



Annual Report 2017

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Chairperson's Statement



*Mr. Ibrahim Ahmed Nasir
Chairperson of the Board*

On behalf of the Board of Directors of Maldives Pension Administration Office (MPAO), it gives me great pleasure to present the Annual Report for the financial year ended 31st December 2017 and highlight the significant accomplishments achieved by MPAO last year similar to preceding years.

The Board worked closely with the Management during 2017 to review and where necessary strengthen corporate governance, administration and controls of MPAO. I am pleased to note that we have made tremendous progress in all these areas. Testament to this is the increase of MRPS contributions to MVR 1 billion and notable investments made in public and private sector. In addition, I wish to highlight the increase in MRPS monthly contributions to over MVR 85.17 million and evident surge of scheme participants in 2017.

MPAO accomplished significant milestones in Information Technology field during last year. Accordingly, MPAO became the first institution in the Maldives to completely migrate IT infrastructure to Google Cloud Platform. This change has resulted in major improvements in services provided to MRPS members and administration cost of MPAO and MRPS were greatly reduced. It gives me great pleasure to note that administrative fee levied on MRPS members were decreased from 0.9% to 0.8% effective on 1st January 2017. Moreover, during December of 2017 the Board approved to further reduce administrative fee to 0.6% effective from 1st January 2018.

Successful collaboration is ongoing with three local banks to provide housing scheme benefits to MRPS members under the scheme introduced in 2016 to collateralize Retirement Savings Account (RSA) funds towards housing finance. Accordingly, RSA balance was collateralized by numerous members to finance housing purchases in 2017.

We aspire to achieve further accomplishments during 2018 as MPAO is set to celebrate its 9th anniversary during the year. In preparation of the coming year strategic goals of MPAO were revised and a new 3 year strategic plan was devised. I would like to note that necessary efforts to attain these strategic goals will be underway in 2018.

The mission and vision of MPAO aims to make it the most respected, trusted and loved institution in the Maldives. I would like to take this opportunity to sincerely convey my gratitude to fellow Board Members for the support provided to the Management in strengthening the administration of MPAO and in achieving long-term strategic goals. Further, I thank the Management and staff for the continued success achieved by MPAO under the strong leadership and guidance of Chief Executive Officer Mr. Mohamed Hussain Maniku. Furthermore, I would like to acknowledge and express my appreciation for the support and advice 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.

Chief Executive Officer's Statement



*Mr. Mohamed Hussain Maniku
Chief Executive Officer*

The year 2017 marked another year of completed projects and significant accomplishments for MPAO.

One of the key accomplishments of 2017 was the successful migration of major IT infrastructure components of MPAO like servers, information systems, databases and data storage to Google Cloud Platform. This has resulted in unprecedented reduction in IT infrastructure cost and uninterrupted service to MPAO customers via the internet. Further, Google Cloud Platform contributes to the disaster recovery process as the backup of the systems are maintained remotely across the world. Moreover, service disruption or downtime is significantly reduced in such eventualities.

Another important project of the year was the formulation of a strategic plan for the next 3 years. Accordingly, the strategic plan covers significant long-term strategic goals that MPAO aspires to accomplish during the next three years (2018-2020), efforts to improve and provide excellent service to customers, and strengthen the administration of MPAO.

Other highlights include the Board's decision to reduce the administrative fee levied on MRPS members from 0.9% to 0.8% effective on 1st January 2017 and further reduce the fee to 0.6% effective from 1st January 2018. Additionally, numerous MRPS members has participated in the scheme to collateralize RSA balance to finance housing purchases.

The organizational structure of MPAO was revised in December of last year to strengthen and streamline office administration. This new organizational structure approved by the Board of MPAO will be effective from 01st January 2018.

Numerous activities were conducted during last year as part of the Corporate Social Responsibility (CSR) initiative of MPAO. These include support provided to Ranveyla Campaign and assistance provided to children's shelter managed by the Ministry of Gender and Family, and assistance provided to the Senior Citizens Association of the Maldives.

MPAO made the decision to celebrate International Day of Older Persons commencing from 2017. First such event was successfully concluded in Addu City, the most populous atoll of the Maldives. Following this event, work has commenced to build a park for senior citizens of Addu City.

Similar to previous years, various programmes were conducted for stakeholders to create awareness on pension schemes. Further, necessary steps were also taken to strengthen the enforcement function to ensure compliance with the Pension Act and relevant regulations. Legal action were taken against a number of employers who have arrears of contributions with cases filed against them in the Civil Court. Moreover, number of planned inspections were carried out and measures were taken to reform issues identified during the inspections.

At the core of the aforementioned achievements remains a dedicated and strong team; I thank their commitment and tremendous effort in accelerating MPAO towards its strategic goals.

A special thanks goes to the Chairperson and Board Members for their continued guidance and for entrusting me to continue leading MPAO.

My aspiration is for MPAO to remain an exemplary and universally respected institution providing excellent pension services to customers and ensuring social security and wellbeing of the Maldivian people.

Financial Highlights for 2017

Participation of over **389** public sector employers in MRPS.

Participation of over **1,503** private sector employers in MRPS.

Total number of employees contributing to MRPS is **88,716**.

Average monthly contribution to MRPS is MVR **85.17** million.

Average Retirement Pension disbursed per month is MVR **4.55** million.

MRPS Fund has MVR **10** billion including Accrued Rights.

Basic Pension disbursed to **16,533** beneficiaries.

Average Basic Pension disbursed per month is MVR **36.27** million.

Average State-funded Other Pensions disbursed per month is **22.55** million.

Average Senior Citizens Allowance disbursed per month is **44.92** million.

MPAO at a Glance

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



Core Values

Professionalism: Integrity, confidentiality and objectivity

Communication: Precise, concise, shared information and clarity

Innovation: Simplicity, creativity and cutting edge technology

Work Ethics: Teamwork, respect and learning culture

Accountability: Responsibility, honesty, transparency and risk consciousness



About MPAO

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

Main Functions of MPAO

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

- Administer and manage Pension Schemes established under the Pension Act
- Provide Retirement Pension
- Pay Old-Age Basic Pension
- Formulate regulations, standards and guidelines to operate schemes established under the Pension Act
- Conduct awareness programmes on schemes established under the Pension Act
- Administer a housing finance collateralization scheme of RSA Funds aimed at MRPS members in accordance with the Pension Act

In addition to the aforementioned functions, disbursing State-funded Other Pensions and Senior Citizens Allowance to beneficiaries are functions of MPAO.

Profile of 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 Scheme. Additionally, MPAO disburses State-funded Other Pensions and Senior Citizens Allowance to beneficiaries under an agency arrangement with the Ministry of Finance and 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 contributed by 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. However, the Pension Act permits the employer to make the employee's 7% contribution (or part thereof) on its own. Further, the Pension Act allows voluntary contributions from both employees and employers over and above 7% of the mandatory pensionable wage.

Contributions to the scheme stops at the pensionable age of 65 and pensioners may start to drawdown on the pension plan at this age.



Old-Age Basic Pension Scheme (BP)

Old-Age Basic Pension Scheme (BP) is designed to provide financial security for individuals who had no access to pensionable income prior to retirement age. This 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 Other State-funded Pensions

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

Furthermore, effective from February 2014, MPAO was assigned to disburse Senior Citizens 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 Pension Funds for Housing Finance

MPAO made the necessary legal arrangements for MRPS members to collateralize pension savings towards the down payment of housing purchases. This 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 purchases.

Operational Review



Organizational Structure

The organizational structure of MPAO comprises of 4 divisions. The divisions are Operations Division, Asset Management Division, Stakeholder Relations Division and Corporate Affairs Division. The functions of these 4 divisions are assigned to 11 departments.

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.



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 ensuring 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.



Asset Management Division

The functions 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 reporting to regulators on MRPS, proper record keeping, and liaise with industry stakeholders in relation to investments and fund management.



Stakeholder Relations Division

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



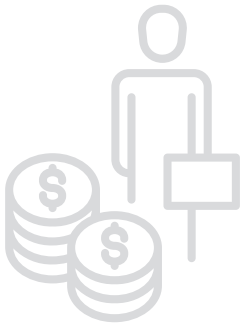
Corporate Affairs Division

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.



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, 6 staff completed short-term training programmes abroad, 11 staff took part in seminars, workshops and conferences held abroad, 3 staff participated in training programmes conducted locally by various institutions, 4 staff participated in 3 workshops held locally and three in-house training programmes for staff were organized by MPAO. Staff received training and exposure in the areas of Information Technology, customer service, finance, human resources and administrative skills.



Financing of MPAO

As per the Pension Act, MPAO is financed through an administrative fee levied on MRPS member account balances. Accordingly, the administrative fee charged for the year 2017 was 0.8%. The total income received as administrative fee was MVR 53,517,212.32 million. This represented an 8% increase compared to 2016.

Stakeholder Relations



Public Awareness and Educational Programmes

During 2017, various public awareness programmes on MRPS were conducted successfully both in Male' and in Atolls for members, pensioners and employers. Significant events in this regard include programmes aimed at employees to create awareness of MRPS, and programmes to educate the public on the importance of retirement readiness and saving.



Information Sessions

Information was provided to 343 employees through programmes organized to educate on pension. In addition to providing information on MRPS during these sessions, members were informed on accessing details of contributions to RSA and the mechanism for submitting complaints.

Additionally, information was provided to 2031 students under the programme organized with the objective of creating awareness on pension among youth joining the job market upon completion of education.



Art Competition for Students - Pension Art Contest

This was the 3rd art contest held with the objective of encouraging students to think about the importance of retirement readiness and saving, while providing an opportunity for students to exhibit their talents and ideas. Similar to previous years, this year's contest received a very positive response as 464 artworks were submitted from 21 schools.



Inter School Pension Quiz

The Inter-School Pension Quiz introduced in 2016 as part of efforts to promote information on MRPS was held again this year with 7 schools participating.



Media

To create awareness among the general public on MRPS, various information on pension were shared via 12 radio programmes and 27 television programmes. In addition, 21 pension related articles were published on various local newspapers throughout the year.

Special Events



Celebrating International Day of Older Persons

A special function to celebrate International Day of Older Persons was held at Equator Village located in Gan of Addu City and 600 senior citizens from various wards of Addu City participated in the event. Accordingly, this event is memorable for receiving the best response to date among various programmes organized by MPAO aimed at older persons. During this event concerned authorities provided useful information to senior citizens while giving them the opportunity to meet and spend a joyful time with longtime friends.



Workshop for Journalists

A workshop was conducted with the aim of providing comprehensive information on pension to journalists engaged in dissemination of pension related news to the public. This workshop was attended by 12 journalists from different media outlets.



Maldives Finance Forum

The Maldives Finance Forum organized by MPAO annually since 2012 was held this year, with the theme focusing on “Emergence of Professional Investment Management in the Maldives”. The participants of the Forum held on 11th May 2017 at Kurumba Maldives Resort included local leaders and experts in economic and financial sector.



Marking the Migration of MPAO IT Infrastructure to Google Cloud

A function was held at MPAO on 17th August 2017 to officially mark the migration of major IT infrastructure components of MPAO like servers, information systems, databases and data storage to Google Cloud Platform. The guest of honour was Minister of Health, Mr. Abdulla Nazim Ibrahim and the function was attended by representatives of Google and leaders of government and state institutions.

Operations

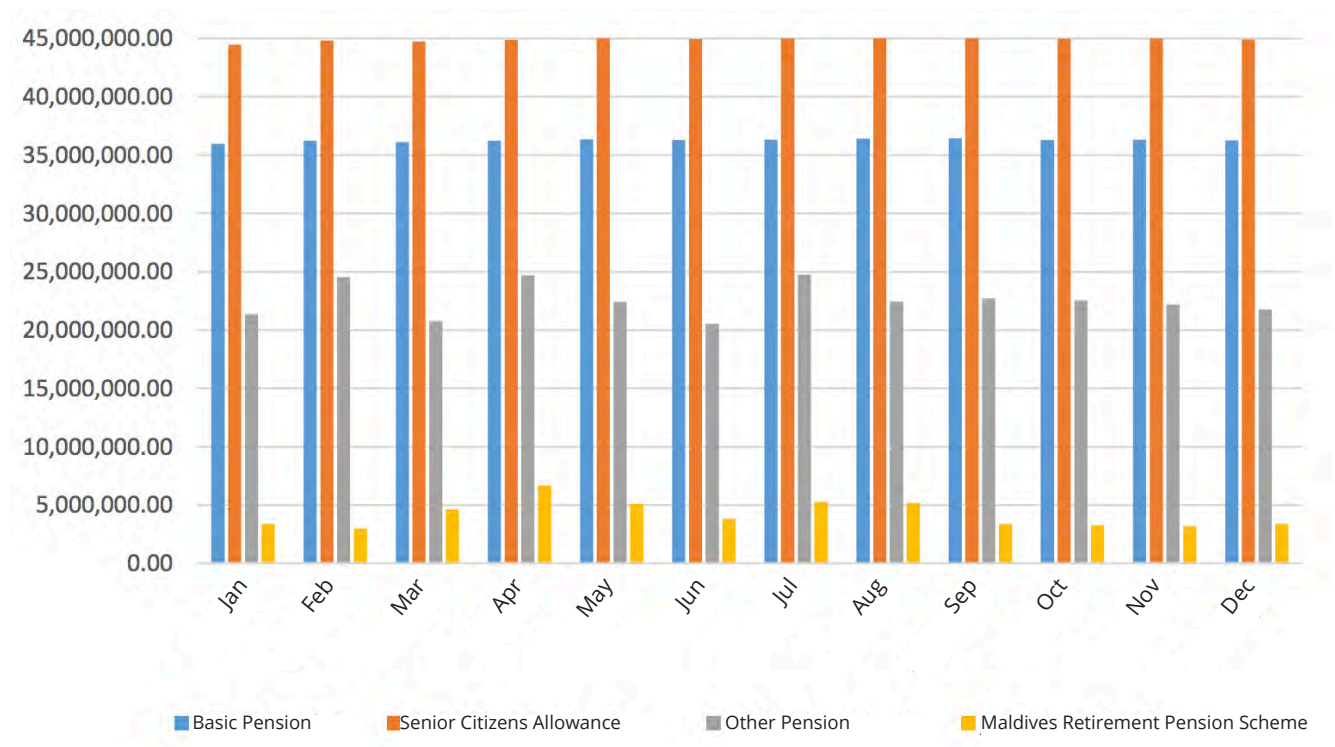
IT Infrastructure

The project initiated in 2016 to transfer major IT infrastructure components of MPAO like servers, information systems, databases and data storage to Google Cloud Platform was successfully completed last year. As a result, MPAO has become the first “fully cloud-based” organization in the Maldives.

