

Annual Report 2014

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OUR ASPIRATIONS

<p>VISION</p> 	<p>Achieving excellence in pension services and financial stability for a secure future.</p>
<p>MISSION</p> 	<p>Manage Pension fund in the best interest of the members through secure and diversified investments.</p> <p>We endeavor to:</p> <ul style="list-style-type: none">- Provide automated customer driven services- Mainstream pension knowledge- Facilitate innovation in pension products and services
<p>CORE VALUES</p> 	<p>Professionalism: Integrity, confidentiality and objectivity</p> <p>Communication: Precise, concise, shared information and clarity</p> <p>Innovation: Simplicity, cutting edge technology and creativity</p> <p>Work Ethics: Team work, respect and learning culture</p> <p>Accountability: Responsibility, honesty, transparency and risk consciousness</p>

FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR 2014

PARTICIPATION OF OVER **390** PUBLIC SECTOR EMPLOYERS IN MRPS

MORE THAN **1,155** EMPLOYERS PARTICIPATED IN MRPS FROM PRIVATE SECTOR

NUMBER OF BENEFICIARIES OF BASIC PENSION IS OVER **15,767**

TOTAL NUMBER OF EMPLOYEES IN MRPS IS MORE THAN **74,940**

BASIC PENSION AVERAGE MONTHLY DISBURSEMENT **35.97** MILLION

AVERAGE MONTHLY CONTRIBUTION TO MRPS IS **66.44** MILLION

AVERAGE MONTHLY STATE FUNDED PENSION DISBURSEMENT IS **21.62** MILLION

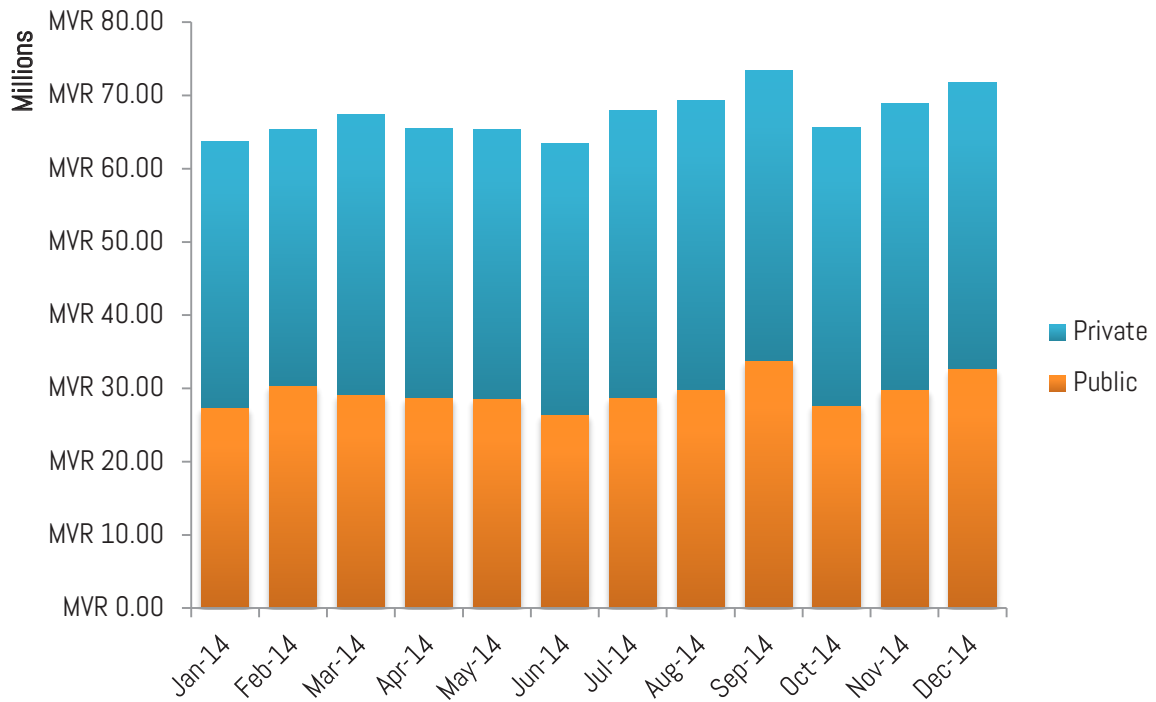
AVERAGE MONTHLY SENIOR CITIZEN ALLOWANCE DISBURSEMENT IS **39.28** MILLION

AVERAGE MONTHLY PENSION DISBURSEMENT FROM MRPS IS **2.99** MILLION

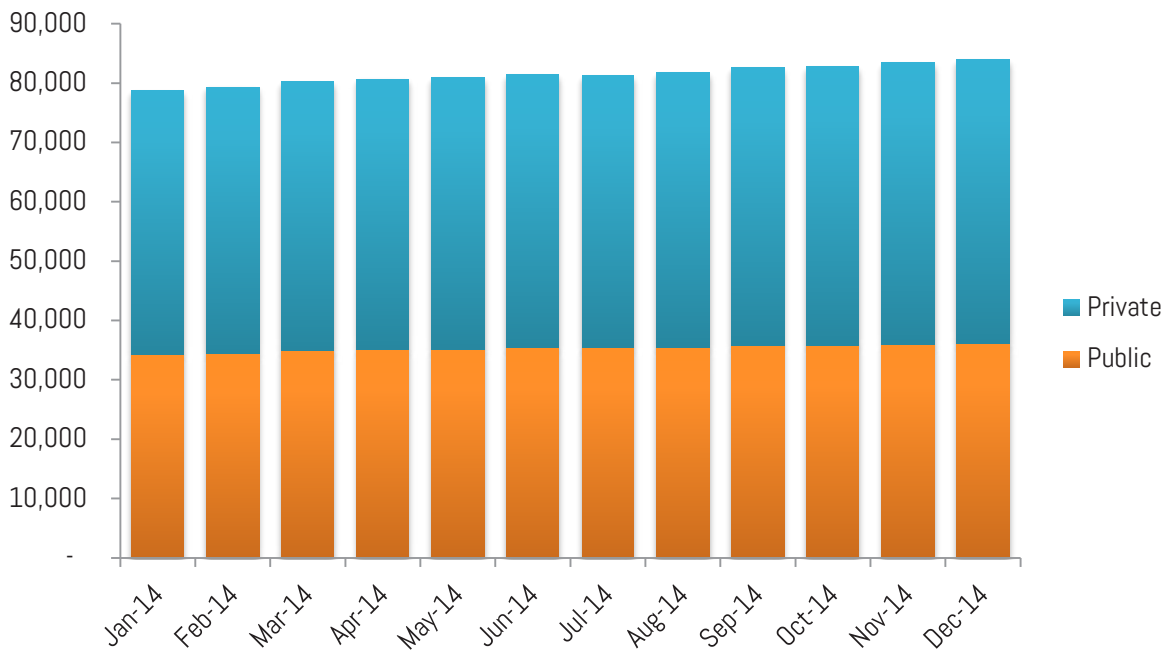
MRPS FUND SIZE IS **6.51** BILLION

All monetary values are in MVR

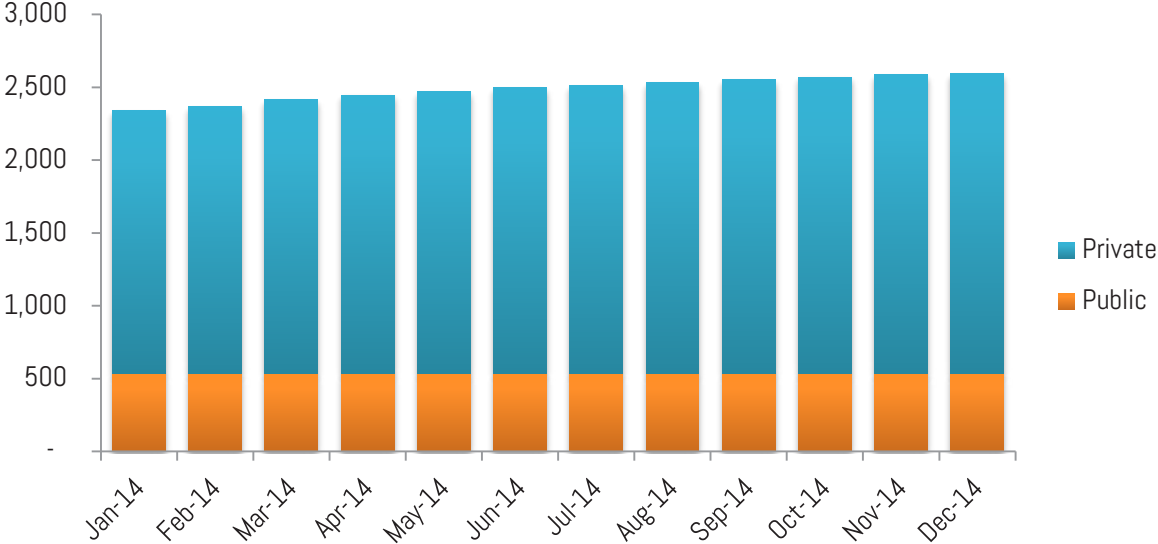
Contribution Collected in 2014



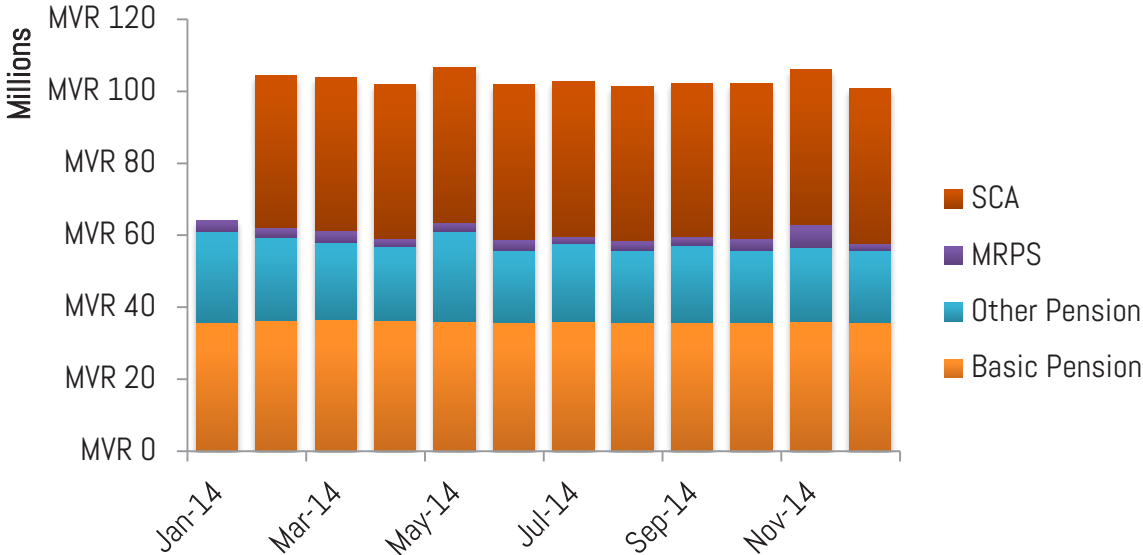
Employees of 2014



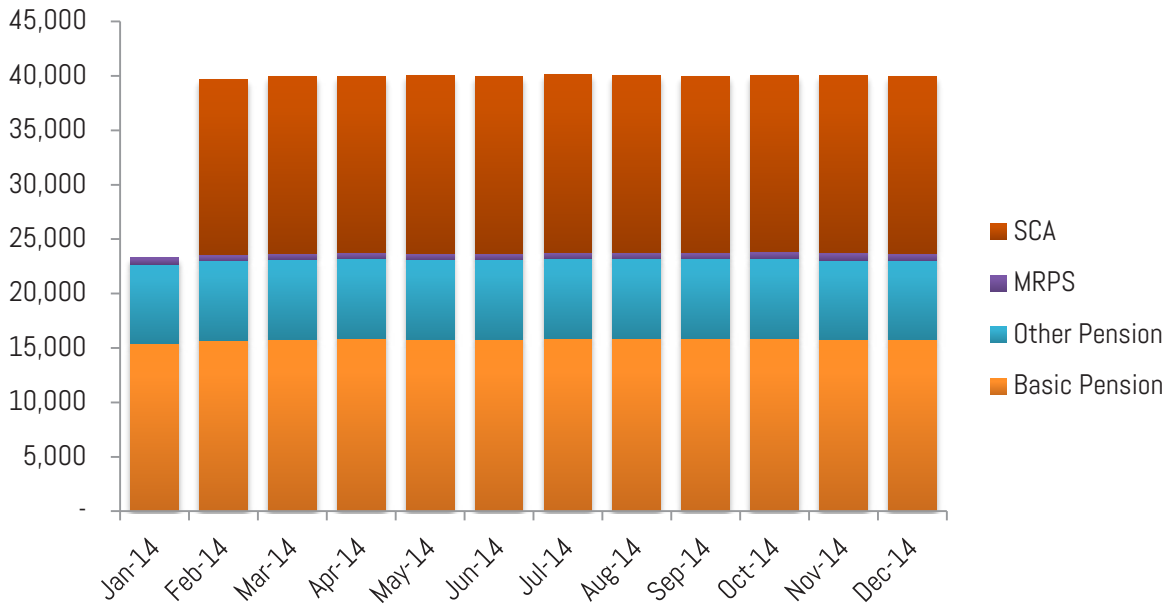
Employers of 2014



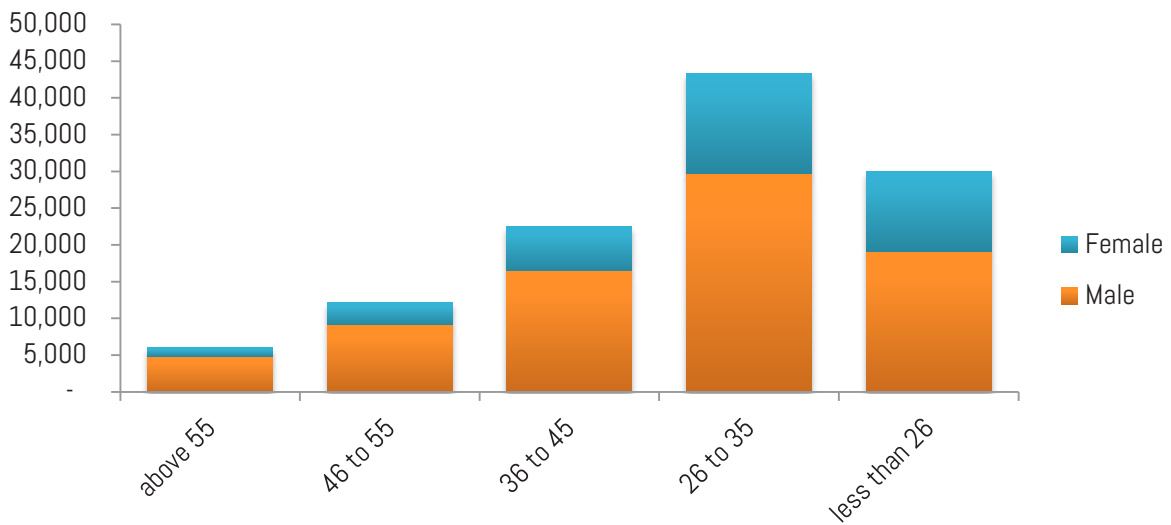
Payouts disbursed in 2014



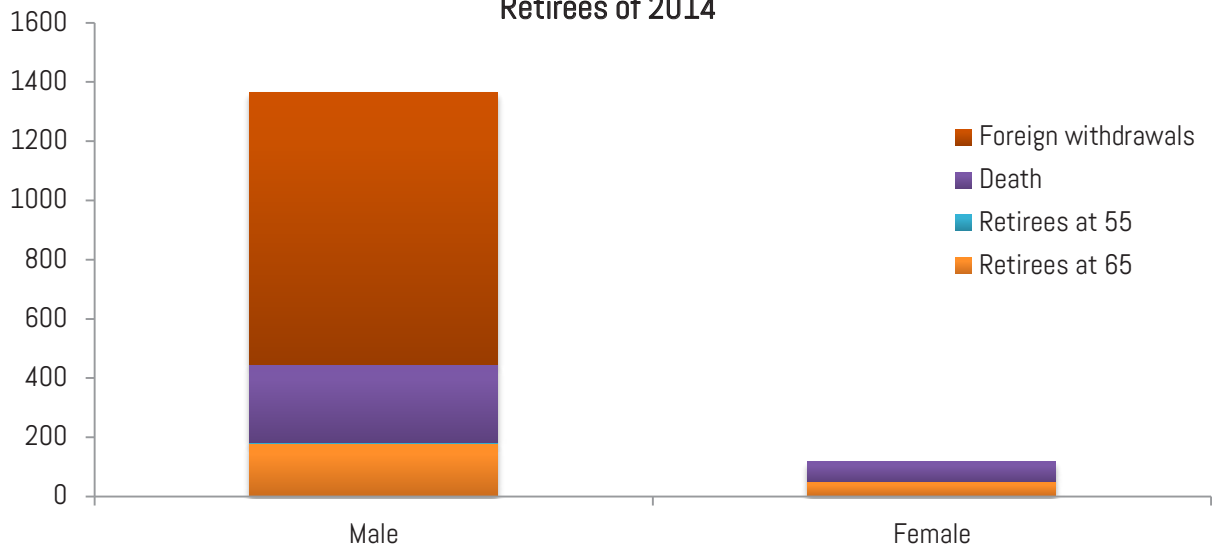
Beneficiaries of 2014



RSA Members



Retirees of 2014



CHAIRPERSON'S STATEMENT



ATHIFA ALI (CHAIRPERSON)

On behalf of Board of Directors of Maldives Pension Administration Office (MPAO), it gives me great pleasure to present the Annual Report of MPAO for the financial year ended 31st December 2014.

The year ended 31st December 2014 heralded beginning of a whole new era for MPAO – an era of financial independence for MPAO. Since the establishment MPAO in 2009, 2014 was the first time that the entire operations of MPAO were covered from revenue generated by MPAO without any dependence on the State budget. In fact, it is important note here that MPAO has achieved this milestone much earlier than originally expected and all the credit for this achievement goes to all the employers and employees of Maldives for trusting MPAO and ever diligently continuing to carry out their obligations as prescribed in the Maldives Pension Act and relevant regulations.

