2,439,128	147,459,895	-	1,349,956,099
Assets							
Cash and cash equivalents	25,203,375	583,220	1,045,458	45,960		6,262,576	33,140,588
Other receivables	6,013,855	104,197	2,341,706	-	90,493	(1,270,368)	7,279,882
Financials assets held to maturity	5,195,536,845	15,000,000	259,401,187	-	-		5,469,938,032
Available-for-sale Investment	243,328,728	-	-	-	-		243,328,728
Recognition bond					3,174,974,657		3,174,974,656
Loans and receivables	223,814,036	50,600,000		2,500,000			276,914,036
Total assets	5,693,896,838	66,287,417	262,788,350	2,545,960	3,175,065,149	4,992,208	9,205,575,922
Liabilities							
Other payables	4,482,999	144,073	3,250,977	1,916	-	(1,270,368)	6,609,598
Contribution collection accounts						6,262,576	6,262,576
Total liabilities	4,482,999	144,073	3,250,977	1,916	-	4,992,208	12,872,174
Accumulated members balance							
Accumulated members balance	5,689,413,839	66,143,343	259,537,373	2,544,044	3,175,065,149		9,192,703,748
Total accumulated members balance & liabilities	5,693,896,838	66,287,417	262,788,350	2,545,960	3,175,065,149	4,992,208	9,205,575,922

26.2 No comparative Informations are available.