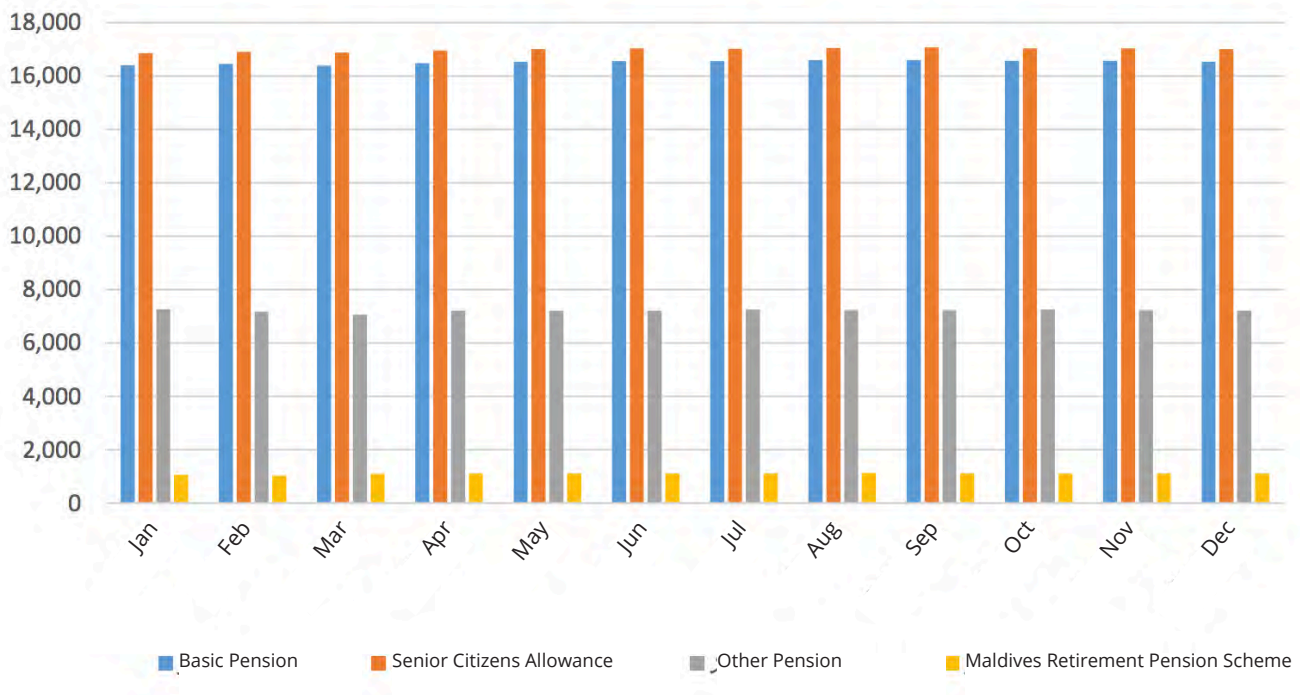
Pension and Claims

The main functions of Pension and Claims includes disbursement of pension payouts to beneficiaries, ascertaining whether pension payouts are disbursed to rightful beneficiaries, and claiming back payouts in case of mistaken payments.

Pension Payouts 2017



Number of Beneficiaries 2017



During the year 2017, the total payout disbursed as Basic Pension (BP) was MVR 435.25 million, while Senior Citizens Allowance (SCA) disbursement amounted to MVR 539.04 million. The total disbursement of State-funded Other Pensions was MVR 270.66 million, while MVR 54.64 million was disbursed to MRPS members.

An average of 16,750 beneficiaries received BP and SCA on a monthly basis. State-funded Other Pensions were disbursed monthly to an average of 7200 beneficiaries, while payouts from MRPS were disbursed monthly to an average of 1100 members.

A total of 33 applications were submitted by 54 MRPS members in 2017 to collateralize RSA balance for housing schemes. Accordingly, funds equivalent to MVR 6.99 million were collateralized for 27 applications of 41 eligible members.

Collections and Compliance

The major functions of Collections and Compliance addresses the need for taking measures to protect the rights of employees and ensuring that employers are held accountable and made aware of their responsibilities with regards to MRPS contributions.

Following are the details of contributions, enrollment and registration of employees and employers in MRPS during 2017.

Contributions to MRPS	Amount in MVR
Public sector contributions	415,670,259.07
Private sector contributions	607,774,752.96
Total contributions to the Scheme in 2017	1,023,445,012.03

Members Enrolled in MRPS	Total
Members enrolled from public sector	36,625
Members enrolled from private sector	52,091
Total members in the Scheme by 31st December 2017	88,716

Employers Registered in MRPS	Total
Employers registered from public sector	389
Employers registered from private sector	1,503
Total employers in the Scheme by 31st December 2017	1,892

In 2017, numerous inspections were carried out to ascertain employers compliance with the Pension Act and relevant regulations. Following are the details of such inspections.

Details of Inspections	Total
Number of planned inspections	22
Number of ad hoc inspections	33
Number of door to door inspections	180
Total number of inspections in 2017	235

Legal Action

In conformity with the procedure for taking action against non-compliant employers, 43 cases were filed with the Civil Court in 2017 against employers who failed to pay outstanding MRPS contributions, and 17 cases were re-submitted to enforce judgements.

Legislative and Regulatory Developments

Laws and Regulations	First Introduced	Latest Amendment
Regulation on Appointing Service Delivery Channels of Maldives Pension Administration Office	02nd August 2017	-

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. These functions provide additional opportunities to identify and improve impediments to achieving the strategic goals of the institution. During last year, administrative functions of Internal Audit was revised and the functions continued to improve. This resulted in comprehensive audits and numerous reforms were introduced to the processes.

During last year, auditing documentations were standardized to further develop the Internal Audit functions. In this regard, flowcharts of key business processes of MPAO were updated, risks associated with the processes were identified based on these flowcharts, auditing procedures were documented, related working papers were prepared, and audits were performed using these documentations. Additionally, training programmes were conducted throughout the year to develop human resources of Internal Audit functions. Further, opportunities were facilitated to participate in training programmes conducted by other institutions.

The Annual Audit Plan for last year was formulated in the beginning of the year. This Plan was devised based on areas where risk was rated highest following the risk assessment of 2016. Audits performed during last year includes Procurement Audit, audit of Collection and Compliance Department's evaluation of employers compliance with pension regulations, audit of Asset Management Division's investment of pension funds, and audit of 3 processes associated with disbursement of pension funds by Pension and Claims Department. A report based on the results of these audits along with recommendations for remedial action was published. Further, reports completed by the end of the audit year were submitted to the Management and Audit Committee.

A significant step taken to improve the administrative functions of audit was the creation of a database comprising of audits performed by the Internal Audit Department of MPAO till end of last year, results of and recommendations made in audits performed by other institutions and audit firms. The design of the report on the implementation of various processes were reviewed and modified, and the said report was submitted to the Management and Audit Committee. In addition, a report on the status of ongoing work scheduled prior to the commencement of 2017 was newly designed and submitted to the Audit Committee. One of the main purpose of this is to enable the Audit Committee to closely scrutinize the Audit Department.

Internal controls of the functions of MPAO are reviewed and associated risks are identified in 3 key processes. In this regard, the Risk Register established in 2016 and updated on 2017 identifies potential operational risks that might negatively impact the operations of MPAO. Additionally, risks are identified through the Risk-Based Approach utilized to review the functions of MPAO by the Pension Supervision Department of the Capital Market Development Authority. Moreover, issues and risks associated with the internal controls are identified during the annual statutory external audit. Accordingly, the functions of MPAO are enhanced by the identification and resolution of risks and issues of internal controls through these various mechanisms.

Highlights for Capital Market and Financial Sector

Economic Highlights

During the year economy of the Maldives grew by 6.9% according to figures published by the MMA. The growth came from, the boost in tourism, real estate, construction and in transport sector. Tourism was the biggest driver of growth, accounting for over 25% of GDP. Further, tourist arrivals increased by more than 7%, and the supply of operational bed capacity increased by more than 15%. Despite the growth, inflation remained low at 2.3% on average throughout the year.

Economic growth translated to increase in tax revenue with tax collection from January to November 2017, standing at MVR 18.3 billion representing an 8% increase in tax revenue for the government, from the previous corresponding period. The biggest contributors to tax revenue were the GST, Import Duty, BPT with a combined share of tax revenue at 67%, and grew by more than 11% compared to the previous year. The government expenditure for the same period was MVR 18.01 billion, which represents a decrease of 16% from 2016. The reduction in spending was caused by cuts in budgeted capital expenditure throughout 2017.

Financial and Capital Market Highlights

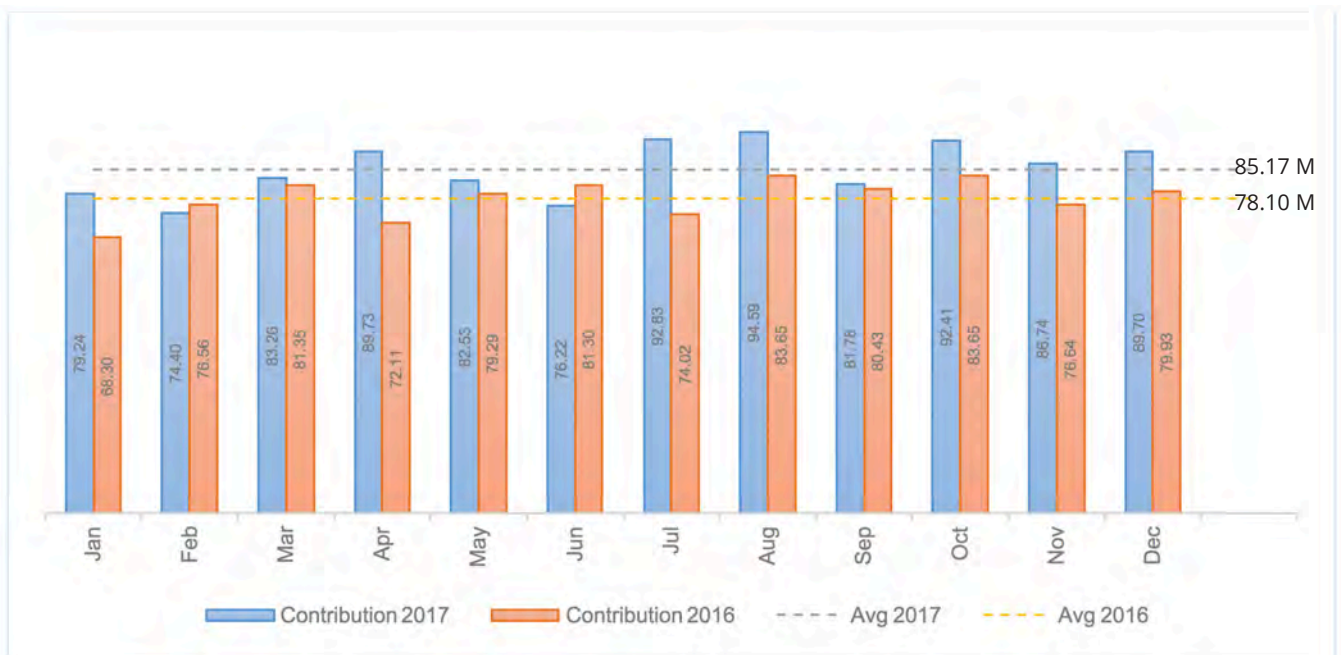
The banking assets of local banks stood at MVR 48.2 billion, which represents a modest growth of 5% during 2017. The deposit base of banks stood at MVR 28 billion, representing an increase of 5%. Despite the growth in deposit base and a reduction of reserve ratio during 2016 by the MMA, lending grew by 19% during 2017, compared to 27% increase in the previous year. Banks increased deposits with the MMA significantly by 23%, while investment rate of banks in equity and other securities increased by 400%.

The lending rate by banks to the private sector decreased to 9.90% by the end of 2017, compared to the 10.62% at the end of 2016. Further, lending rate for the public sector decreased to 9% in 2017 compared to the 9.37% lending rate of the previous period. The interest rate of short-term deposits offered by the banks largely remained unchanged at 2.24% on average. However, the interest rate offered for long-term bank deposits increased and stood at an average interest rate of 2.75% throughout the year. The Government Treasury Bill rates remained unchanged in 2017.