The fiscal year 2014, during which MPAO celebrated its 5th Anniversary, was yet again another year of significant achievements in implementing the Maldives Pension Act (8/2009) and the relevant regulations. The Board focused on achieving the vision and implementing the strategic goals of MPAO, and is pleased with the clear progress in reaching these strategic goals.

The main focus of Board for 2014 has been on four main strategic fronts; enhancing MRPS coverage, broadening investment activities, development of new pension products and strengthening governance.

A major step in enhancing MRPS coverage was the commencement of participation of self-employed persons in MRPS, which makes the scheme more inclusive and accessible to the working population than before. Work is also underway towards another major enhancement to MRPS – the development of a Disability Insurance Scheme for MRPS members, under technical assistance provided by the World Bank Pension and Social Protection Administration Project.

On governance front, the Board also recognized the importance of establishing sound internal controls to monitor adherence to relevant laws and regulations, SOPs and other internal policies on investment and daily operations, and to determine, manage and monitor and minimize investment and operational risks faced by MRPS. In this respect, an Investment Compliance and Internal Audit function was established at MPAO to oversee investment and operational practices. Furthermore, in order to ensure that competitive and fair remuneration and benefits are provided to MPAO staff and Board members, and to oversee the nomination and appointment of executives to top management level positions, a Remuneration and Nomination Committee was established by the Board during the year.

I would like to take this opportunity to acknowledge and express my appreciation for the generous support provided by Government Ministries and agencies, state institutions, financial institutions, employers and other stakeholders in the implementation of the pension system in the Maldives. I also extend this thanks to the contributions provided by World Bank Pension and Social Administration Project.

I thank my fellow Directors for their continued support and valuable contributions. I also take this opportunity to acknowledge and express my gratitude towards the excellent leadership of the outgoing Chairperson, Mr. Iyaz Waheed, who completed his term in August 2014. The Board will continue building on the strong foundation laid and follow the strategic direction set under Mr. Waheed's leadership. I would also like to acknowledge and thank Ms. Mariyam Visam, Mr. Mujuthaba Jaleel, Mr. Ibrahim Ahmed Nasir and Ms. Fathimath Sahudha, who left the board in 2014, for their contributions and services.