The listing in Maldives Stock Exchange of a new IPO by Ooredoo Maldives and a rights issue by MTCC increased the liquidity of the market in 2017. The new equity listings is estimated to have garnered MVR 500 million in capital contribution for the aforementioned companies. During the year, HDFC Maldives listed a Sukuk bond of MVR 150 million. Further, the MASIX index of the Maldives Stock Exchange grew by more than 13% during 2017.

Investment Performance of MRPS

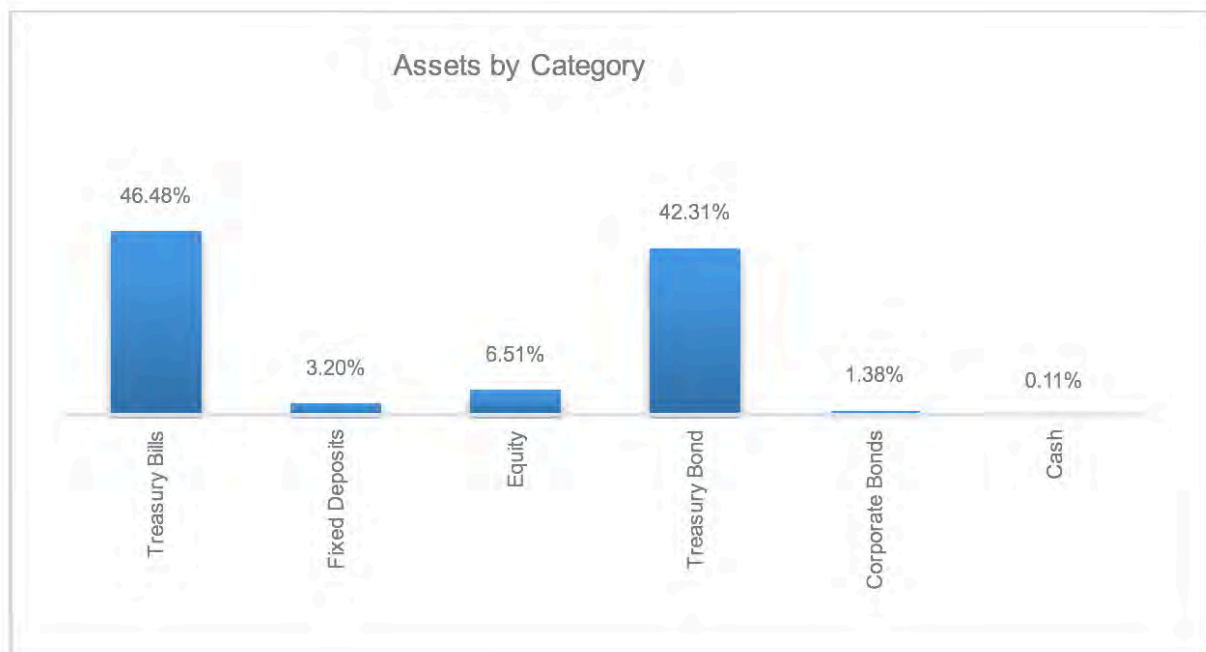
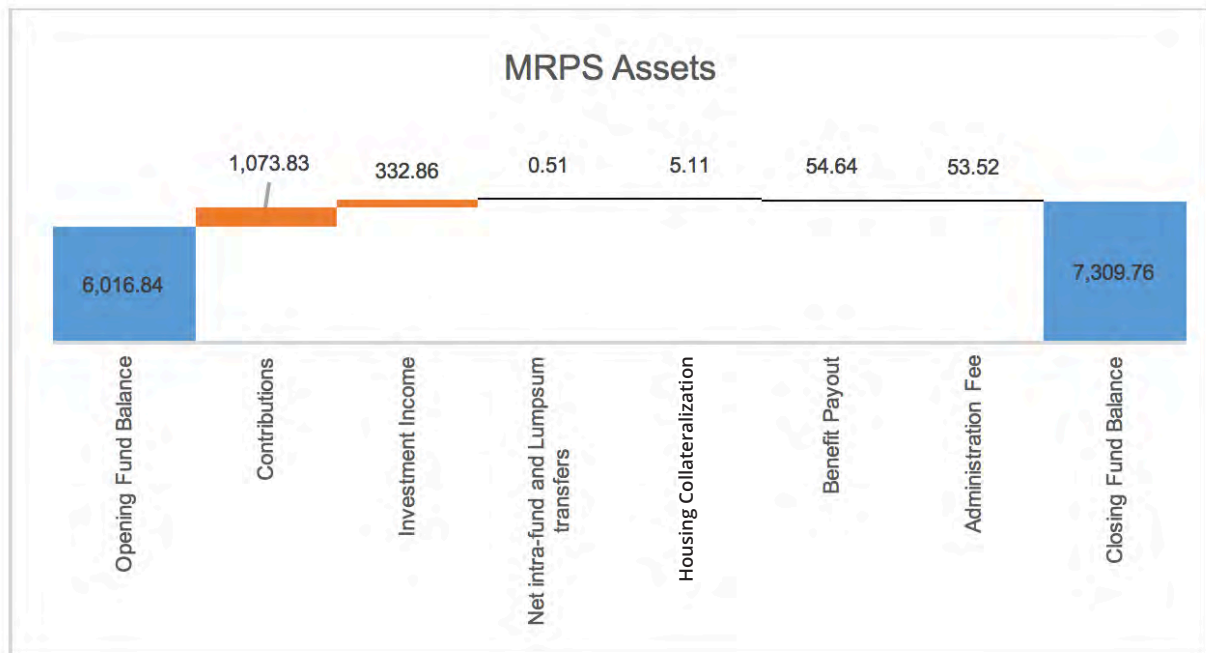
Pension Contributions to MRPS in 2017



2017 is a landmark year since the inception of MRPS, with the contribution collection exceeding MVR 1 billion mark for the first time. During the year, MVR 1.02 billion was collected in pension contribution, compared to the MVR 937 million collected in 2016, representing a 9% increase. This increase in collections effectively raised the average monthly contribution collection to MVR 85.17 million during the year from MVR 78.10 million of 2016.

Pension contribution proportion of private sector is 59%, while public sector is 41% respectively.

MRPS Funds Overall Performance



MRPS consist of four different funds; (1) Investment Fund, (2) Sharia Fund, (3) Conservative Fund and (4) Sharia Conservative Fund. The combined asset value of all the funds, increased to MVR 7.31 billion in 2017. During the year, asset allocation shifted towards long-term instruments as envisaged in the target asset allocation for 2017. The exposure to long-term securities like treasury bonds and equity increased to 42.31% and 6.51% during the year from its 2016 exposure level of 40.10% and 3.74%. Further, the exposure to short-term securities consisting of treasury bills and fixed deposits decreased to 46.48% and 3.20% respectively.

Return of Asset Classes

Asset Class	Asset Class Breakdown	Return of 2017
Bank Deposit	3.20%	2.71%
Treasury Bill	46.48%	4.71%
Equity	6.51%	18.80%
Treasury Bond	42.31%	5.50%
Corporate Bond	1.38%	11.62%

In terms of individual performance of the asset classes, equity was the best performing asset with 18.80% return from dividend payments, followed by the corporate bonds (sharia and conventional) with a return of 11.62%. Treasury bonds, which consists of tenures ranging from five to eight years, made an average return of 5.50% from coupon payments while the average return on treasury bills was 4.71%. Further, return of bank deposits was 2.71%.

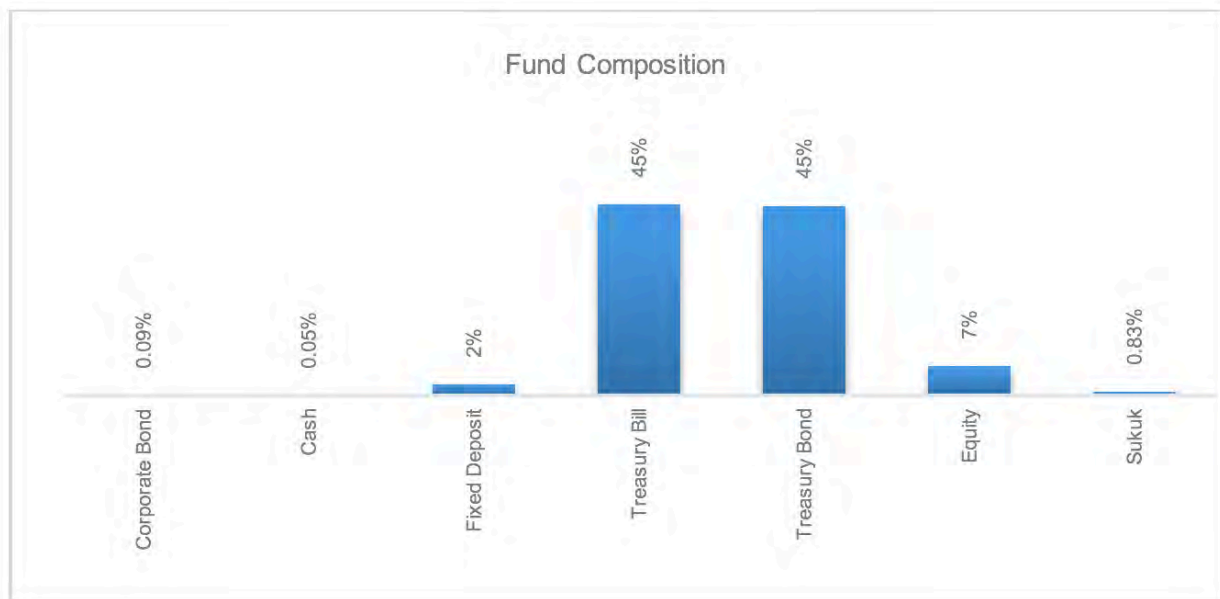
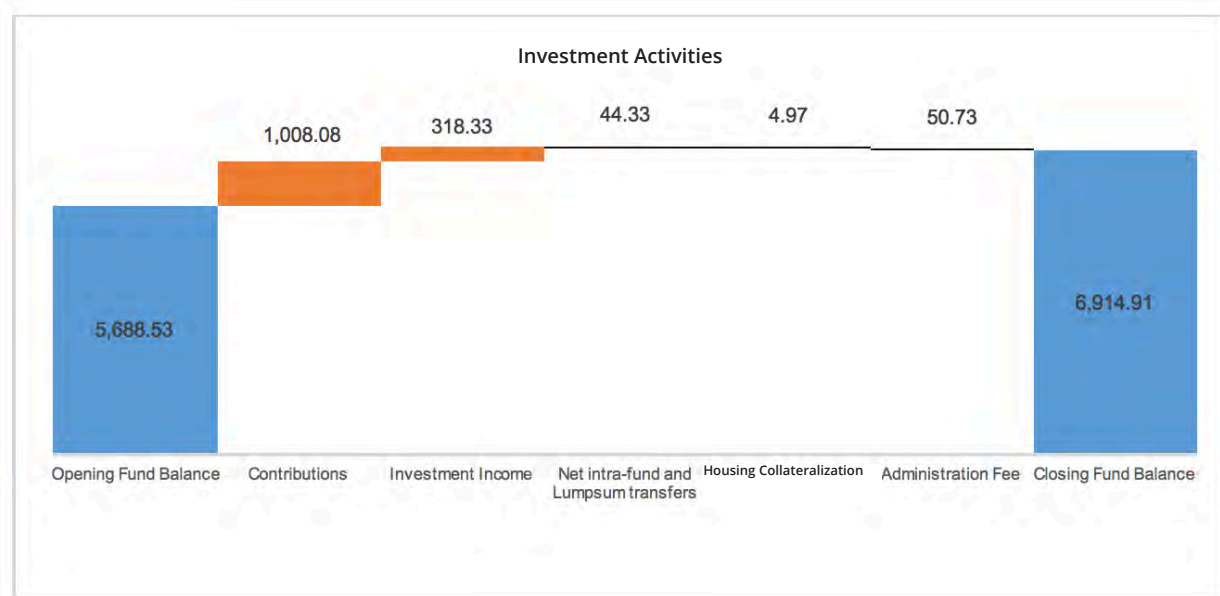
Investment Performance of MRPS Funds

MRPS Funds	Net Assets (in MVR Million)	Return of Funds			
		2016	2017	2 Year Average Return	Lifetime Average Return
Pre-retirement Funds					
Investment Fund	6915	5.20%	6.10%	5.65%	6.98%
Sharia Fund	98	2.80%	4.40%	3.60%	1.88%
Post-retirement Funds					
Conservative Fund	293	4.35%	5.20%	2.78%	5.87%
Sharia Conservative Fund	4	0.42%	-	-	0.42%
State Recognition Bond					
Recognition Bond	3312	6.00%	6.50%	6.25%	5.52%

The Investment Fund — the largest MRPS Fund — made an investment return of 5.20% during the year, which is lower than the 6.10% return of 2016. The Sharia Fund made a return of 2.80% in 2017 compared to the 4.40% return of the previous year. Decrease in returns for the Investment Fund and the Sharia Fund is attributed to the maturity period of significant investments made during 2017. Accordingly, a positive return trend is forecasted for these funds in 2018.

The return of Conservative Fund and Sharia Conservative Fund for retirees was 4.35% and 0.42% respectively during 2017. Since these funds are utilized to disburse monthly payouts and to invest the balance, adequate cash balance is reserved in order to maintain monthly liquidity. In addition, the return of Recognition Bond was 6%. The Recognition Bonds are Accrued Pension Rights granted to public sector employees who were in service at the time of the Pension Act implementation in 2009. Accordingly, Recognition Bond is part of the RSA balance of beneficiaries and is redeemed at the pensionable age of 65.

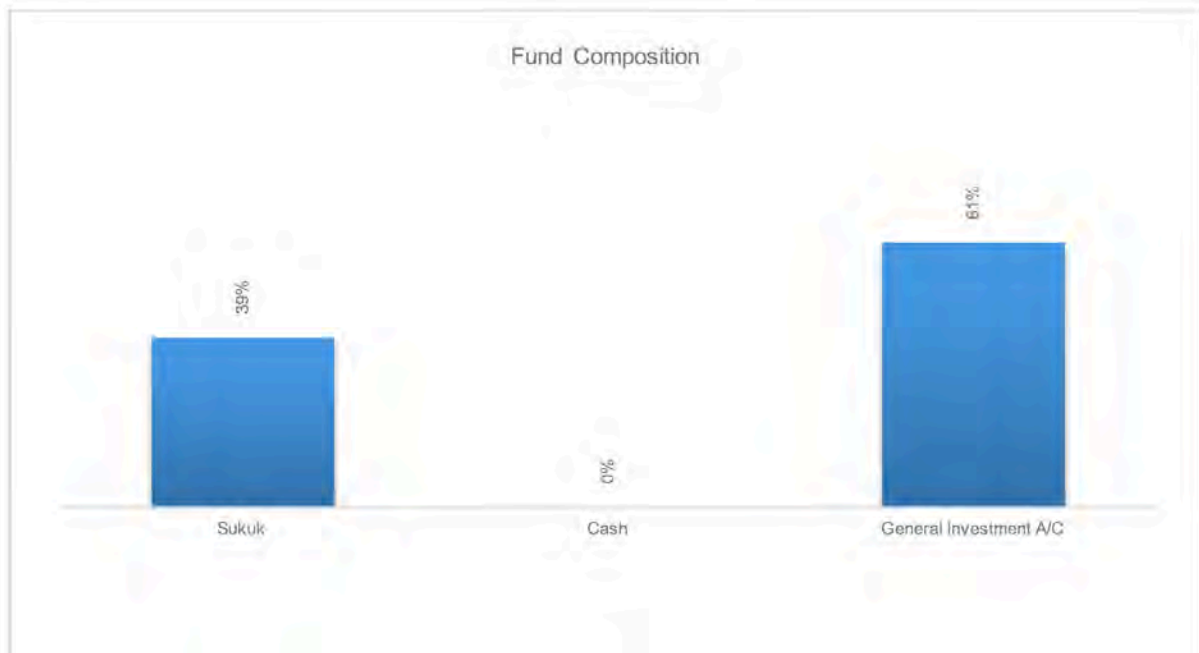
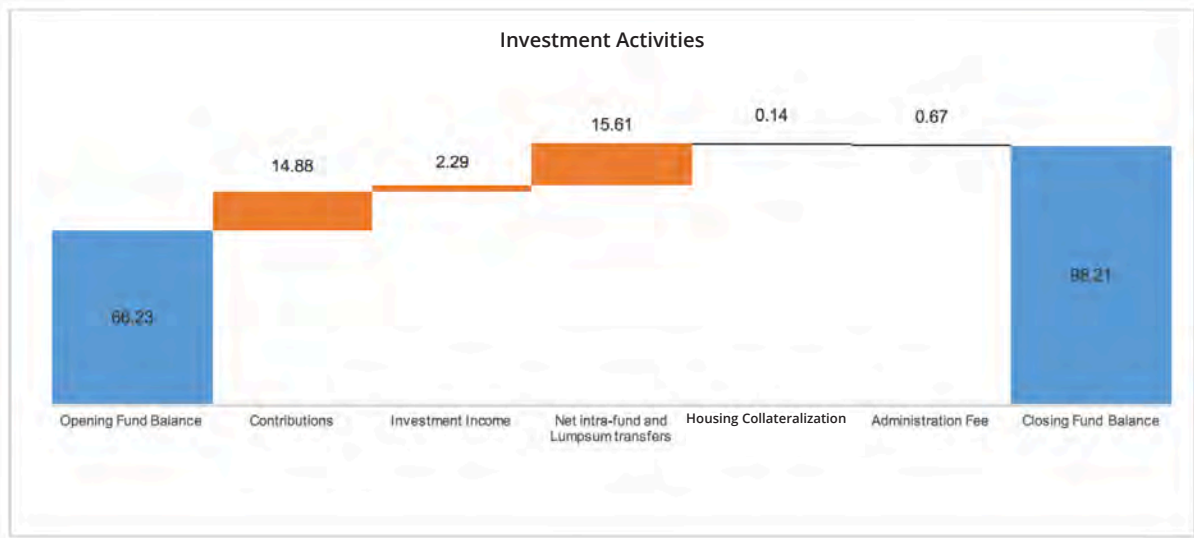
Investment Fund



The net assets of Investment Fund — the largest MRPS fund by asset value — increased by 21% to over MVR 6.9 billion. Contribution inflow was MVR 1 billion and investment income of the fund was MVR 318 million. Under the scheme to collateralize RSA balance to finance housing purchases, MVR 4.97 million was transferred in 2017 to financial institutions on behalf of beneficiaries who secured mortgage loans. The outflows and lump-sum transfers represent inter-fund transfer to MRPS Conservative Fund due to the retirement or death of members, and amounted to MVR 44.33 million during the year. All MRPS funds are charged an Administrative fee of 0.8%, and this fee amounted to MVR 50.73 million for the Investment Fund.

Asset classes of the fund comprises of 52.92% invested in long-term instruments such as Treasury bonds, equity and corporate bonds, while 47% of the overall fund is invested in treasury bonds and bank deposits.

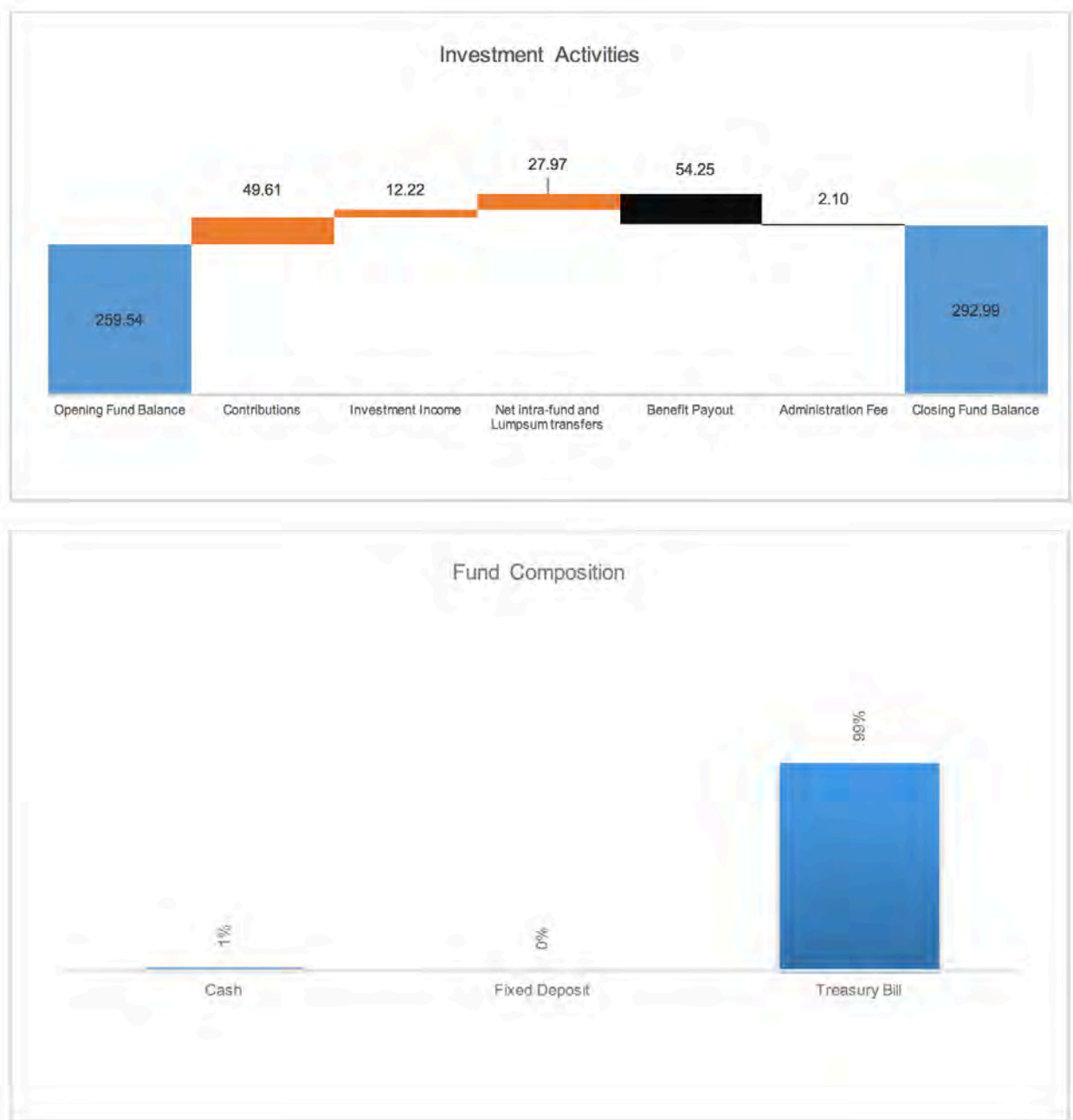
Sharia Fund



The Sharia Fund invests pension contributions of members opting to invest in Sharia compliant assets. The net assets of the fund increased by 48% during the year, amounting to MVR 98 million. The Sharia Fund contribution inflow was recorded at MVR 14.88 million and investment income of the fund was MVR 2.29 million. Housing collateralization outflows on behalf of beneficiaries who secured mortgage loans amounted to MVR 0.14 million. The outflows and lump-sum transfers represent inter-fund transfer to MRPS Sharia Conservative fund due to the retirement or death of members, and amounted to MVR 15.61 million during the year. The administrative fee of Sharia Fund in 2017 was MVR 0.67 million.

The Sharia Fund comprises of two asset classes; Sukuk fixed income instruments and General Investment Accounts which represents 39% and 61% of the fund respectively.

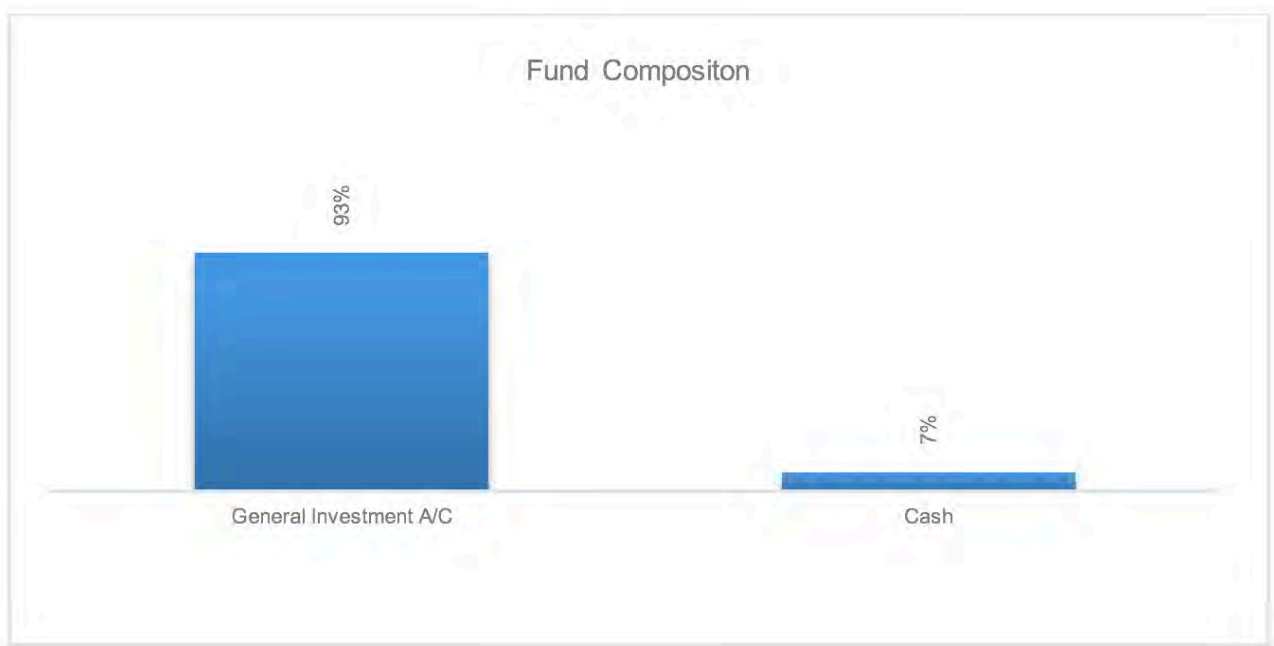
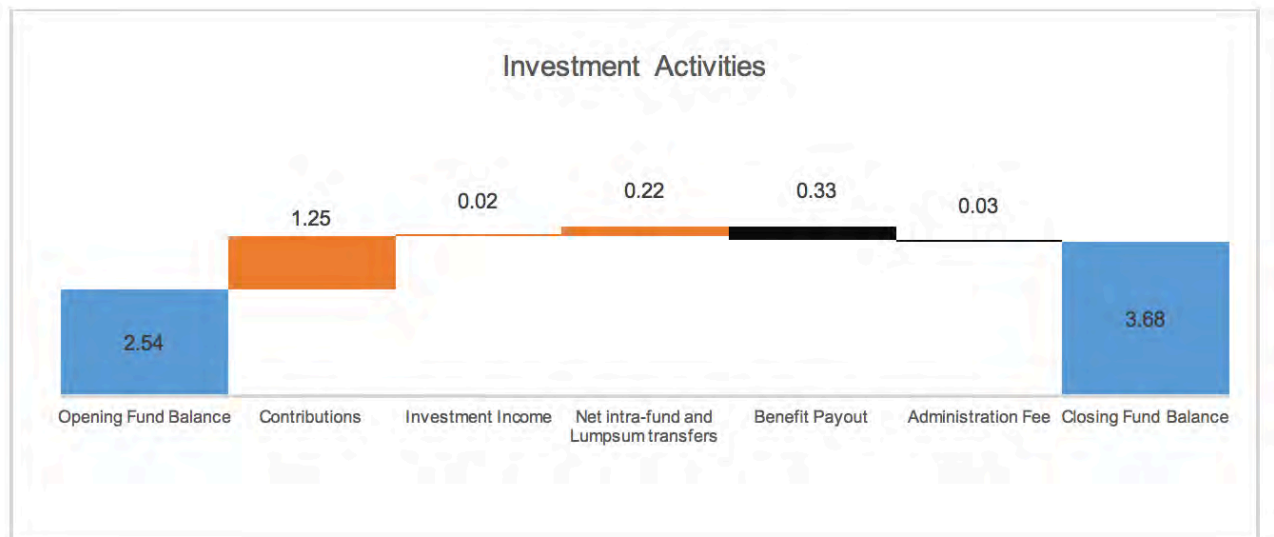
Conservative Fund



The Conservative Fund is a payout fund where entire balances of retirees in Investment Fund are invested in conventional securities, as they commence their monthly pension benefits. The asset value of this fund increased by 13% to MVR 292.99 million in 2017. Contributions to the fund consists of inflows from liquidation of Recognition Bond, and the net intra-fund inflows represent the inflows from MRPS Investment Fund as members reach the retirement age. A total of MVR 54.25 million was paid out as monthly pension payout, and the administrative fee charged on the fund was MVR 2.10 million.