The success achieved by MPAO in such a short period is the direct result of the excellent hard work and dedication of MPAO management and staff under the strong leadership and guidance of the Chief Executive Officer, Mr. Mohamed Hussain Maniku. On behalf of myself and the Board, I take this opportunity to thank them for their strong commitment and dedication towards MPAO.

Looking ahead for 2015, as we pursue the vision and mission of MPAO, the Board would like to assure the public that MPAO will continue taking all necessary steps to establish a robust pension system that will deliver good benefits to its members, is sustainable and has a high level of integrity. We are certain that with the dedication, commitment and vigilance of the excellent management team leading MPAO, we will be able to reach our strategic goals and milestones.

CEO'S STATEMENT



MOHAMED HUSSAIN MANIKU (CEO)

I am pleased to update on the progress MPAO has made on its strategic objectives for the year ended 2014.

The year ended 2014 marked another continued year of good developments for MPAO in an operating environment that was challenging in some areas.

Some of the major highlights of 2014 include:

FEBRUARY

Commencement of disbursement of Senior Citizen Allowance – a state funded benefit provided to Maldivians above 65 years of age who do not receive monthly pension benefits of MVR 5,000.

MARCH

Entry into the secondary market of securities trading as an institutional investor with the purchase of over 2.8 million shares in Dhiraagu PLC.

APRIL

The second amendment to the Pension Act was ratified by the President, which no longer made it mandatory for foreign employees to participate in the Maldives Retirement Pension Scheme (MRPS).

MAY

- MPAO celebrated its 5th anniversary.
- Maldives Finance Forum 2014, the third of its kind since its inauguration in 2012, was organised and held by MPAO. The thematic focus of the forum was "International Financial and Capital Markets".
- Maldives Institutional Investment Seminar 2014 was held in partnership with Schroders, a globally renowned asset and wealth management firm.

JUNE

Commencement of work towards formulation of a Disability Insurance Scheme for MRPS members under assistance provided by the World Bank Pension and Social Protection Administration Project.

AUGUST

- Commencement of participation of self-employed persons in MRPS.
- Decision of the Board to reduce the administrative fee levied on MRPS members from 1% to 0.9% of their total retirement savings, starting from 1st January 2015.

SEPTEMBER

- Establishment of an Investment Compliance and Internal Audit function within MPAO to ensure operational and investment compliance and adherence to relevant laws and regulations, SOPs and internal policies.
- Publication of the first edition of MPAO's biannual E-Bulletin.

DECEMBER

- Development of a new remuneration and benefits structure for compensating MPAO staff.
- Completing the first year as a financially independent institution, operating solely on revenue generated from MRPS.

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

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

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

In conclusion, the year 2014 represented major progress for MPAO through achievement of financial independence, introduction of more efficient business processes, expansion of the membership base and strengthening of internal controls, investment compliance and risk management. At the core of these achievements remains a dedicated and strong team; I thank their commitment and tremendous effort in accelerating MPAO towards its strategic goals

Looking ahead, as we head towards our strategic vision, I believe that we will continue to improve and make significant contributions

REPORT OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS OF THE MALDIVES PENSION ADMINISTRATION OFFICE (MPAO) PRESENTS ITS ANNUAL REPORT OF THE MPAO AND PENSION FUND TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT, FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED 31ST DECEMBER 2014.



MPAO AT A GLANCE

About MPAO

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

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

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

Profile of Pension Schemes

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

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

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

In addition to this, under an MOU with Ministry of Finance and Treasury, MPAO was established as the central agency for the disbursement of various state funded pensions effective from April 2011. In February 2014, MPAO was assigned with the disbursement of Senior Citizen Allowance, a State-funded allowance provided to Maldivians above 65 years of age who receive monthly pension benefits below MVR 5,000.

OPERATIONAL REVIEW

Stakeholder Relations Review

Public Awareness and Educational Programs



During the year 2014, numerous public awareness programs were conducted both in Male' and Atolls for employers and employees to educate and increase their knowledge of MRPS. As part of the campaign for 2014, 11 targeted information sessions were conducted in Male', which were attended by a total of 320 persons.

In addition MPAO also organized public lectures targeted to mass audience. In Male', 2 such lectures were conducted and were attended by 311 persons. In the atolls, 21 such lectures were conducted and were attended by 1,018 persons.

Specific target group awareness sessions were also conducted in schools and colleges, where 20 such sessions were held at various schools and colleges in Male' and a total of 359 students and teachers participated. Moreover, about 2,000 MPAO corporate calendars containing promotional messages on pension schemes were also distributed to employers.

Employer Trainings



For support in MRPS participation and ensure compliance to Pension Act and regulations by employers, training sessions were conducted both in Male' and atolls. A total of 57 training sessions were conducted and 305 persons were trained. Training materials were also made available through MPAO website.

As part of getting employees and employers ready for the participation of foreign employees in MRPS, 36 training and information sessions were

Road Show



A Road Show was conducted in Male' on 29th January 2014 to create awareness on pension schemes and usage of Retirement Savings Accounts (RSA). In addition to providing information, leaflets on pension schemes were distributed and registration service for viewing RSA details online was provided during the road shows.

Media



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As part of getting employees and employers ready for the participation of foreign employees in MRPS, 36 training and information sessions were

In 2014, general mass media tools such as print, radio and television were used to educate and create awareness of the pension schemes. For mass audience communications, MPAO's Public Relations staff appeared on 49 television talk shows and participated in 23 radio programs. The pension themes selected for these shows centered on pension fund and investment related issues. In addition, MPAO also conducted 3 media briefings sessions during the year.

Printed promotional materials used include posters and banners. In this regard, 1,000 leaflets and 500 posters were distributed, 2 banners and 4 web banners were used to promote pension related messages. The themes focused to provide messages for employees to be proactive in seeking their pension rights under the Pension Act.

Throughout the year, 74 articles appeared on daily newspapers and online news websites about pension related matters.

Door to Door Visits



Door to Door visits were conducted during official trips to islands throughout the year. A total of 272 businesses and companies in 21 islands were visited. During the visits, registration of employers was facilitation, non-compliant employers were identified and information on pension system was provided.

Pension Photo Contest 2014



“Pension Photo Contest 2014” – a photography contest targeted at photographers throughout the country was held from July to October 2014. 234 entries were submitted during this contest. Prize winning artworks from the contest were later used in promotional materials such as the MPAO website, desk calendar 2015 and other printed materials.

Pension Radio Quiz 2014



“Pension Radio Quiz 2014” – a quiz contest targeted at the general population was conducted from September to December 2014.

Events – Maldives Finance Forum 2014



Maldives Finance Forum 2014 was held on 18th May 2014 at Bandos Island Resort. This forum, the third of its kind since its inauguration in 2012, was organised by MPAO in partnership with Bank of Maldives, Maldives Monetary Authority, Allied Insurance Company of the Maldives, Maldives Stock Exchange, Housing Development Finance Corporation and Capital Market Development Authority. The thematic focus of the forum was “International Financial and Capital Markets”.

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

The event was attended by over 60 participants representing national and global experts from financial, political, academic and social sectors. The forum had a lineup of distinguished speakers and panelists for interaction and information interchange among professionals. Among the distinguished speakers and panelists were;

- Dr. Azeema Adam; Governor, Maldives Monetary Authority
- Mr. Mohamed Saeed; Minister of Economic Development
- Dr. Hussein Hassan; Global Head of Islamic Finance, J.P. Morgan
- Mr. Gavin Ralston, Global Head of Official Institutions, Schrodgers
- Mr. Ibrahim Athif Shukoor, Managing Director, Acuity Quest Pvt. Ltd.
- Mr. Mohamed Jaleel, Senior Advisor to the Minister of Finance & Treasury
- Mr. Riluan Shareef, Managing Director of Villa Air Pvt. Ltd.

Events – Institutional Investment Seminar 2014



A Seminar on Institutional Investment was held on 19th May 2014 at Traders Hotel, Male'. This seminar was held in collaboration with Schroders, a globally renowned asset and wealth management firm.

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

Speakers at the seminar included;

- Mr. Gavin Ralston; Global Head of Official Institutions, Schroders
- Mr. Scott Lothian; Senior Strategist – Global Strategic Solutions, Schroders
- Ms. Lily Choh; Head of Institutional Business for Southeast Asia, Schroders
- Ms. Jenny Nguyen; Business Development Manager for Southeast Asia, Schroders

Other Events



MPAO also took part in a number of events organised by other governmental and non-governmental organisations, including Maldives Investment Forum 2014 organised by Ministry of Economic Development and held in Singapore, Build Expo 2014 organised by Maldives Association of Construction Industry (MACI), and Global Money Week 2014 organised by Maldives Monetary Authority (MMA).

MPAO was a co-sponsor of the Maldives Investment Forum 2014 and Regional Seminar on Corporate Governance and Compliance conducted by Capital Market Development Authority (CMDA).

Compliance and Enforcement

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

On-site Inspections

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

	Public	Private	Total
Planned Inspections	54	62	116
Ad Hoc / Complaint-based Inspections	0	55	55
TOTAL:			171

Legal action

As contributory pension scheme was new to Maldives, initially employers were given the time and flexibility in regularizing pension contributions as per Pension Act and Regulations. In conformity with the procedure for taking action against non-compliant employers formulated in 2012, 3 cases were filed with the Civil Court in 2014 against employers that failed to pay outstanding pension contributions.

Legislative and Regulatory Developments

Laws and Regulations	First introduced	Last amended
Maldives Pension Act	13 May 2009	24 April 2014
Regulation on Participation of Foreign Employees in MRPS	16 February 2014	15 September 2014
Regulation on Participation of Self Employed People in MRPS	27 February 2014	07 August 2014
Basic Pension Regulation	9 February 2009	10 August 2014

Office Administration

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

The organizational structure of MPAO comprises of 4 divisions and 11 departments. The divisions include Stakeholder Relations Division, Operations Division, Corporate Affairs Division and Asset Management Division.

In September 2014, a separate function was established to oversee investment compliance and internal audits, ensure good governance, identify investment risks and ensure compliance with internal investment procedures and relevant legal requirements of regulatory bodies. In addition, the CEO's Bureau was established with the function of providing executive support to the CEO, management of legal affairs and providing secretariat support to the Board.