The fund remains fully invested in treasury bills and the cash position represents the cash float set aside for meeting the pension payout of retirees.

Sharia Conservative Fund



The Sharia Conservative Fund was established in 2016, following the retirement of first Sharia Fund member. Similar to the Sharia Fund, the Sharia Conservative Fund is completely invested in Sharia compliant securities and currently the fund is entirely invested in General Investment Accounts. By the end of 2017, the asset value of the fund increased to MVR 2.54 million. Further, during this period MVR 0.33 million was disbursed to members as pension payouts and the administrative fee levied on the fund was MVR 0.03 million.

Board of Directors

Board Members



Mr. Ibrahim Ahmed Nasir
Board Chairperson



Ms. Aminath Shifana
Board Member representing the
Ministry responsible for social
security functions



Mr. Abdulla Ali
Board Member representing
Ministry of Finance and Treasury



Mr. Muznee Mohamed
Board Member representing
Securities Market Regulator



Mr. Ilyas Haneef
Board Member representing the
private sector



Mr. Ali Faris Mohamed
Board Member representing the
private sector



Ms. Fathmath Muaza Ibrahim
Board Member representing the
private sector



Mr. Ali Shareef
Board Member representing the
private sector

Composition of MPAO Board

The eight Board Members representing the public sector and the private sector are appointed by the President of the Republic in accordance with the Maldives Pension Act. Further, the Chairperson and the four private sector representatives are chosen 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 2017 was Ministry of Gender and Family. All candidates for Board membership are scrutinized by the Capital Market Development Authority (CMDA) for regulatory compliance before the appointment of selected candidates.

The term of each appointed Board Member is 3 years and upon expiry of the initial term Members may be reappointed. However, according to the Rules of Procedure of MPAO Board, a member is allowed to consecutively hold membership for 2 terms of 3 years.

Details of MPAO Board Members and Board Succession during 2017

On expiry of the term of Board Chairpersonship of Ms. Athifa Ali on 19th August 2017, the President appointed Mr. Ibrahim Ahmed Nasir to the post on 07th September 2017.

Mr. Muznee Mohamed, representative of Capital Market Development Authority completed his first term on 19th February 2017 and he was re-appointed on 20th February 2017.

Following change of social security mandate to Ministry of Gender and Family during the year, Ms. Aminath Shifana was appointed on 21st March 2017 to the MPAO Board as the representative of the Ministry of Gender and Family as replacement for Ms. Fathmath Sara who was representing Ministry of Health at the beginning of the year.

Ms. Zumra Ahmed, representative of the Ministry of Finance and Treasury completed her term on 19th February 2017 and Mr. Abdulla Ali was appointed to the MPAO Board on 20th February 2017 as her replacement.

In addition, private sector representative Mr. Munthazim Ibrahim resigned from MPAO Board on 11th January 2017. As his replacement, Mr. Ilyas Haneef was appointed on 12th April 2017 as a private sector representative.

#	Name	Term	Capacity
1	Mr. Muznee Mohamed	<ul style="list-style-type: none"> Appointed on 20th February 2014 for a 3 year term. (First Term) Appointed on 20th February 2017 for a 3 year term. (Second Term) 	Board Member representing Securities Market Regulator
2	Ms. Zumra Ahmed	<ul style="list-style-type: none"> Appointed on 20th February 2014 for a 3 year term. 	Board Member representing Ministry of Finance and Treasury
3	Ms. Athifa Ali	<ul style="list-style-type: none"> Appointed on 20th August 2009 for a 3 year term. (First Term) Appointed on 20th August 2014 for a 3 year term. (Second Term) 	Board Chairperson and Member representing the private sector
4	Mr. Munthazim Ibrahim	<ul style="list-style-type: none"> Appointed on 20th August 2014 for a 3 year term. 	Board Member representing the private sector
5	Ms. Fathmath Sara	<ul style="list-style-type: none"> Appointed on 29th February 2015 for a 3 year term. 	Board Member representing the Ministry responsible for social security functions
6	Mr. Ali Shareef	<ul style="list-style-type: none"> Appointed on 04th February 2015 for a 3 year term. 	Board Member representing the private sector
7	Ms. Fathmath Muaza Ibrahim	<ul style="list-style-type: none"> Appointed on 11th October 2015 for a 3 year term. 	Board Member representing the private sector
8	Mr. Ali Faris Mohamed	<ul style="list-style-type: none"> Appointed on 22nd November 2015 for a 3 year term. 	Board Member representing the private sector
9	Ms. Aminath Shifana	<ul style="list-style-type: none"> Appointed on 21st March 2017 for a 3 year term. 	Board Member representing the Ministry responsible for social security functions
10	Mr. Abdulla Ali	<ul style="list-style-type: none"> Appointed on 20th February 2017 for a 3 year term. 	Board Member representing Ministry of Finance and Treasury
11	Mr. Ilyas Haneef	<ul style="list-style-type: none"> Appointed on 12th April 2017 for a 3 year term. 	Board Member representing the private sector
12	Mr. Ibrahim Ahmed Nasir	<ul style="list-style-type: none"> Appointed from 20th August 2012 to 1st October 2014 (First Term) Appointed on 07th September 2017 for a 3 year term. (Second Term) 	Board Chairperson and Member representing the private sector

Attendance of Board Meetings

#	Board Members	Meetings eligible to attend	Meetings attended
1	Mr. Muznee Mohamed	14	12
2	Ms. Zumra Ahmed	2	2
3	Ms. Athifa Ali	9	9
4	Mr. Munthazim Ibrahim	0	0
5	Ms. Fathmath Sara	2	0
6	Mr. Ali Shareef	14	11
7	Ms. Fathmath Muaza Ibrahim	14	13
8	Mr. Ali Faris Mohamed	14	11
9	Ms. Aminath Shifana	12	8
10	Mr. Abdulla Ali	12	12
11	Mr. Ilyas Haneef	11	10
12	Mr. Ibrahim Ahmed Nasir	5	5

Board Committees and Changes

In order to strengthen the functions of the Board, specific responsibilities are delegated to 3 committees. They are the Audit and Risk Management Committee, the Investment Committee and the Remuneration and Nomination Committee. Detailed reports of these committees are provided in this Annual Report.

Highlights of Board Decisions and Activities for 2017

Strengthening MPAO Governance

Similar to previous years, the Board initiated the review and formulation of a number of internal policies designed to improve the accountability and transparency of internal procedures. As part of this process various policies were formulated and implemented including the Procurement Policy, Whistleblowing Policy and Travel Policy. Additional procedures revised during 2017 included Statement of Investment Principles (SOIP) of MPAO, Valuation Policy (Guidelines on Valuation of Securities), CSR Policy and Scholarship Policy. Further, procedure on Strategic Asset Allocation, procedure on Cash and Treasury Management, and Rules of Procedure of the Board were revised.

An important initiative of the Board was the formulation of a Succession Policy for MPAO and initiating succession planning. Further, major human resource policies previously in effect were revised and implemented. These include the Employment Policy, H.R Planning and Control, Job Transfer Policy, Leave Policy, Probation Policy, Promotion Policy, Recruitment Policy, Salary and Benefit Policy, Grievance Policy, Termination Policy and the Retention Policy introduced in 2016 with the objective of retaining experienced and reliable employees at MPAO.

Enhancement of MRPS Benefits

The Board deliberated on a number of benefit enhancement schemes for MRPS members. Currently, retirees are paid benefits on a monthly basis from MRPS. Further, MPAO is working to introduce annuity products for MRPS members in accordance with the instructions of the Board.

In addition, the Board has approved the Regulation on Enrollment and Disbursement of Benefits to Foreign Employees under the MRPS.

Strengthening MPAO Investment Management

The Board and its Investment Committee played a crucial role in broadening the investment management and strengthening investment operations of MPAO. Significant decisions were made and projects were initiated in this regard during 2017.

Significant work carried out in this regard includes the following:

- Decision to discuss with the government on listing bonds in the future to improve liquidity and bond market.
- Decision to invest MVR 250 million in Ooredoo Maldives IPO.
- Decision to obtain technical advisory for the next 3 years from the World Bank Treasury's "Reserve Advisory and Management Programme (RAMP)" to further strengthen and structure investments of MPAO.
- Decision to invest a total of MVR 80 million in Sukuk issued by HDFC Maldives, comprising of MVR 15 million in the Sharia Fund and the balance in the Investment Fund.

Furthermore, as part of efforts to strengthen investments, Statement of Investment Principles (SOIP), Valuation Policy (Guidelines on Valuation of Securities), procedure on Strategic Asset Allocation and procedure on Cash and Treasury Management were revised.

Improving Operational Effectiveness of MPAO

In 2017, the Board took initiative in efforts to strengthen the administration of MPAO and improve quality of services provided to the public. Further, the Board provided valuable cooperation in selecting the theme and in successfully planning and managing the Maldives Finance Forum organized annually by MPAO.

A compliance audit of State-funded pension schemes were performed by the Auditor General's Office and reforms were introduced to the system. Further, an agreement was executed with the Bank of Maldives to provide custodian service to the Pension Fund for the next 3 years. Furthermore, Terms of Reference of Board Committees were revised and Financial Statements of MPAO and MRPS for the year ended 31st December 2016 was approved by the Board.

Another noteworthy achievement was the considerable reduction in the operation cost of MPAO following efforts made to strengthen administration. Accordingly, the Board approved reduction of administrative fee levied on MRPS members from 0.08% to 0.06% effective from 01st January 2018.

During December of 2017, the Board approved a revised organizational structure of MPAO, which will be effective from 01st January 2018. Further, a leadership training programme was conducted with the Board's cooperation to strengthen the skills and capabilities of MPAO staff with the assistance of Maldives National Defence Force.

Outreach Initiatives

As an outreach initiative the Board held in-depth deliberations on measures for strengthening the Public Relations Division of MPAO and ways to further improve relationship with the public.

At the request of the Board, a function was held by MPAO in Addu City to mark the International Day of Older Persons 2017 and a park is being built in S. Hithadhoo as part of the CSR initiative of MPAO. Further, a MOU was executed between MPAO and the Ministry of Gender and Family to protect and promote the rights of senior citizens.

Another activity under the CSR initiative of MPAO following Board approval was sponsoring wages of 2 employees working at the children's shelter operated by the Ministry of Gender and Family at Hulhumale', 1 employee working with the Senior Citizens Association of the Maldives, 1 occupational therapist working at the Center for Special Needs Persons located in K. Guraidhoo and 1 employee working at the National Drug Agency. Accordingly, MOU was executed with these parties to sponsor wages.

Furthermore, MPAO participated in the "Maldives Investment Forum 2017" organized annually by the Ministry of Economic Development and the Board approved sponsoring of the "Bronze Package".

The Board made the notable decision of donating the furnitures used at MPAO prior to shifting office in 2016 to the Ministry of Gender and Family.

Initiatives for Board Effectiveness

To assist in performance of their governance duties, MPAO conducts a "New Board Member Induction Program". The program includes sessions on governance concepts and procedures, director's roles and responsibilities, legal and compliance issues and regulators roles. Accordingly, such sessions were held for new Members appointed to the Board in 2017.

In their oversight role, the Board of MPAO is composed of Members possessing diverse skill sets, experience and qualification to implement the functions of the Board. Additionally, Board Members learning was ensured during the year through training provided locally and abroad on areas such as investment and corporate governance.

Investment Committee Report

Introduction

The Investment Committee is responsible for advising MPAO Board in making decisions related to investments and formulating investment principles and policies for MRPS funds. The Committee comprises of three Members of MPAO Board; two Members from private sector and the Board Member representing the Ministry of Finance and Treasury. Duration of the Committee Chairpersonship is one year and appointed on a rotating basis from the Committee Members.

The current Chairperson of the Committee is Ms. Fathmath Muaza Ibrahim and she was appointed to the post on 30th March 2017.

#	Members	Meetings eligible to attend	Meetings attended
1	Ms. Fathmath Muaza Ibrahim	9	9
2	Mr. Ali Shareef	9	8
3	Mr. Abdulla Ali	9	9
4	Mr. Ali Faris Mohamed (reserve member of Committee)	1	1

Summary of Decisions and Discussions

The following decisions were made by the Investment Committee during 2017:

- Endorsing investment of MVR 250 million in Ooredoo Maldives IPO and MVR 80 million in HDFC Maldives Sukuk.
- Statement of Investment Principles (SOIP) of MRPS was revised and “investment funds” were added as an allowable asset class.
- Valuation policy of MRPS was revised and decision was made to value Sharia investments on accrual basis.

Investment Decisions

Government debt and fixed deposits remained the biggest investment opportunity for MRPS investments under the Pension Act. Compared to preceding years considerable investment opportunities were offered by private sector to invest in equity and bonds during 2017. Accordingly, the Committee deliberated and endorsed investing MVR 330 million in 2 such investment opportunities. They were decisions made to invest MVR 250 million in Ooredoo Maldives IPO and MVR 80 million in the second Sukuk issued by HDFC Maldives.

Investment Diversification and Expansion

The committee deliberated on investment proposals from the Government and the private sector with long-term strategic benefits to MRPS. In this regard, the Committee informed and advised on legal requirements and applicable financial standards to parties seeking Pension Fund financing for construction projects under the government's social housing scheme. Further, prospects of maximizing Sharia Investment returns were explored and investing in General Investment Accounts with 5 year tenure was endorsed.

In Addition, discussions were held on various avenues to educate and create awareness regarding tapping the Pension Fund for meeting long-term financing requirements among potential security issuers. The Committee, agreed to commence work on implementing a screening process for potential security issuers prior to their IPOs to encourage aspiring issuers in the future.

Formulating and Revising Investment Guidelines and Policies

A regulatory environment for investments and mutual funds were established following the introduction of a special regulation by CMDA governing management of investment funds in the Maldives. Although, section 16 of the Pension Act authorizes investment funds, due to lack of regulatory mechanisms in the Maldives prior to this change, such investments were not included in the Statement of Investment Principles (SOIP) of MRPS. However, as a result of this regulation, the SOIP of MRPS was revised and investment funds were added as an allowable asset class by the Investment Committee. In addition, the Committee authorized investing exclusively in listed investment funds.

Strategic Asset Allocation (SAA) of MRPS was revised during the year by discontinuing the policy of investing in 80% of government bonds and 20% of private sector bonds. The purpose of this is to facilitate investments in forecasted private sector bonds. Accordingly, the goal of this year's SAA was to transform large proportion of MRPS investments to long-term instruments and reduce the percentage of short-term instruments.

In addition, cash basis valuation policy of MRPS Sharia investments were modified to accrual basis. This change was initiated to reduce the effect on MRPS fund values once the Sharia investment matures and to distribute returns on a fair basis. In reaching this decision, the Committee considered the increase of Sharia investments in the Maldives and the consequences of this on the conventional funds of MRPS.

Audit and Risk Management Committee Report

Introduction

The Audit and Risk Management Committee is entrusted with the responsibility to provide an independent review and supervision of financial reporting, internal controls, risk and internal and external audit of MPAO. During 2017, the Executive Management of MPAO reported to the Committee on matters related to audits, accounting and financial statements.

Composition of the Committee and Support

The Committee comprises of four Board Members of MPAO. The Members of the Committee who served during the year were:

- Mr. Ilyas Haneef
- Mr. Ali Faris Mohamed
- Mr. Abdulla Ali
- Ms. Aminath Shifana

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

Responsibilities

The Committee is entrusted with the responsibility of overseeing and reviewing of functions related to external audit process, both the conduct and outcome. In addition, the Committee is also responsible for reporting to the Board in relation to approving the terms of engagement and scope of work of external auditors. Moreover, the 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

Five meetings of the Committee were held during 2017. Following table shows the membership of the Committee together with their attendance for the year.

#	Members	Meetings eligible to attend	Meetings attended	Duration
1	Mr. Ali Faris Mohamed	5	5	Appointed on 23rd November 2015
2	Mr. Munthazim Ibrahim	1	1	Appointed from 23rd February 2015 to 01st January 2017
3	Ms. Fathmath Sara	1	0	Appointed from 23rd February 2015 to 01st January 2017
4	Ms. Zumra Ahmed	1	1	Appointed from 05th May 2014 to 01st January 2017
5	Mr. Abdulla Ali	4	3	Appointed on 01st January 2017
6	Ms. Aminath Shifana	4	2	Appointed on 01st January 2017
7	Mr. Ilyas Haneef	4	3	Appointed on 01st January 2017

Committee Activity Review for 2017

The highlights of the Committee decisions and activities are as follows:

- During the meeting held on 20th July 2017, Mr. Ilyas Haneef was appointed Chairperson as Mr. Ali Faris Mohamed, who previously held the position completed his term.
- During the first meeting of 2017, the Terms of Reference (TOR) specifying the responsibilities of the Committee was discussed and revised. In addition, an annual Activity Calendar was endorsed to organize the matters reported to the Committee in a more systematic manner.
- Discussions were held on audits aimed at identifying risks associated with the processes that will be carried out during the year, and an Audit Plan was presented and endorsed by the Committee. Further, a report on the implementation of audit functions and other functions throughout the year was submitted to and discussed in the Committee.
- Audit programmes prepared to standardize working papers used in audit functions, control assessments and audit tests were submitted to and revised by the Committee.
- During the Committee meeting held on 16th April 2017, the Committee considered and endorsed the Auditor's Report and Audited Financial Statements submitted by Ernst & Young for the year ended 31st December 2016, and recommended it for Board's approval.
- The Committee was presented with audit reports completed by the Internal Audit function in 2017. These reports focused on functions such as procurement, reviewing of employers compliance with pension regulations, investment and disbursement of pension funds. The reports 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 the Management.
- Following the internal audit reports, the Committee reviewed implementation by the Management of audit recommendations during the year. Further, to closely monitor progress made in implementing recommendations of previous audits, the Committee received progress reports throughout the review period.
- Apart from internal audit functions, the Committee also discussed risks identified in internal audit reports. In addition, the Committee noted the regulatory authority's (CMDA) annual inspection findings and discussed on the actions proposed by the Management to address the issues raised.

Remuneration and Nomination Committee Report

Introduction

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

Committee Composition and Members

The RNC comprises of four Members including three Board Members and the Chief Executive Officer (CEO). The RNC members at the start of 2017 was the CEO Mr. Mohamed Hussain Maniku and Board Members Ms. Fathmath Muaza Ibrahim, Mr. Ali Shareef and Mr. Munthazim Ibrahim.

Due to changes to the MPAO Board, Mr. Munthazim Ibrahim left the RNC on 11th January 2017. As such, Ms. Aminath Shifana was appointed to the RNC on 27th March 2017 as his replacement.

Responsibilities of the Committee

Main responsibilities of the RNC are:

- Determining the remuneration and benefits packages offered to MPAO staff and Board members, and overseeing the review of remuneration and benefits structures and policies.
- Overseeing the policies and processes relevant to nomination and appointment of executives to top management level positions at MPAO.
- Advising the Management on determining human resource policies at MPAO and on procedures for major disciplinary issues relevant to staff.

Committee Meetings

Three meetings of the RNC were held during 2017.

#	Members	Meetings eligible to attend	Meetings attended
1	Ms. Fathmath Muaza Ibrahim	3	3
2	Mr. Ali Shareef	3	3
3	Mr. Munthazim Ibrahim	0	0
4	Ms. Aminath Shifana	3	3
5	Mr. Mohamed Hussain Maniku	3	3

Committee Activity Review for 2017

The highlights of the RNC decisions in 2017 are as follows:

- During the year's first meeting of the RNC, held on 5th April 2017, Board Member Mr. Ali Shareef was appointed as Committee Chairperson. In the meeting it was decided to submit the reviewed TOR of the Committee to the Board. Further, changes proposed by the Management to the organizational structure of MPAO and policy formulated on administrative matters relevant to official overseas travels were endorsed by the Committee and forwarded for Board's approval. Furthermore, it was decided to seek Board's approval on providing Retention Allowance in 2017 and procedures for the Committee to comment on human resource policies of MPAO was determined.
- During the second meeting of the RNC held on 5th July 2017, the Committee deliberated further on changes proposed by the Management to the organizational structure of MPAO, and the Committee endorsed and forwarded the matter for Board's approval. Further, reviewed Retention Policy was endorsed and forwarded for Board's approval. In addition, the Committee endorsed providing Retention Allowance to 7 key staff nominated by the Management in 2017. Moreover, it was decided to submit information on succession planning to the Board.
- During the third meeting of the RNC held on 31st October 2017, the Committee endorsed and forwarded for Board's approval, the Board paper on changes proposed by the Management to the organizational structure of MPAO. Further, Whistleblowing Policy and Procedure, and Policy on Non-Practice Allowance was endorsed by the Committee and forwarded for Board's approval.

Outlook

2018 will be another important year for MPAO. Significant progress has been made towards introducing two major schemes to enhance MRPS member benefits and provide additional social security. These schemes are:

1. Introduction of Annuity Products

Retirees of MRPS currently receive their pension as drawn-down payments, which will cease once their respective RSA balances are exhausted. 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 enacted during 2018. 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.

2. Disability Insurance Scheme

Under this scheme, employers would pay a premium to MPAO that will cover MRPS members against total and permanent disability occurring while in employment. This provides an additional safety-net to MRPS members against unexpected losses arising during employment. The expectation is that once fully implemented, this scheme will provide compensation for loss of income and ensure continued contribution towards pension in cases of total and permanent disability.

Financial Statements

MALDIVES PENSION ADMINISTRATION OFFICE
AUDITOR'S REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2017

AHF/GN

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 2017, 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 2017 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.

Auditor's responsibilities for the audit of the financial statements (Continued)

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 Company'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 Company'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 Company 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.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



01 April 2018
Malé



Maldives Pension Administration Office
(Formed under the Maldives Pension Act No.8 of 2009)
INCOME STATEMENT
Year ended 31 December 2017

	Notes	2017 MVR	2016 MVR
Income	6	53,517,212	49,150,370
Other income	7	1,049,251	571,625
Salaries and allowances	8	(14,736,573)	(12,833,218)
Bank charges and custodian fees	9	(7,787,292)	(8,742,520)
Administrative expenses		(15,249,501)	(13,011,864)
Net income over expenditure for the year		<u>16,793,097</u>	<u>15,134,393</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 2017

	Notes	2017 MVR	2016 MVR
Assets			
Non-current assets			
Property, plant and equipment	10	4,661,719	2,734,715
Intangible assets	11	1,628,352	3,256,704
Prepaid lease rent	12	23,007,786	24,000,000
		<u>29,297,857</u>	<u>29,991,419</u>
Current assets			
Financials assets held to maturity	13	20,343,151	-
Prepayment and other Receivables	14	6,667,005	10,256,991
Cash and balances with banks	15	34,369,005	32,448,535
		<u>61,379,161</u>	<u>42,705,526</u>
Total assets		<u><u>90,677,018</u></u>	<u><u>72,696,945</u></u>
Equity and liabilities			
Capital and reserves			
Accumulated funds		<u>79,926,614</u>	<u>63,133,517</u>
		<u>79,926,614</u>	<u>63,133,517</u>
Current liabilities			
Accrued expenses and other payables	16	10,750,404	9,563,428
Total equity and liabilities		<u><u>90,677,018</u></u>	<u><u>72,696,945</u></u>

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

Signed for and on behalf of the Board by,

Name of the Director

Signature

IBRAHIM AHMED NASIR

Nasir

ILYAS HANEEF

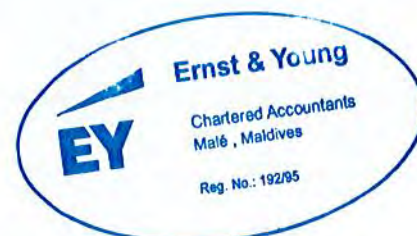
Ilyas

MOHAMED HUSSAIN MANIKU

Maniku

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

1 April 2018
 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 2017

	<u>Accumulated Funds MVR</u>
Balance as at 01 January 2016	47,999,124
Net income over expenditure for the year	15,134,393
Balance as at 31 December 2016	<u>63,133,517</u>
Net income over expenditure for the year	16,793,097
Balance as at 31 December 2017	<u><u>79,926,614</u></u>

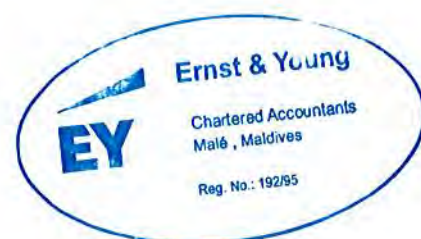
The accounting policies and notes on pages 7 to 18 form an integral part of the financial statements.