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

Corporate Affairs Division

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

Asset Management Division

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

Stakeholder Relations Division

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

Operations Division

The Operations Division consists of Collection and Payout Department (CPD), Operational Compliance Department (OCD) and IT Department. The CPD is responsible for day to day pension scheme administration matters that include registration of employers, enrollment of employees and collection of pension contributions from employers on behalf of employees and ensure that pension benefits are paid at retirement. The OCD ensures employers comply with the Pension Act by carrying out planned and ad-hoc inspections and taking appropriate action against non-compliant employers. IT Department is responsible for the aspects of ICT hardware and software, security and data processing and storage.

Pension and Social Protection Administration Project

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

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

Under the pension project in addition to local staff, it also engages international consultants from time to time. In 2014, Mr. Jeremy Gadbury (Investment Expert) and Mr. Adrianus Vugs (Disability Insurance Expert) worked as consultants for the project on assignments related to MPAO.

Training and Development

MPAO continued to invest in training and development of staff to ensure that they have the essential skills and knowledge to carry out their duties effectively. In this respect, 21 staffs participated in 20 short training programmes conducted abroad, 10 staffs participated in a training programme conducted in-house, and 12 staff took part in 5 workshops and seminars held locally. The participated programmes were in the areas of Information Technology, customer service, finance, human resources and administrative skills.

Financing of Maldives Pension Administration Office

MPAO operations for the year 2014 were financed solely by administration fee levied on MRPS. The total income from MRPS administration fee was MVR 30,944,974.74, while a further MVR 855,181.00 was received as other income, resulting in an aggregate income of MVR 31,800,155.00. The total expenditure for the year 2014 stood at MVR 26,441,671.00. Over 62% of this expenditure was incurred towards employee remunerations and custodian fees.

INVESTMENT REVIEW

Objectives

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

Investment Performance

MRPS assets are invested under three different investment regimes; (1) Investment Portfolio (2) Sharia Portfolio and (3) Conservative Portfolio. By default, member pension contributions are collected and invested in the investment portfolio where assets are invested traditional classes of assets consisting of growth and interest bearing securities. Members have the option of investing their pension contributions in sharia compliant instruments by requesting the funds be invested through the sharia portfolio. The conservative portfolio invests funds for MRPS retirees by typically investing funds in instruments of short term nature with due regard to maintaining adequate liquidity for pension pay-outs.

By the end of year 2014, total Assets under Management (AUM) stood at MVR 3.6 billion. Below is the performance of MRPS portfolios, composition and fund growth since the inception of MRPS in 2010.

Portfolio Growth

	Net Asset Value (MVR, millions)		
	2014	2013	Change
Investment Portfolio	3,390	2,378	+43%
Sharia Portfolio	33	19	+74%
Conservative Portfolio	188	153	+23%
Recognition Bond	2,894	2,759	+5%
Total Assets	6,507	5,309	+23%

Portfolio Composition

Assets Under Administration	2014 (MVR, millions)	Share of Assets
Treasury Bills	3,055	47%
Bank Deposits	257	4%
Corporate Bonds	53	1%
Equities	225	3%
Recognition Bond	2,895	45%
Total	6,485	100%

Historical Fund Growth

	2010	2011	2012	2013	2014
Net Asset Value (AUM)	2.64	3.35	4.28	5.31	6.49
Growth	-	27%	28%	24%	22%

Portfolio returns 2011 – 2014

	2014	Two year	Since inception
Investment Portfolio	9%	8.50%	7.17%
Sharia Portfolio	1%	1.31%	0.78%
Conservative Portfolio	8.01%	7.20%	6.09%
Recognition Bond Portfolio	6.48%	6.48%	4.91%

Since its inception in 2010, MRPS has grown at an average rate of 25% per year as contributions and fund returns steadily increased during the period. As of 31 December 2014, the total fund size stood at MVR 6.5 billion roughly equivalent to 14% of nominal GDP and 40% of the MVR 16.4 billion fiscal budget for 2014. During the year, the investment and conservative portfolio earned a net return of 9% and 8%, while sharia portfolio earned a 1% return. With the exception of Sharia portfolio, all other portfolios exceeded previous year performance helped by high T-bill and equity returns for the year.

Compared to 2013, fund exposure to T-bills and Equities has increased by 1.6% and 2.08% while exposure to bank deposits fell by 2.6% as asset allocations were adjusted following improved returns for T-bills and equity during the first half of the year. During June 2014, MMA tapped the interest rate of one year T-bills to 9% from 10.79%, however MRPS performance was unaffected for 2014 as one year T-bill investments made during 2013 continued to earn interest rates above 10%. New investments made during 2014 are expected to bear the lower the interest rates and MPAO is actively seeking avenues to sustain fund returns for the future.

During the year, MRPS earned MVR 459 million in investment income compared to MVR 323 million in 2013, representing a 42% increase for the reporting period. Interest income from treasury bills and recognition bond represents 92% of MRPS investment income and amounts to MVR 243 million and MVR 178 million respectively. Dividend income from equity investments and interest income from bank deposits amounted to 25.6 million and 9.6 million representing 6% and 2% of the total income for the year. Compared to 2013, all asset classes outperformed their 2013 performance in Rufiyaa terms.

Equity Market

There are currently six listed companies operating in the Maldives. Based on the 2014 trading data, more than 3.5 million shares were traded on the stock exchange representing a remarkable 270% increase of trading volume in comparison to 2013. The market values of the shares traded in 2014 are more than MVR 166 million, compared to the MVR 2.8 million during 2013. MPAO contributed to this improved liquidity by trading more than 1.5 million shares worth more than MVR 125 million during the year. The Maldives Stock Exchange Index (MASIX) increased by 17%, opening at 114.60 in January and closing 134.13 in December 2014.

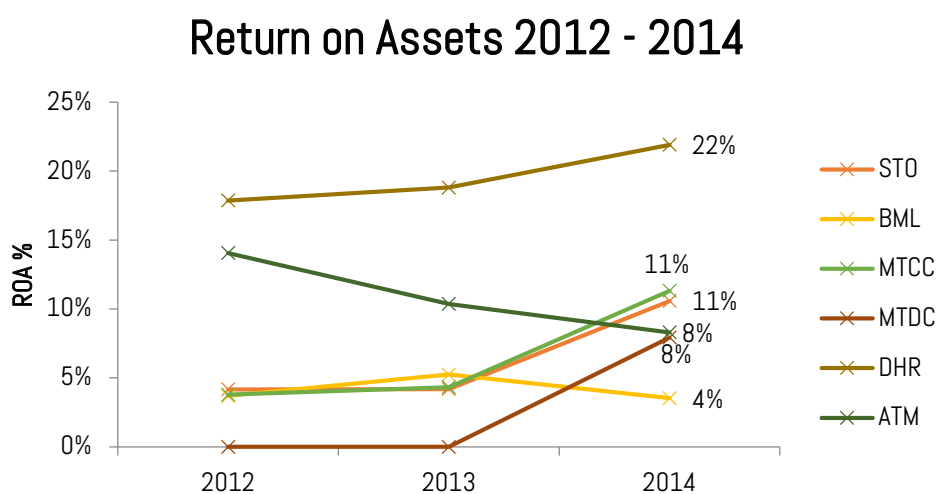
Company	Shares Traded		Value of transactions traded (MVR)		Average price (MVR)		Share of transactions by value		Liquidity (No of transactions)	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
ATM	1,716,108	935,950	6,228,092	1,953,500	4	2	4%	68%	48.65%	99.2%
BML	232,019	3,569	34,690,665	416,685	150	117	21%	14%	6.58%	0.4%
DHR	1,567,208	3,396	125,349,924	263,030	80	77	74.7%	9%	44.43%	0.4%
MTCC	102	90	12,110	15,370	119	170	0.01%	1%	0.00%	0.0%
MTDC	11,513	210	122,330	21,000	11	100	0.1%	1%	0.33%	0.0%
STO	292	520	131,800	213,896	451	411	0.1%	7%	0.01%	0.1%
Total	3,527,242	943,735	166,534,921	2,883,481						

Source: Maldives Stock Exchange

Helped by its lower price, Amana Takaful Maldives shares continues to be the most frequently traded security, representing 48% of the total shares traded on the exchange. In terms of transactions by value, Dhiraagu shares dominate by representing 75% of the total shares traded on the exchange. With the exception of MTCC and MTCC, the average price of the share prices for other companies has increased during 2014 while the contribution to the share liquidity has also diversified significantly with other company shares forming significant stakes as a percentage of the total shares traded.

Listed Company Performance

There are currently six companies listed on Maldives Stock Exchange. Except Amaana Takaful Maldives (ATM), all other companies are state owned companies. It is estimated that the Government received MVR 359 million as dividend income, which is a figure roughly equivalent to 6 month government spending on basic pension and other state funded pensions. The below chart represents the performance of these companies during the past three years;



(2014 figures are based on Quarterly earnings releases for the year)

Based on the above table, the most remarkable recovery in earnings was reported by MTDC and MTCC with the quarterly earnings releases indicating a net profit of MVR 127 million and 82 million and a Return on Asset (ROA) of 8% and 11% respectively. This is the first time MTDC has reported a net profit in the last three years. MTCC made a profit of MVR 21 million during 2013.

The top performing SOE for the year is Dhiraagu PLC with MVR 700 million in profits and a ROA of 22%. During 2013, the company made a net profit of MVR 642 million and achieved an ROA of 19%. During the year Dhiraagu paid a final dividend for the year 2013 and an interim dividend for the year 2014 of MVR 5.73 and MVR 4.50 per share. Based on the government shareholdings in the company, it is estimated that the government would have received MVR 325 million as dividend income during 2014 from Dhiraagu.

Quarterly earnings releases for BML indicates that the company made a net profit of MVR 554 million compared to MVR 664 million during 2013. The ROA fell to 4% during the year from 5% in 2013. However, during the year the bank paid a final dividend of MVR 5.71 from its 2013 profits amounting to MVR 30.7 million. The government which controls 51% of the company (excluding provident fund shareholdings) is estimated to have received MVR 15.6 million as dividend income from BML during the year.

STO reported a net profit of MVR 497 million for 2014 in its quarterly earnings releases which is more than double the profits the company made during 2013. During the year, the company achieved a ROA of 11% from 4% in 2013. Quarterly data indicates that STO paid 21.9 million in dividends during the year of which it is estimated that government received MVR 17.93 million in dividends being the 82% shareholder of the company.

Amana Takaful Maldives reported a net profit of MVR 6.78 million for 2014 and achieved a ROA of 8%. During 2013, the company made a net profit of MVR 7.32 million and achieved a ROA of 10%. The company announced a 5% dividend to its shareholders and surplus issues to its policy holders during 2014.

Challenges for Investment Diversification

1. Inactive Stock market

Domestic listed securities remain highly illiquid as trades do not take place on the Maldives Stock Exchange on a regular basis. With the exception of Amana Takaful Maldives, trades generally take place for small amounts in low frequencies as the number of shares owned by the public in listed companies is low in Maldives. The below tables shows the average shares traded and share of public in listed companies during 2014.

Average Shares traded 2014

	No of trades	Frequency	Avg. Traded
Jan	300	1	300
Feb	1,021	11	93
Mar	729,056	10	72,906
Apr	501,445	8	62,681
May	563,339	12	46,945
Jun	-	-	-
Jul	224	2	112
Aug	1,596	5	319
Sep	2,104	10	210
Oct	5,300	6	883
Nov	4,250	11	386
Dec	2,499	11	227

Data exclude trades of ATM shares

Shareholdings of SOEs 2014

	Government	General Public	Other
STO	82%	18%	-
BML	51%	34%	15%
DHR	42%	6%	52%
MTDC	47%	53%	-
MTCC	48%	45%	7%

Source: Maldives Stock Exchange

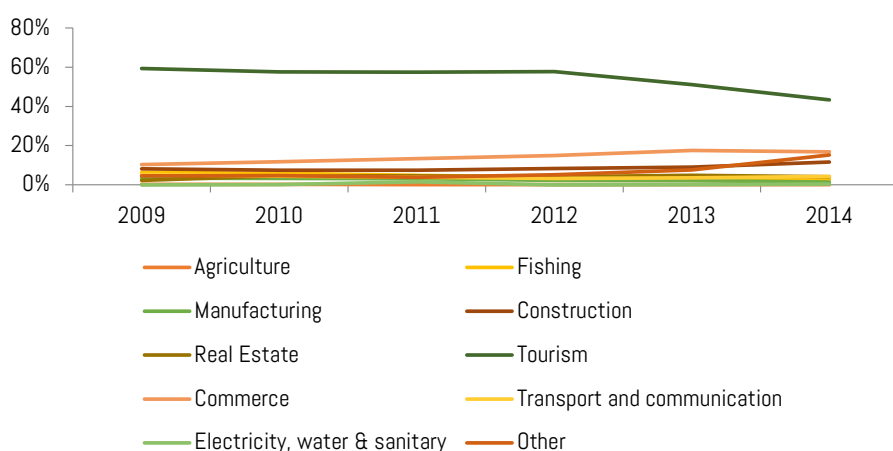
Based on the above data, on average 316 shares were traded per month during the year excluding the period March - May. Shares traded during March - May period increased as STO offloaded 1.25 million Dhiraagu shares on secondary market in three separate trades, which is a once off transaction. This extremely low trade volume and availability of shares means that MRPS have difficulty operating in the market on an institutional scale. Government remains the majority shareholder in most listed companies as can be seen from the above table and MRPS is actively negotiating with the government into offloading government stakes in various companies into MRPS.

2. Lack of avenues for long term investing

Over the past 4 years, MRPS has grown at an average rate of 26% per annum to MVR 3.6 billion – roughly equivalent to 8% of the nominal GDP and 22% of the fiscal budget for the year 2014. With 84% of the fund contributors aged less than 45 years, it is expected that contributions will increase steadily in the future as well. Given this background and in line with how pension funds invest, MRPS has the appetite and capacity to invest for the long term. However, due to the lack of long term instruments in the domestic market, 92% of MRPS are invested in securities with maturities of 1 year or less. This exposes the fund to significant reinvestment risk as interest rates for treasury bills to which 85% of the fund is exposed to, may fall in the future.

Based on MMA data, bank lending to private sector amounted to MVR 14.9 billion during 2014 and lending to all sectors of the economy has generally fallen since 2009 while interest rates of T-bills increased significantly for the same period. MPAO believes that the creation of long term debt instruments by government and private companies would help channel funding towards major development projects across all sectors and will also cut the cost of borrowing significantly. The creation of a bond market would also help MPAO to lock in returns for the long term as well.

Lending to private sector 2009 - 2014



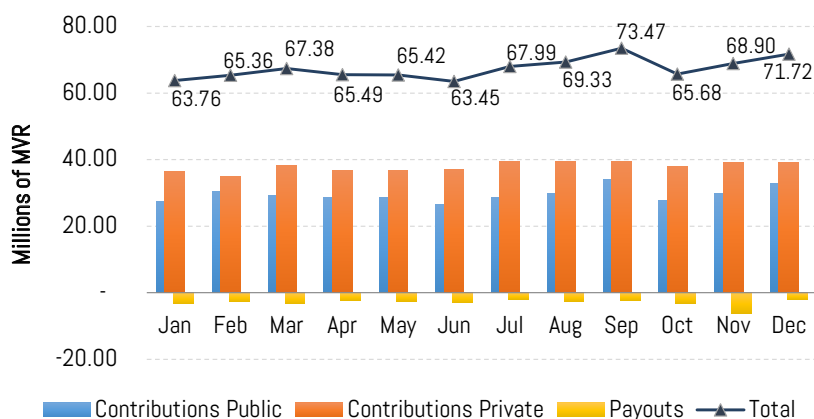
Source: MMA

MRPS Pension Contribution Collection and Disbursement

During the fiscal year 2014, a total of MVR 797.6 million was collected as pension contribution representing a 6% increase from the fiscal year 2013. This increase is attributed to new employee enrolments during the year causing the average contribution per month to increase to MVR 66.4 million from MVR 62.4 million in 2013. A total of MVR 40 million (including foreign withdrawals) were disbursed as pension benefits to retirees, representing a 60% increase in pay-outs compared to 2013.

During the year, the private sector contributed a total of MVR 454 million, while the public sector contributed MVR 343 million, representing 57% and 43% of the total pension contribution respectively.

Contributions and payouts 2014



MRPS Retirees

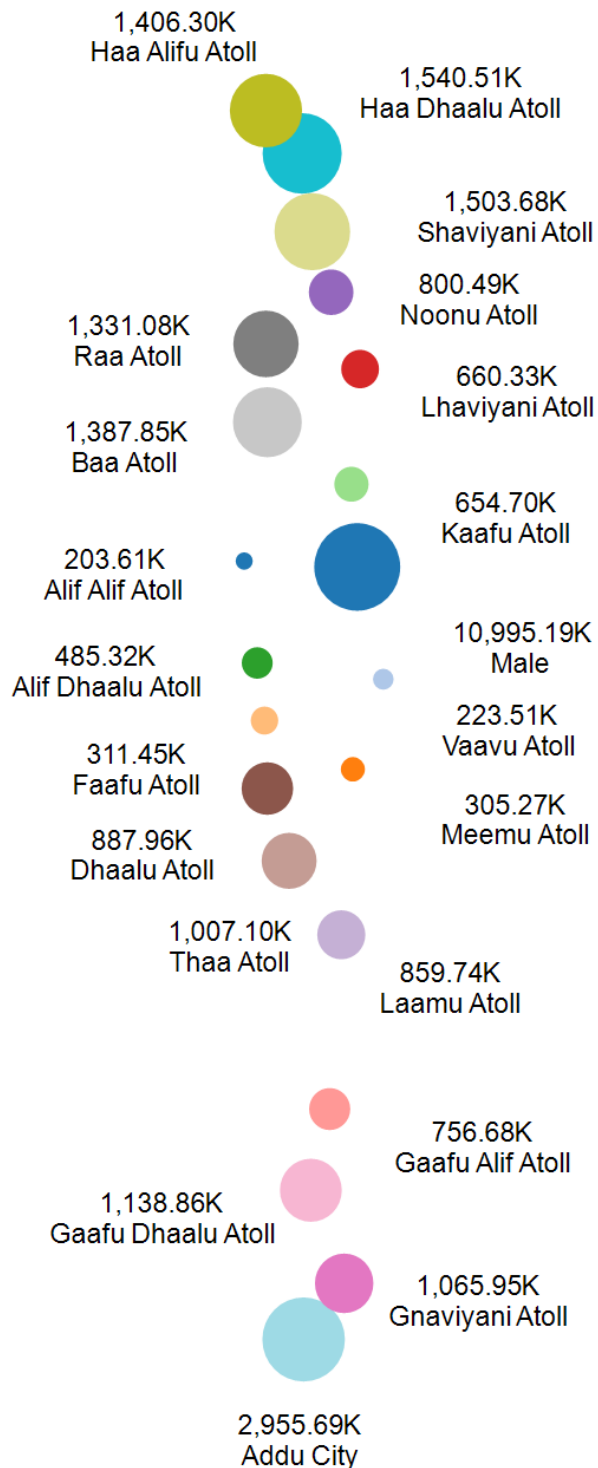
During the year 2014, MRPS paid out more than MVR 30.4 million in benefits to 817 members. The infographic on the right side shows the member disbursements amount by geography.

As can be evident from the chart on next page, Male leads the with more than MVR 10 million paid out in benefits to more than 200 members. Excluding Male, Addu city has the highest number of MRPS retirees with more than 100 members and benefit disbursements nearly reaching MVR 3 million.

No of pensioners by geography

Atoll	No of retirees
Male'	215
Addu City	101
Haa Dhaalu Atoll	54
Gaafu Dhaalu Atoll	52
Haa Alifu Atoll	48
Raa Atoll	44
Gnaviyani Atoll	38
Shaviyani Atoll	35
Gaafu Alif Atoll	33
Laamu Atoll	33
Thaa Atoll	33
Kaafu Atoll	31
Noonu Atoll	31
Baa Atoll	30
Lhaviyani Atoll	29
Alif Dhaalu Atoll	20
Dhaalu Atoll	13
Faafu Atoll	13
Meemu Atoll	10
Alif Alif Atoll	8
Vaavu Atoll	8
Total	817

Benefit disbursements by geography



Risk Management and Internal Audit

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

To proactively manage risks in a systematic and comprehensive manner across the institution, MPAO established and implemented organization wide risk management framework during the year ended 2014. Within this framework, critical and major risks of the pension scheme and MPAO are identified and assessed to determine the appropriate risk mitigation plans to be implemented. The principal risks associated with MRPS identified by the risk framework were investment risks and operational risks. As part of the implementation of the framework, initial risk assessments were undertaken by the risk management function which will be monitored and reported to Audit and Risk Management Committee.