Maldives Pension Administration Office
(Formed under the Maldives Pension Act No.8 of 2009)
STATEMENT OF CASH FLOWS
Year ended 31 December 2017

	2017 MVR	2016 MVR
Cash Flows from Operating activities		
Net income over expenditure for the year	16,793,097	15,134,393
Non-cash adjustment		
Depreciation and amortisation	4,339,808	2,858,102
Loss on disposal of property Plant and Equipment	1,132,287	150,191
Working capital adjustment		
Decrease / (increase) in prepayments and other receivables	3,589,986	(5,288,641)
Decrease in trade and other payables	1,186,976	(52,413)
Cash flows from operating activities	<u>27,042,154</u>	<u>12,801,632</u>
Investing activities		
Acquisition of property, plant and equipment	10 (4,778,533)	(943,612)
Purchase of financial instruments	(20,343,151)	-
Net cash flows used in investing activities	<u>(25,121,684)</u>	<u>(943,612)</u>
Net decrease in cash and cash equivalents	1,920,470	11,858,019
Cash and cash equivalents as at 1 January	32,448,535	20,590,516
Cash and cash equivalents as at 31 December	15 <u><u>34,369,005</u></u>	<u><u>32,448,535</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)
NOTES TO THE FINANCIAL STATEMENT
Year ended 31 December 2017

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 City Square, Chandhanee 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 2017**

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 2017**

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 2017**

3. Significant Accounting Policies (Continued)

3.4 Intangible Asset (Continued)

(i) 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
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Year ended 31 December 2017**

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.

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NOTES TO THE FINANCIAL STATEMENT
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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 2018 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

6	Income	2017 MVR	2016 MVR
	Management fee	53,517,212	49,150,370
		<u>53,517,212</u>	<u>49,150,370</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 0.8% (2016: 0.9%) per annum.

7	Other income	2017 MVR	2016 MVR
	Fines	469,000	379,500
	Reimbursement income	237,100	159,990
	Miscellaneous income	-	32,135
	Interest income	343,151	-
		<u>1,049,251</u>	<u>571,625</u>

8	Salaries and allowances		
	Directors' remuneration	1,076,302	1,089,000
	Retirement contribution obligations	726,242	646,318
	Employee insurance	194,739	123,732
	Salaries and wages	12,739,290	10,974,168
		<u>14,736,573</u>	<u>12,833,218</u>

9	Bank Charges and Custodian fees		
	Bank charges	17,647	29,902
	Custodian fees	7,769,645	8,712,618
		<u>7,787,292</u>	<u>8,742,520</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 till June 2017. From July 2017 onwards MPAO is charged a fixed amount of MVR 6 million per year.

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Year ended 31 December 2017

10 Property, plant and equipment

	Balance as at 01.01.2017 MVR	Additions during the year MVR	Disposals during the year MVR	Balance as at 31.12.2017 MVR
10.1 Gross carrying amounts				
At cost				
Computers and accessories	4,109,712	-	3,317,744	791,969
Furniture and fittings	187,977	3,519,967	133,327	3,574,617
Office equipment	2,660,606	1,258,566	1,252,914	2,666,258
	<u>6,958,296</u>	<u>4,778,533</u>	<u>4,703,985</u>	<u>7,032,844</u>
10.2 Depreciation				
At cost				
Computers and accessories	3,070,648	226,958	2,805,409	492,197
Furniture and fittings	147,651	954,922	133,327	969,245
Office equipment	1,005,281	537,362	632,961	909,682
	<u>4,223,581</u>	<u>1,719,241</u>	<u>3,571,697</u>	<u>2,371,124</u>
Net book value	<u>2,734,715</u>			<u>4,661,719</u>

10.3 Property, plant and equipment

During the financial period, the MPAO acquired plant and equipment to the aggregate value of MVR 4,778,533/- (2016: MVR 943,612/-) .

	2017 MVR	2016 MVR
11 Intangible assets		
At cost		
Balance 1 January	8,141,760	8,141,760
Balance as at 31 December	<u>8,141,760</u>	<u>8,141,760</u>
Amortisation		
Balance 1 January	4,885,056	3,256,704
Amortisation for the period	1,628,352	1,628,352
Balance as at 31 December	<u>6,513,408</u>	<u>4,885,056</u>
Net book value	<u>1,628,352</u>	<u>3,256,704</u>



Maldives Pension Administration Office
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

	2017 MVR	2016 MVR
12 Prepaid lease rent		
Prepaid lease rent	24,000,000	24,000,000
Lease rent ammortization	(992,214)	-
	<u>23,007,786</u>	<u>24,000,000</u>

MPAO has entered into a lease agreement with State Trading Organisation PLC on 18 August 2014 to lease 8000 square feet (2 Floors) of Umar Shopping Arcade Office complex. As 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.

	2017 MVR	2016 MVR
13 Financial Assets Held to Maturity		
Fixed Deposits	20,343,151	-
	<u>20,343,151</u>	<u>-</u>

The MPAO has purchased a fixed deposit from Commercial Bank of Maldives at MVR 20,000,000/- on 17 July 2017, carrying interest of 3.75% per annum.

	2017 MVR	2016 MVR
14 Trade and other receivables		
Asset management fee receivable	4,954,280	4,585,525
MRPS receivable	264,960	264,960
Prepayments	506,165	4,462,904
MRPS fines receivables	941,600	941,600
Accounts receivable	-	2,002
	<u>6,667,005</u>	<u>10,256,991</u>

15 Cash and cash equivalents in the statement of cash flow

Cash in hand	37,855	11,613
Balances with banks	34,331,150	32,436,922
	<u>34,369,005</u>	<u>32,448,535</u>

16 Trade and other payables

Accrued expenses	4,313,738	6,853,749
MRPS pension payouts	50,321	2,709,679
Other payables	347,114	-
Payable to Ministry of Finance and Treasury (note 16.1)	6,039,231	-
	<u>10,750,404</u>	<u>9,563,428</u>

16.1 This amount represents excess collections to be refunded to Ministry of Finance and Treasury (MoFT) as at reporting date. MPAO disburses state funded pensions under an agency agreement with Ministry of Finance and Treasury (MoFT). MPAO invoices MoFT for state pensions pensions and on receipt of funds from MoFT disbursements are made to beneficiaries.

Maldives Pension Administration Office
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

17 Financial risk management objectives and policies

17.1 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.

17.2 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 MPAO's financial instruments are credit risk, liquidity risk and market risk . The policies for managing each of these risks are summarised below.

17.3 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>2017</u> MVR	<u>2016</u> MVR
Asset management fee receivable	<u>5,219,240</u>	<u>4,850,485</u>
	<u>5,219,240</u>	<u>4,850,485</u>

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



Maldives Pension Administration Office
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

17 Financial risk management objectives and policies *continued*

17.4 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.

2017	Carrying amount	0-6 Months
	MVR	MVR
Accrued expenses and other payables	<u>10,750,404</u>	<u>10,750,404</u>
2016		
Accrued expenses and other payables	<u>9,563,428</u>	<u>9,563,428</u>

17.5 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.

17.6 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 MPAO has due to changes in the values of current holdings and future cash flow positions denominated in currencies other than the local currency.

	2017 USD	2016 USD
Cash and balances with Banks	24,867	54,352

The following exchange rates were applied during the year:

	2017 USD	2016 USD
1 US\$: MVR	15.42	15.42

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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

18 Events occurring after the reporting period

No material events have taken place after the reporting period which require an adjustment to or disclosure in the financial statements.

19 Comparative information

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

20 Related Party Transactions

20.1 Transactions with Key Management Personnel

The Board of Directors of MPAO are members of the key management personnel. The MPAO has paid an amount of MVR 1,076,302/- (2016: 1,089,000/-) as emoluments.

21 Capital commitments and contingencies

As at 31 December 2017 MPAO recognized a contingent liability of MVR 148,406/- to third parties as follows for services they provided under agreed contracts according to which the payments will be paid upon the completion of the work.

Think associate private limited (MVR 370,000) - Appointed as the marketing agent for MPAO from 26 April 2017 to 25 April 2018. Under this agreement MVR 253,104/- has already been provided for 31 December 2017.

Goal Construction services (MVR 27,000) - Appointed for interior design works at MPAO from 2 January 2018 to 6 January 2018.

K.Guraidhoo Health Center (MVR 97,770) - MPAO has signed a contract with the Ministry of health to sponsor the salary of one employee from 15.01.2017 to 14.01.2018. The amount charged for the current financial year is MVR 94,010/-.



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DETAILED STATEMENT OF EXPENSES
Year ended 31 December 2017

I Administrative expenses	2017 MVR	2016 MVR
Stationery and office requisites	448,142	514,894
Administrative supplies	-	75,111
Communication	937,100	1,391,929
Publication and announcements	458,264	236,734
Carriage and conveyance	50,771	34,329
Travel, training and seminars	4,070,403	4,011,075
Professional services fees	412,653	587,780
Fees related to MRPS investment	-	-
License, maintenance and supporting service fee	1,589,122	918,775
Maintenance and repair	50,553	95,555
Grant and sponsors	243,636	407,729
Depreciation and amortization	4,339,808	2,858,101
Profit/Loss on disposal	1,132,288	150,190
Other expenses	-	81,028
Electricity	252,530	228,634
Water	13,979	-
Rent	240,000	1,420,000
Donations & Charity	847,863	-
Staff expenses	161,889	-
Miscellaneous Expenses	500	-
	15,249,501	13,011,864

MALDIVES RETIREMENT PENSION SCHEME
AUDITORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2017

AHF/GN

**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 2017, 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 2017 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.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



01 April 2018
Male'



**Maldives Retirement Pension Scheme
INCOME STATEMENT
Year ended 31 December 2017**

	Notes	2017 MVR	2016 MVR
Income			
Net contribution revenue	6	968,055,078	888,804,832
Interest income	7	481,156,769	479,516,337
Dividend income	8	40,540,950	29,850,068
		<u>1,489,752,797</u>	<u>1,398,171,237</u>
Other income	9	1,249,992	936,954
Administrative expenses	10	(53,544,983)	(49,152,092)
Net Increase in net asset available for benefits		<u><u>1,437,457,806</u></u>	<u><u>1,349,956,099</u></u>

The accounting policies and notes on pages 7 to 21 form an integral part of the financial statements.



**Maldives Retirement Pension Scheme
STATEMENT OF FINANCIAL POSITION
As at 31 December 2017**

	Notes	2017 MVR	2016 MVR
Assets			
Cash and cash equivalents	11	16,332,522	33,140,588
Other receivables	12	968,487	7,279,882
Financials assets held to maturity	13	6,574,407,689	5,469,938,032
Available-for-sale Investment	12	481,962,047	243,328,728
Recognition bond	15	3,312,334,299	3,174,974,656
Housing collateralization deposit	16	6,876,329	-
Loans and receivables	17	250,323,438	276,914,036
Total assets		10,643,204,811	9,205,575,922
Liabilities			
Other payables	18	7,145,863	6,609,598
Contribution collection accounts	19	5,897,394	6,262,576
Total liabilities		13,043,257	12,872,174
Reserves and accumulated members balance			
Accumulated members balance		10,630,161,554	9,192,703,748
Total reserve, accumulated members balance & liabilities		10,643,204,811	9,205,575,922

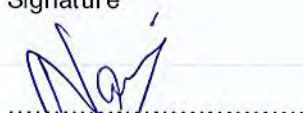
The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed for and on behalf of the Board by,

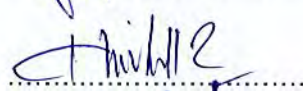
Name of the Director

Signature

IBRAHIM AHMED NASIR



ILYAS HANEEF

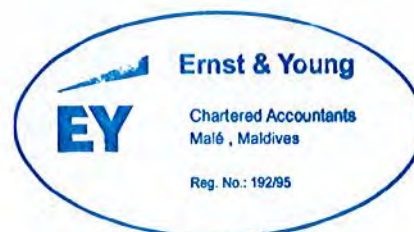


MOHAMED HUSSAIN MANIKU



The accounting policies and notes on pages 7 to 21 form an integral part of the financial statements.

01 April 2018
Male'



Maldives Retirement Pension Scheme
STATEMENT OF CHANGES IN ACCUMULATED FUNDS
Year ended 31 December 2017

	<u>Accumulated Members Balance</u>
Balance as at 1 January 2016	7,842,747,649
Net increase in net asset available for benefits	1,349,956,099
Balance as at 31 December 2016	<u>9,192,703,748</u>
Net increase in net asset available for benefits	1,437,457,806
Balance as at 31 December 2017	<u><u>10,630,161,554</u></u>

The accounting policies and notes on pages 7 to 21 form an integral part of the financial statements.



Maldives Retirement Pension Scheme
STATEMENT OF CASH FLOWS
Year ended 31 December 2017

	2017 MVR	2016 MVR
Cash flows from operating activities		
Contribution received to contribution collection account (CCA)	939,543,142	933,213,481
Amount received for matured recognition bond accrued right	52,062,170	47,545,640
Fine on late contribution	1,249,992	936,954
Interest income	306,835,718	344,246,240
Management fee paid	(53,151,157)	(48,227,358)
Benefits paid to members	(54,585,242)	(47,325,006)
	<u>1,191,954,623</u>	<u>1,230,389,952</u>
Cash flows from investing activities		
Dividend received	40,540,950	29,850,068
Proceed from maturing of investments	4,920,341,600	5,197,258,528
Payments for housing collateralization	(6,876,329)	-
Payments for purchase of investments	(5,498,945,407)	(4,981,673,726)
Investment made in bond	(674,930,911)	(1,469,385,878)
Repayment of principle on bond	11,107,408	10,318,974
Net cash used in investment activities	<u>(1,208,762,689)</u>	<u>(1,213,632,033)</u>
Net Increase in cash and cash equivalents	(16,808,066)	16,757,919
Cash and cash equivalents at beginning of the year	<u>33,140,588</u>	<u>16,382,669</u>
Cash and cash equivalents at end of the period	<u><u>16,332,522</u></u>	<u><u>33,140,588</u></u>

The accounting policies and notes on pages 7 to 21 form an integral part of the financial statements.