Risks are also identified in the course of the regular statutory audits, where the external audits carried out reviews of the effectiveness of the controls put in place in financial and operational areas. Moreover, annual inspections carried out by the supervisory authority (CMDA) use a risk based approach and assist MPAO in overall risk management and strengthening internal controls and procedures. The key areas assessed by the inspection include investment risks, operational risks, risk to member data and public awareness and support areas.

MPAO also carried out special internal audits by engaging independent internal auditors to get an independent review of MPAO and the internal control processes. The audit findings in terms of internal controls and risk areas are reported to Audit and risk Management Committee, where the recommendations are followed by management to strengthen the business processes. During the year, three internal audits were carried out and the areas reviewed include, contribution collection, valuation, investment, benefit disbursement and recordkeeping and accounting. Additionally, in order to strengthen the oversight function of MPAO, 2014 saw the establishment of an internal audit function within MPAO, which is under development. In keeping with best practices, Internal Audit regularly monitors the status of management action plans with respect to audit findings in order to ensure completion of actions identified. Ad hoc reviews of areas of concern identified by management or the Audit Committee are also carried out by the audit department.

CORPORATE GOVERNANCE

Directors Report

The Board of Directors

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

Governance












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

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

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

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

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

	Board member	Term Details
	<p>Iyaz Waheed (Chairperson) General Manager, Statutory Compliance Universal Enterprises</p>	<ul style="list-style-type: none"> - 20th August 2009 to 19th August 2011 - 20th August 2011 to 19th August 2014 - Served as Chairperson from 20th August 2012 to 19th August 2014
	<p>Athifa Ali (Chairperson) Director; International, Legal and Regulatory Dhiraagu</p>	<ul style="list-style-type: none"> - 20th August 2009 to 19th August 2012 - Reappointed as Chairperson on 31st August 2014, for a 3 years term
	<p>Mariyam Visam Director General Capital Market Development Authority</p>	<ul style="list-style-type: none"> - 20th August 2009 – 19th August 2012 - Reappointed on 20th August 2012 for a 3 years term - Resigned on 28th January 2014
	<p>Muznee Mohamed Senior Manager Capital Market Development Authority</p>	<ul style="list-style-type: none"> - Appointed on 20th February 2014
	<p>Zumra Ahmed Funds Executive Ministry of Finance and Treasury</p>	<ul style="list-style-type: none"> - Appointed on 20th February 2014
	<p>Fathmath Sahudha Assistant Director National Social Protection Agency (NSPA)</p>	<ul style="list-style-type: none"> - Appointed on 26th January 2012 - Resigned on 29th October 2014
	<p>Fareeha Shareef Managing Director FJS Consulting Pvt. Ltd</p>	<ul style="list-style-type: none"> - 20th August 2009 to 19th August 2012 - Reappointed on 20th August 2012 for a 3 years term
	<p>Mohamed Fizan Partner Shah, Hussain & Co. Barristers and Attorneys</p>	<ul style="list-style-type: none"> - Appointed on 20th August 2012 for a 3 years term
	<p>Mujuthaba Jaleel Head of Internal Audit Department Maldives Ports Limited</p>	<ul style="list-style-type: none"> - 20th August 2011 – 19th August 2014
	<p>Ibrahim Ahmed Nasir Consultant United Nations Children's Fund</p>	<ul style="list-style-type: none"> - Appointed on 20th August 2012 for a 3 years term - Resigned on 1st October 2014
	<p>Munthazim Ibrahim Assistant Manager, Accounts and Finance Allied Insurance Company of the Maldives</p>	<ul style="list-style-type: none"> - Appointed on 31st August 2014 for a 3 years term

Board Appointments

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

Board and Board committee meetings attendance

During the year 2014, the Board met 13 times. The Board meeting attendance was as follows:

	Meetings eligible to attend	Meetings attended
Fareeha Shareef	13	10
Mohamed Fizan	13	11
Fathmath Sahudha	11	7
Muznee Mohamed	11	9
Zumra Ahmed	11	9
Ibrahim Ahmed Nasir	10	9
Iyaz Waheed	9	8
Mujuthaba Jaleel	9	6
Athifa Ali	4	4
Munthazim Ibrahim	4	4

Board Committees

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

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

Board Succession

The year 2014 marked six major changes in the Board membership.

- Ms. Mariyam Visam, who represented CMDA in the Board, resigned on 28th January 2014 after being appointed as the Registrar of Companies at Ministry of Economic Development. She was replaced in the board by Mr. Muznee Mohamed, Senior Manager at CMDA, on 20th February 2014.
- Ms. Zumra Ahmed, Funds Executive at Ministry of Finance and Treasury was appointed to the Board on 20th February 2014 as the representative of ministry in the Board.
- Mr. Iyaz Waheed completed his term as the Board Chairperson on 19th August 2014. He was replaced in the Board by MPAO's former Board Chairperson, Ms. Athifa Ali on 31st August 2014.
- Mr. Mujuthaba Jaleel, one of the three private sector representatives in the Board, completed his term as a Board Director on 19th August 2014. He was replaced in the Board by Mr. Munzthazim Ibrahim, Assistant Manager of Accounting and Finance at Allied Insurance Company of the Maldives, on 31st August 2014.
- Mr. Ibrahim Ahmed Nasir, one of the three private sector representatives in the Board, resigned as a Board Director on 1st October 2014 in order to go abroad for higher education.
- Ms. Fathimath Sahudha, who represented Ministry of Health in the Board, resigned on 29th October 2014 after leaving her post at the National Social Protection Agency.

On behalf of all the current and former Board Directors and the management of MPAO, we would like to thank Mr. Mariyam Visam, Mr. Iyaz Waheed, Mr. Mujuthaba Jaleel, Mr. Ibrahim Ahmed Nasir and Ms. Fathimath Sahudha for their valuable contributions to MPAO.

Initiatives for Board effectiveness

In their oversight role, the Board is composed of diverse skillsets, experience and qualification to implement the functions of the Board. In addition to this, to assist in performance of their governance duties, since 2012, MPAO conducts a "New Board Member Induction Program" for new Board directors. The program includes sessions on governance concepts and procedures, director's roles and responsibilities, legal and compliance issues and regulators roles. It also covers sessions on the details of the Board committees directors shall join and contribute. In addition, Board's learning was also ensured through external exposure conferences and seminars and other necessary trainings. In this respect, 7 Board Directors participated in 3 seminars and short training programmes held locally and 5 Board Directors participated in 4 conferences, seminars and a short trainings held abroad.

INVESTMENT COMMITTEE REPORT

The Investment Committee

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

Committee Composition and Appointments

The Investment Committee comprise of three members, with a permanent membership of the Board member representing Ministry of Finance and Treasury. The other members are Board members representing the Private Sector. The chairmanship of the Committee is one a year term. The current Chairman of the Committee is Mr. Mohamed Fizan. He was appointed to the position during April 2014 and will chair the Committee until March 2015.

On 20th March 2014, Ms. Zumra Ahmed was appointed to the Committee following her appointment to the Board as the member representing the Ministry of Finance and Treasury.

Member Attendance

During the year, six investment committee meetings were held. The meetings took place between 14th January 2014 and 24th November 2014. The attendances of these meetings are as below.

Member	Meetings Eligible to attend	Meetings Attended
Mohamed Fizan	6	6
Fareeha Shareef	6	6
Zumra Ahmed	5	5

Committee Activity Review

During the year, the Committee held important discussions on strengthening governance and setting a long term investment strategy for MRPS. A stagnant local capital market and the limited availability of investment products suitable to operate in an institutional capacity remains a challenge to expand and diversify MRPS investments. Acknowledging these challenges, the Committee has deliberated on ways to improve fund returns with available investment products. During the year, a number of equity investments were considered for investments and dialogue was initiated with the Government and other stakeholders to introduce long term investment products for financial sector deepening.

During the year, a new portfolio was created for retiring Sharia Portfolio members and a Strategic Asset Allocation Policy was also adopted. Details of this policy and key investment decisions and discussions are given below:

Revised Strategic Asset Allocation Policy for MRPS

Portfolio	Asset Class	Strategic Asset Allocations	Exposure Limits
Investment Portfolio	Cash and Cash equivalents	60%	Min of 60% in cash and cash equivalents.
	Treasury Bills	45%	
	Fixed Deposits	15%	Single Bank exposure is 25% of FDs in the respective Bank. No more than 50% of FDs in a single bank.
	Growth Assets	40%	Single issue exposure limit of 60% Sovereign bond exposure limits based on IC decision.
	Domestic Equity	10%	
	Fixed Income	30%	
Sharia Portfolio	Cash and Cash equivalents	40%	To keep minimum of 40% assets invested in Cash and Cash Equivalents and to keep a maximum of 60% of assets invested in growth assets.
	Treasury Bills- Sharia	As applicable	
	Fixed Deposits (GIA)	As applicable	
	Growth Assets	60%	
	Domestic Equity-Sharia	10%	
	Fixed Income- Sukuk	50%	
Conservative Portfolio	Cash and Cash equivalents	100%	To keep 100% of assets invested in short term cash and cash equivalents assets for liquidity management purposes.
	Treasury Bills	As applicable	
	Fixed Deposits	As applicable	
	Growth Assets	0%	
	Domestic Equity	0%	
	Fixed Income	0%	
Sharia Conservative Portfolio	Cash and Cash Equivalents	100%	
	Treasury Bills	As Applicable	
	Fixed Deposits	As Applicable	

Highlights of key investment decisions and discussions

- On 20th March 2014, the Committee decided to commence secondary market operations to purchase equities of listed entities with robust earnings history. The first trading took place on 31st March 2014, with the purchase of 500,000 Dhiragu shares, followed by additional purchase of 1,063,390 shares between April and May. Shares were purchased for an average price of MVR 80 and the total value of these transactions was MVR 125,070,400.
- Discussions were held regarding enhancing fund returns and achieving better diversification. Two approaches were broadly considered by the committee as a way of expanding pension investments; (1) seeking avenues to diversify within the existing investment universe and (2) proposing amendments to the Pension Act to allow investments in unlisted securities. The Committee was in the view that avenues exist within the current legal framework to enhance fund returns and it was decided to explore options within the current investment universe to achieve this objective. Under this approach MPAO has commenced dialogue with government into the possibility of offloading well performing SOE shares into the fund and to explore the possibility of issuing long term government bonds.
- On 3rd August 2014, the Committee decided to adopt a Debt Analysis Framework to systematically monitor the Government Debt levels and MPAO exposure limit to Government Treasury Bills. Under the new framework, MPAO will monitor government debt position in a systematic manner and will report to the Committee when MPAO Treasury bill investments reach a certain ceiling recommended by the Committee.
- Towards the end of the year, the committee met to discuss ways to enhance the Sharia Portfolio returns as members continue to grow and the Committee was in the view that more members will join if returns could be further enhanced. The Committee decided to explore the possibility of adding sharia compliant listed equity as the Committee is in view that this will achieve better risk-adjusted returns.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Introduction

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

During the year 2014, the executive management of MPAO reported to ARMC on issues related to audit and matters related to risk, accounting and financial reporting.

Committee composition

ARMC is comprised of four Board members. At the beginning of 2014, members of the ARMC were Mr. Mujuthaba Jaleel (Chairperson), Mr. Ibrahim Ahmed Nasir (member) and Ms. Fathmath Sahudha (member). Later in February 2014, Board member Ms. Zumra Ahmed was appointed to ARMC. In September 2014 Mr. Munthazim Ibrahim was appointed to the committee.

However, in August 2014 Mr. Mujuthaba left ARMC upon completion of his 3 year term as Board member. Moreover, effective from 1 September 2014 Mr. Ibrahim Nasir resigned from Board to go abroad for further studies and effective from 29th October 2014, Ms. Fathmath Sahudha lost her Board membership as she resigned from her civil post at the National Health Protection Agency. As a result, at the end of the year 2014 only two members, Ms. Zumra Ahmed and Mr. Munthazim Ibrahim remained in ARMC.

Responsibilities

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

Committee Meetings

During the fiscal year 2014 a total of 4 ARMC meetings were held.

Audit and Risk Management Committee Attendance

	Meetings eligible to attend	Meetings attended
Mujuthaba Jaleel*	4	4
Ibrahim Ahmed Nasir**	4	4
Fathmath Sahudha ***	4	2
Zumra Ahmed++	3	2

Note:- * Committee member until 19 August 2014.

** Committee member until September 2014.

*** Committee member until 29 October 2014

2014 Committee Activity Review

In year 2014, ARMC held a total of 4 meetings and discussed issues related to MPAO's budget, risk management, external audit, internal audit and internal controls of MPAO.

ARMC received updates on internal control responsibilities and risk management and reviewed policy papers and frameworks prepared on these matters. In this regard, ARMC reviewed risk management framework for MPAO and MRPS.

OUTLOOK

Looking forward, 2015 will be another significant year for MPAO. The planned initiatives for development and strengthening of the institution will start to take shape through a structured 5 year Strategic Plan. The five main objectives of this Strategic Plan are as follows.

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

FINANCIAL REPORT



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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2014**

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

For the year ended 31st December 2014

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

We have audited the accompanying financial statements of the Maldives Pension Administration Office ("MPAO"), which comprises the statement of financial position as at 31st December 2014, and the statements of income and expenditure, changes in accumulated funds and cash flows for the period then ended and related notes exhibited in pages 2 to 16.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of MPAO as at 31st December 2014, and of its net income over expenditure and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants

1st March 2015
Male'

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

FOR THE YEAR ENDED 31ST DECEMBER 2014

	Note	2014 MRf	2013 MRf
Income			
Grants Received	6	-	2,000,000
Management Fee	7	30,944,974	20,950,458
Other Income	8	855,181	914,552
Total Income		<u>31,800,155</u>	<u>23,865,010</u>
Less : Expenditure			
Salaries and allowances	9	9,234,771	8,396,159
Stationery and Office Requisites		215,110	134,760
Administrative Supplies		60,081	58,735
Communication		491,115	486,762
Publication and Announcement		221,064	462,836
Carriage and Conveyance		10,773	65,117
Travel, Training and Seminars		3,721,086	2,072,468
Professional Services Fees		437,719	792,647
Fees Related to MRPS Investment		886,810	-
License, Maintenance and Supporting Service Fee		1,002,300	83,525
Maintenance and Repair		70,043	100,563
Grants and Sponsors		331,300	-
Bank Charges and Custodian Fees	10	7,234,546	5,186,981
Depreciation and Amortization	12	2,524,953	911,969
Total Expenditure		<u>26,441,671</u>	<u>18,752,522</u>
Net Income over Expenditure for the year		<u>5,358,484</u>	<u>5,112,488</u>

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the MPAO set out on pages 6 to 16. The Report of the Independent Auditors is given in page 1.

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

AS AT	Note	31/12/2014 MRf	31/12/2013 MRf
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	11	1,570,423	2,261,630
Prepaid Lease Rent	12	12,000,000	-
Intangible Assets	13	6,513,408	8,141,760
Total Non-Current Assets		<u>20,083,831</u>	<u>10,403,390</u>
Current Assets			
Prepayment and Other Receivables	14	4,372,452	2,814,268
Cash and Cash Equivalents	15	20,855,382	26,215,214
Total Current Assets		<u>25,227,834</u>	<u>29,029,482</u>
Total Assets		<u><u>45,311,665</u></u>	<u><u>39,432,872</u></u>
ACCUMULATED FUNDS AND LIABILITIES			
Accumulated Funds			
Accumulated Funds		<u>37,386,459</u>	<u>32,027,975</u>
Total Accumulated Funds		<u>37,386,459</u>	<u>32,027,975</u>
Current Liabilities			
Accrued Expenses and Other Payables	16	<u>7,925,206</u>	<u>7,404,897</u>
Total Current Liabilities		<u>7,925,206</u>	<u>7,404,897</u>
Total Accumulated Funds and Liabilities		<u><u>45,311,665</u></u>	<u><u>39,432,872</u></u>

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the MPAO set out on pages 6 to 16. The Report of the Independent Auditors is given in page 1.

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

Name of the Director

ASHIFA ALI
.....
MUNTHAZIM IBRAHIM
.....
MOHAMED HUSSAIN MANIKU
.....

Signature


.....

.....

.....

1st March 2015

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

FOR THE YEAR ENDED 31ST DECEMBER 2014

	<u>Accumulated Funds</u>
	<u>MRf</u>
Balance as at 1st January 2013	26,918,237
Income over Expenditure for the year	5,112,488
Refund of Previous year excess funds	(2,750)
Balance as 31st December 2013	<u>32,027,975</u>
Balance as at 1st January 2014	32,027,975
Income over Expenditure for the year	5,358,484
Balance as at 31st December 2014	<u>37,386,459</u>

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the MPAO set out on pages 6 to 16. The Report of the Independent Auditors is given in page 1.

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

FOR THE YEAR ENDED 31ST DECEMBER 2014

	Note	2014 MRf	2013 MRf
Cash Flows From Operating Activities			
Net Income Over Expenditure for the year		5,358,484	5,112,488
<i>Adjustments for</i>			
Depreciation	11	896,601	911,969
Amortization of Intangible asset	13	1,628,352	-
Operating Surplus before Work in Capital Changes		<u>7,883,437</u>	<u>6,024,457</u>
<i>Working capital changes</i>			
Change in Prepayment and Other Receivables		(1,558,184)	14,150,337
Changes in Accrued expenses and other Payables		520,309	3,972,485
Net Cash from Operating Activities		<u>6,845,562</u>	<u>24,147,279</u>
Cash Flows from Investment Activities			
Acquisition of Property, Plant and Equipment	11	(205,394)	(897,599)
Acquisition of Intangible Assets	13	-	(2,313,000)
Prepayment of lease rent	12	(12,000,000)	-
Net Cash Used in Investment Activities		<u>(12,205,394)</u>	<u>(3,210,599)</u>
Cash Flows from Financing Activities			
Refund of Previous year excess funds		-	(2,750)
Net Cash Used in Financing Activities		<u>-</u>	<u>(2,750)</u>
Net (Decrease)/Increase in Cash and Cash Equivalents		(5,359,832)	20,933,930
Cash and Cash Equivalents at Beginning of the Year		<u>26,215,214</u>	<u>5,281,284</u>
Cash and Cash Equivalents at End of the Year	15	<u>20,855,382</u>	<u>26,215,214</u>

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the MPAO set out on pages 6 to 16. The Report of the Independent Auditors is given in page 1.

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

1. REPORTING ENTITY

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

The principal activities of MPAO are;

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

2 BASIS OF PREPARATION

(a) Statement of Compliance

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

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

These financial statements are presented in Maldivian Rufiyaa, which is MPAO’s functional currency. All financial information presented in Maldivian Rufiyaa has been rounded to the nearest Rufiyaa.

(d) Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Foreign Currency Transactions

Transactions in currencies other than Maldivian Rufiyaa are translated to Maldivian Rufiyaa at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in currencies other than Maldivian Rufiyaa are translated to Maldivian Rufiyaa at the exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognized in the income and expenditure statement.

Non-monetary assets and liabilities, which are measured at historical cost, denominated in currencies other than Maldivian Rufiyaa, are translated to Maldivian Rufiyaa at the exchange rates ruling at the dates of transactions. Non-monetary assets and liabilities, which are stated at fair value, denominated in currencies other than Maldivian Rufiyaa, are translated to Maldivian Rufiyaa at the exchange rates ruling at the dates the values were determined.

3.2 Financial Instruments

(i) Financial Assets (Non-derivative)

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

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

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

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

- Receivables
- Cash and Cash Equivalent

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

Receivables comprise management fee receivables.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial Instruments (Continued)

(ii) Financial Liabilities (Non-derivative)

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

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

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

3.3 Property, Plant and Equipment

(i) Recognition and Measurement

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

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

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

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

(ii) Subsequent Costs

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, Plant and Equipment (Continued)

(iii) Depreciation

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

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

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

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

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

3.4 Intangible Asset

(i) Recognition and Measurement

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

(ii) Subsequent Expenditure

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

(iii) Amortization

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

Computer Software	Over 5 years
-------------------	--------------

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 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.

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

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

(ii) Non-financial Assets

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

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

3.6 Provisions

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

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

4. DETERMINATION OF FAIR VALUES

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

(i) Receivables

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

(ii) Financial liabilities (Non-derivative)

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

5. NEW STANDARDS AND INTERPRATATIONS

5.1 The MPAO has adopted the following new standard effective from 1st of January 2014.

Title	Description
IAS 32 "Financial Instruments: Presentation"	Amendment to this IFRS clarify the offsetting criteria by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement.