Maldives Retirement Pension Scheme
NOTES TO THE FINANCIAL STATEMENT
Year ended 31 December 2017

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 City Square, Chandhanee 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 2017**

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

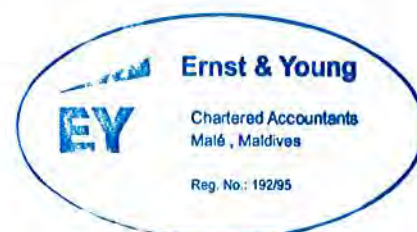
Receivables

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 2017**

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 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 2017**

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 2017

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 2017**

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 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.

**Maldives Retirement Pension Scheme
NOTES TO THE FINANCIAL STATEMENT
Year ended 31 December 2017**

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

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 2017

	2017 MVR	2016 MVR
6 Contribution revenue		
Contribution from employers	517,589,898	473,724,232
Contribution from members	504,343,248	462,582,814
Contribution from self-employed	122,100	8,400
Contribution from Government on accrued rights (Note 6.1)	585,074	(185,608)
	<u>1,022,640,320</u>	<u>936,129,838</u>
Contribution expenses		
Benefits paid to members	54,585,242	47,325,006
	<u>54,585,242</u>	<u>47,325,006</u>
Net contribution revenue	<u>968,055,078</u>	<u>888,804,832</u>

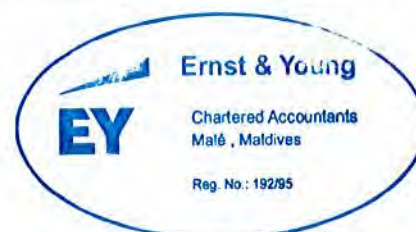
6.1 During the year, MRPS has recognised a net contribution income of MVR 585,074/- (2016: MVR 185,608/-) for the adjustment of the initial recognition bond amount.

	2017 MVR	2016 MVR
7 Interest income		
Interest Income from Recognition Bonds (note 7.1)	188,836,739	195,100,649
Interest income Treasury bonds	150,011,412	77,472,878
Interest income from fixed deposits	8,238,026	11,704,197
Interest income from HDFC bonds	809,553	1,624,805
Income from Sukuk	1,267,800	1,264,800
Interest income from Treasury Bills	131,993,239	192,349,008
	<u>481,156,769</u>	<u>479,516,337</u>

7.1 Interest income from Recognition Bonds

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

	2017 MVR	2016 MVR
8 Dividend income		
Dividend income from Dhiraagu	40,540,950	29,850,068
	<u>40,540,950</u>	<u>29,850,068</u>
9 Other income		
Fines on late Contribution	1,249,992	936,954
	<u>1,249,992</u>	<u>936,954</u>



Maldives Retirement Pension Scheme
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

	2017 MVR	2016 MVR
10 Administrative expenses		
Management fee (note 10.1)	53,517,212	49,150,370
Other expenses	27,771	1,722
	<u>53,544,983</u>	<u>49,152,092</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 0.8% per annum for 2017.</p>		
11 Cash and cash equivalents	2017 MVR	2016 MVR
Balances with banks (note 11.1)	<u>16,332,522</u>	<u>33,140,588</u>
11.1 Balances with banks		
Cash Balance in contribution holding account	16,189,589	33,114,270
Cash Balance in Maldives Islamic Bank	122,516	26,318
Cash Balance in Mauritius Commercial Bank	20,417	-
	<u>16,332,522</u>	<u>33,140,588</u>
12 Other Receivables		
Receivable for Accrued Rights matured during the year	743,912	1,148,263
Advances	-	6,000,000
Other Receivables	224,575	131,619
	<u>968,487</u>	<u>7,279,882</u>
13 Financial Assets Held to Maturity	2017 MVR	2016 MVR
Treasury Bills	3,392,006,497	3,042,467,751
Investments in Sukuk	95,000,000	15,000,000
Treasury Bonds	3,087,401,192	2,412,470,281
	<u>6,574,407,689</u>	<u>5,469,938,032</u>
14 Available-for-sale Investments		
Investment in equity shares (note 14.1)	475,957,110	225,957,210
Investment in HDFC Bond (note 14.3)	6,004,937	17,371,518
	<u>481,962,047</u>	<u>243,328,728</u>



Maldives Retirement Pension Scheme
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

14 Recognition Bond (continued)

14.1 Investment in equity shares-Quoted

	Number of shares		Carrying Value	
	2017	2016	2017	2016
			MVR	MVR
Dhiraagu	2,813,390	2,813,390	225,957,210	225,957,210
Ooredoo	8,333,330	-	249,999,900	-
			<u>475,957,110</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. The management has performed a valuation on a basis of discounted cash flows to determine the fair value, since the absence of an active market.

	2017	2016
	MVR	MVR
14.3 Investment in HDFC Bond		
Balance as at 1 January	17,371,518	27,927,749
Interest accrued during the year	809,554	1,619,903
Interest received during the year	(1,068,726)	(1,857,160)
Principal repayment during the year	(11,107,408)	(10,318,974)
balance as at 31 December	<u>6,004,937</u>	<u>17,371,518</u>

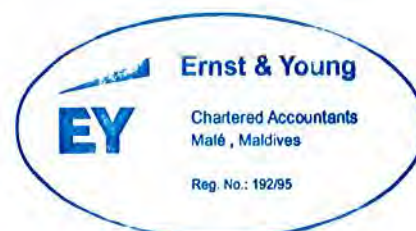
The MRPS has acquired 5,000 bonds of Housing Development Finance Cooperation PLC at MVR 10,000/- each on 10 March 2013, carrying interest of 7.5% per annum. Repayment will take place in ten semi annual installments commencing six month after the date of allotment.

15 Recognition Bond

Accrued Pension Rights Receivable (Note 15.1)	2,109,417,631	2,143,257,035
Interest Receivable on Recognition Bonds (Note 15.2)	1,202,916,668	1,031,717,621
	<u>3,312,334,299</u>	<u>3,174,974,656</u>

15.1 Accrued Pension Rights Receivable

Balance as at 1 January	2,143,257,035	2,176,621,142
Net adjustment to contribution from Government on accrued rights	585,074	(185,608)
Accrued rights matured during the year	(34,424,478)	(33,178,500)
Balance as at 31 December	<u>2,109,417,631</u>	<u>2,143,257,035</u>



Maldives Retirement Pension Scheme
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

15 Recognition Bond (continued)

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.

15.2 Interest Receivable on Recognition Bonds	2017 MVR	2016 MVR
Balance as at 1 January	1,031,717,621	850,984,112
Additions during the year	188,836,739	195,100,649
Paid during the year	(17,637,692)	(14,367,140)
Balance as at 31 December	<u>1,202,916,668</u>	<u>1,031,717,621</u>

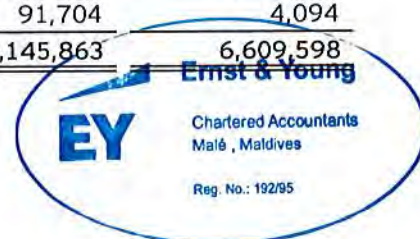
As per section 25 of the Maldives Pension Act No 8 of 2009, the accrued rights of employees who were in employment with Government organisations at the time of commencement of this Act should be protected. In this regard, Ministry of Finance and Treasury (MoFT) issued recognition bonds to all eligible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

16 Housing collateralization deposit	2017 MVR	2016 MVR
Housing collateralization deposit	6,876,329	-
	<u>6,876,329</u>	<u>-</u>

The amounts under the heading "Housing collateralization deposit" concern cash collateral pledged with HDFC and MIB to facilitate the collateralization of accumulated Retirement Saving Account (RSA) for the purpose of paying the down payment in obtaining home finance for the members of Maldives Retirement Pension Scheme.

17 Loans and receivables	2017 MVR	2016 MVR
Fixed Deposits	250,323,438	276,914,036
	<u>250,323,438</u>	<u>276,914,036</u>

18 Other Payables	2017 MVR	2016 MVR
Management fee payable	4,938,398	4,572,343
Excess collection from employers	113,346	91,864
Accrued rights excess collection from MOFT	2,002,415	1,941,297
Other payables	91,704	4,094
	<u>7,145,863</u>	<u>6,609,598</u>



Maldives Retirement Pension Scheme
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

19	Contribution Collection Accounts	2017 MVR	2016 MVR
	Contribution received into contribution collection Account	1,027,765,823	966,476,637
	Contribution transferred to contribution holding account	(1,021,868,430)	(960,214,061)
	Balance in contribution collection accounts	<u>5,897,394</u>	<u>6,262,576</u>

20 Commitment

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

21 Contingent Liabilities

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

22 Financial Instruments and Risk Management

22.1 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.

22.2 Risk management framework

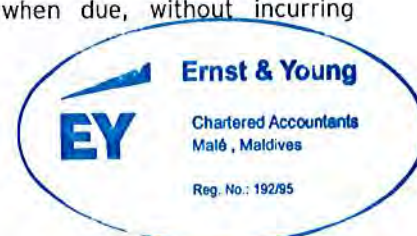
The Board of Directors has overall responsibility for the establishment and oversight of the Entities risk management framework.

22.3 Credit Risk

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

	31.12.2017 MVR	31.12.2016 MVR
Balance with banks	16,332,522	33,140,588
Other receivables	968,487	7,279,882
Financial assets held to maturity	6,574,407,689	5,469,938,032
Recognition bond	3,312,334,299	3,174,974,656
	<u>9,904,042,997</u>	<u>8,685,333,158</u>

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.



Maldives Retirement Pension Scheme
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

22 Financial Instruments and Risk Management (continued)
 22.4 Liquidity Risk (continued)

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

31 December 2017	Carrying Amount MVR	0 - 6 Months MVR
Financial Liabilities (Non-Derivative)		
Other payables	7,145,863	7,145,863
Balance in contribution collection account	5,897,394	5,897,394
Total	13,043,257	13,043,257
31 December 2016		
Financial Liabilities (Non-Derivative)		
Other payables	6,609,598	6,609,598
Balance in contribution collection account	6,262,576	6,262,576
Total	12,872,174	12,872,174

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

22.5 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:

	2017 MVR	2016 MVR
Variable Rate Instruments		
Financial Assets	95,000,000	15,000,000
Fixed Rate Instruments		
Financial Assets	6,735,736,064	5,749,223,586

23 Comparative Information

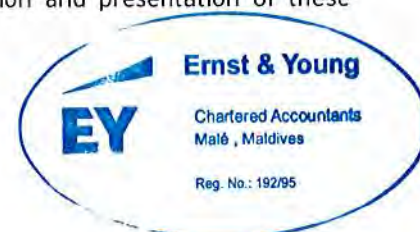
The comparative figures of the financial statement have been reclassified to confirm with current years classifications.

24 Events after the reporting date

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

25 Managements Responsibilities

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



**Maldives Retirement Pension Scheme
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017**

26 Segment Information 2017

26.1 MRPS comprise of the following sub funds.

Income	Investment	Shariah	Conservative	Shariah Retirees	Recognition Bond	Consolidation Adjustments	Total
Net Contribution Revenue	1,008,241,015	15,103,679	(4,731,826)	919,304	(51,477,096)	-	968,055,078
Interest Income	277,814,232	2,273,915	12,216,180	15,703	188,836,739	-	481,156,769
Dividend Income	40,540,950	-	-	-	-	-	40,540,950
	<u>1,326,596,196</u>	<u>17,377,594</u>	<u>7,484,354</u>	<u>935,007</u>	<u>137,359,643</u>	<u>-</u>	<u>1,489,752,797</u>
Other income	1,231,582	8,818	9,591	1	-	-	1,249,992
Inter-Portfolio Movements	(43,905,340)	15,630,774	28,051,381	223,185	-	-	-
Administrative expenses	(50,757,813)	(666,125)	(2,095,372)	(25,673)	-	-	(53,544,983)
Net increase in net asset available for benefits	1,233,164,625	32,351,061	33,449,954	1,132,520	137,359,643	-	1,437,457,806
Assets							
Cash and cash equivalents	3,423,147	353,234	4,319,563	274,817	-	7,961,761	16,332,522
Other receivables	3,721,569	267,796	1,216,714	4,239	90,493	(4,332,325)	968,487
Financial assets held to maturity	6,245,767,380	37,500,000	291,140,309	-	-	-	6,574,407,689
Available-for-sale Investment	481,962,047	-	-	-	-	-	481,962,047
Recognition bond	-	-	-	-	3,312,334,260	-	3,312,334,299
Housing collateralization deposit	6,507,680	368,648	-	-	-	-	6,876,329
Loans and receivables	186,623,438	60,300,000	-	3,400,000	-	-	250,323,438
Total assets	6,928,005,261	98,789,678	296,676,586	3,679,056	3,312,424,753	3,629,436	10,643,204,811
Liabilities							
Other payables	5,426,796	295,274	3,689,259	2,492	-	(2,267,958)	7,145,863
Contribution collection accounts	-	-	-	-	-	5,897,394	5,897,394
Total liabilities	5,426,796	295,274	3,689,259	2,492	-	3,629,436	13,043,257
Accumulated members balance							
Accumulated members balance	6,922,578,463	98,494,404	292,987,327	3,676,564	3,312,424,752	-	10,630,161,554
Total accumulated members balance & liabilities	6,928,005,259	98,789,678	296,676,586	3,679,056	3,312,424,752	3,629,436	10,643,204,811

Maldives Retirement Pension Scheme
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

26.2 Segment Information 2016

Income	Investment	Shariah	Conservative	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
	1,223,355,316	14,033,477	(34,550,919)	(210,053)	195,543,416	-	1,398,171,237
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
Financial 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



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