5.2 New Standards and Interpretations not yet adopted by the MPAO

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st January 2015. The MPAO is currently in the process of evaluating the potential impact these standards and interpretation may have on the MPAO's financial statements.

- IFRS 15 – Revenue from contracts with customers.
- IFRS 9 – Financial Instruments.
- Annual Improvement of IFRSs 2011-2013 Cycle.
- Amendment to IAS 16 and IAS 38 – Classification of Acceptable methods of Depreciation and Amortization.

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

FOR THE YEAR ENDED 31ST DECEMBER 2014

6	GRANTS RECEIVED	2014	2013
		MRf	MRf
	Grants Received from the Government	-	2,000,000
		<u> </u>	<u> </u>
7	MANAGEMENT FEE	2014	2013
		MRf	MRf
	Management fee	30,944,974	20,950,458
		<u> </u>	<u> </u>
	Management Fee Income is the income recognized for managing the assets of the Maldives Retirement Pension Scheme (MRPS). Management fee has been recognized on an accrual basis based on the daily asset value of the MRPS Fund at the rate of 1% per annum.		
8	OTHER INCOME	2014	2013
		MRf	MRf
	Fine Charges	311,800	279,000
	Reimbursement Income	543,381	635,552
		<u> </u>	<u> </u>
		<u>855,181</u>	<u>914,552</u>
9	SALARIES AND ALLOWANCES	2014	2013
		MRf	MRf
	Directors' Remuneration	964,500	1,006,000
	Retirement Contribution Obligations	499,358	456,617
	Employee Insurance	27,552	62,454
	Salaries and Wages	7,743,361	6,887,088
		<u> </u>	<u> </u>
		<u>9,234,771</u>	<u>8,412,159</u>
10	BANK CHARGES AND CUSTODIAN FEES	2014	2013
		MRf	MRf
	Bank Charges	33,824	102,167
	Custodian Fees (Note 10.1)	7,200,722	5,084,814
		<u> </u>	<u> </u>
		<u>7,234,546</u>	<u>5,186,981</u>

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

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

FOR THE YEAR ENDED 31ST DECEMBER 2014

11 PROPERTY, PLANT AND EQUIPMENT

	Computer and Communication Equipment MRf	Furniture and Fittings MRf	Office Equipment MRf	Total 2014 MRf	Total 2013 MRf
Cost					
As at 1st of January	3,370,887	762,018	382,783	4,515,688	3,618,089
Additions during the year	108,456	10,918	86,020	205,394	897,599
Written off during the Year	(65,806)	(112,064)	(59,331)	(237,201)	-
As at 31st December	3,413,537	660,872	409,472	4,483,881	4,515,688
Accumulated Depreciation					
As at 1st of January	1,397,252	591,635	265,171	2,254,058	1,342,089
Charge for the year	655,819	153,707	87,075	896,601	911,969
Written off during the Year	(65,806)	(112,064)	(59,331)	(237,201)	-
As at 31st December	1,987,265	633,278	292,915	2,913,458	2,254,058
Net Carrying Value					
As at 31st December 2014	1,426,272	27,594	116,557	1,570,423	
As at 31st December 2013	1,973,635	170,383	117,612		2,261,630

12 PREPAID LEASE RENT

	31/12/2014 MRf	31/12/2013 MRf
Prepaid Lease Rent	12,000,000	-

The MPAO has entered into a lease hold agreement with State Trading Organization PLC on 18th August 2014 to lease 8000 square feet (2 Floor) of Umar Shopping Arcade office complex. As a lessee, The MPAO has agreed to pay an amount of 24,000,000/- on an installment basis as rent charge for a period of 25 years effective from the date of completion of construction of the building. This prepayment will be amortized throughout the period of 25 years from the date of occupying the building.

13 INTANGIBLE ASSETS

	2014 MRf	2013 MRf
Balance as at 1st January	8,141,760	-
Transferred from Work in Progress during the year	-	8,141,760
Accumulated Amortization of Intangible Asset	(1,628,352)	-
Balance as at 31st December	6,513,408	8,141,760

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

FOR THE YEAR ENDED 31ST DECEMBER 2014

13.1 Intangible Assets Work in Progress	2014	2013
	MRf	MRf
Balance as at 1st January	-	5,828,760
Additions during the year	-	2,313,000
Transferred to Intangible Assets during the year	-	(8,141,760)
Balance as at 31st December	-	-
14 PREPAYMENT & RECEIVABLES	31/12/2014	31/12/2013
	MRf	MRf
Asset Management Fee Receivable	3,047,767	2,149,468
MRPS Receivables	264,960	-
Prepayments	158,125	75,000
Other Receivables	901,600	589,800
	<u>4,372,452</u>	<u>2,814,268</u>
15 CASH AND CASH EQUIVALENTS	31/12/2014	31/12/2013
	MRf	MRf
Cash at Bank	20,807,900	26,172,920
Cash in Hand	47,482	42,294
	<u>20,855,382</u>	<u>26,215,214</u>
16 ACCRUED EXPENSES AND OTHER PAYABLES	31/12/2014	31/12/2013
	MRf	MRf
Accrued Expenses	7,688,946	7,110,235
Pension contribution Payable	(228,833)	78,808
MRPS Pension Payouts	49,137	-
Payables to MRPS	128,686	-
Other Payables	287,270	215,854
	<u>7,925,206</u>	<u>7,404,897</u>

17 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(i) Overview

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

- Credit risk
- Liquidity risk
- 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.

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

FOR THE YEAR ENDED 31ST DECEMBER 2014

17 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(ii) Risk management framework

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

(iii) Credit risk

Credit risk is the risk of financial loss to MPAO if a debtor fails to meet its contractual obligations, and 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:

	Carrying Amount	
	31/12/2014	31/12/2013
	MRf	MRf
Asset Management Fee Receivable	3,312,727	2,149,468
Balances with Banks	20,807,900	5,277,700
	<u>24,120,627</u>	<u>7,427,168</u>

Impairment Losses

The aging of other receivables at the reporting date was:

	31/12/2014	31/12/2013
	Gross	Gross
	MRf	MRf
Not Past Due	3,312,727	2,149,468
Past Due 120-365 days	-	-
More than 365 days	-	-
Total	<u>3,312,727</u>	<u>2,149,468</u>

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

(iv) 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.

31st December 2014

Financial Liabilities (Non- Derivative)
Accrued Expenses and Other Payables

Carrying Amount	0-6 Months
MRf	MRf
<u>7,925,206</u>	<u>7,925,206</u>

31st December 2013

Financial Liabilities (Non- Derivative)
Accrued Expenses and Other Payables

Carrying Amount	0-6 Months
MRf	MRf
<u>7,404,897</u>	<u>7,404,897</u>

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

FOR THE YEAR ENDED 31ST DECEMBER 2014

17 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(v) Market risk

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

(a) Currency Risk

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

Exposure to currency risk

	31/12/2014	31/12/2013
	US\$	US\$
Cash and Balances with Banks	33,342	18,437
Gross statement of financial position exposure	<u>33,342</u>	<u>18,437</u>

The following significant exchange rates were applied during the year:

	Average Rate		Reporting Date	
	2014	2013	Spot Rate	
	31/12/2014	31/12/2013		
1US\$: MRf	<u>15.42</u>	<u>15.42</u>	<u>15.42</u>	<u>15.42</u>

18 CAPITAL COMMITMENTS

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

19 CONTINGENT LIABILITIES

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

20 EVENTS AFTER THE REPORTING DATE

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

21 COMPARATIVE INFORMATION

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

22 RELATED PARTY TRANSACTIONS

22.1 Transactions with Key Management Personnel

The Board of Directors of MPAO are members of the key management personnel. The Company has paid an amount of MRf. 964,500/- as emoluments and MRf. 64,400/- as pension to the key management personnel during the year ended 31st December 2014 (2013 : MRf. 1,006,000/- & MRf 69,300).

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2014**

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

For the year ended 31st December 2014

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

We have audited the accompanying financial statements of Maldives Retirement Pension Scheme ("MRPS"), which comprise the statement of financial position as at 31st December 2014, the statements of comprehensive income, changes in net assets and cash flows for the year then ended and related notes exhibited in pages 3 to 17.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

1. In accordance with the Section 25 of the Maldives Pension Act No 8 of 2009, "public service employees" who have not reached the age of 65 years at the commencement of this Act shall have their Accrued Pension Rights deposited in their Retirement Savings Accounts in the form of Recognition Bonds of the Government. As explained in the Note 8.1 to the financial statements, MRPS has recognized revenue of MRf. 2,380,156,835/- as initial contribution from the Government on Accrued Pension Rights for the period ended 31st December 2010 and an amount of MRf. 2,082,822/- as net adjustment for contribution from the Government on initial Accrued Rights for the year ended 31st December 2014 (2013: 5,276,713/-). Further, as explained in the Note 15 to the financial statements, an amount of MRf 2,216,016,969/- has been recognized as Accrued Pension Rights Receivables as at 31st December 2014 (2013: MRf. 2,249,904,372/-).

Basis for Qualified Opinion (Continued)

However, the Government of Maldives has not issued the Recognition Bonds for the amount of MRf 2,216,016,969/- as at 31st December 2014 (2013: MRf. 2,249,904,372/-). Further, in accordance with the agreement between Maldives Pension Administration Office and the Ministry of Finance and Treasury dated 19th September 2011, both parties have agreed to recognize the Initial Accrued Pension Rights of MRf. 2,380,156,835/- subject to a variation of 5% of the rights.

2. As per Note 6 to the financial statements, MRPS has recognized interest income from Recognition Bond of MRf. 178,353,835/- for the year ended 31st December 2014 (2013: MRf. 169,386,571/-), and as discussed in the Note 15 to the financial statements, an amount of MRf 678,342,555/- has been recognized as Interest Receivables on Recognition Bonds as at 31st December 2014 (2013: MRf. 509,283,363/-). The interest income from Recognition Bond depends on the initial Recognition Bond value. Due to the matters described in the above paragraph, we are unable to verify the value of the recognition bond. Accordingly, we are unable to verify the completeness and accuracy of the interest income from Recognition Bond of MRf. 178,353,835/- for the year ended 31st December 2014 (2013: MRf. 169,386,571/-) and Interest Receivables on Recognition Bonds of MRf 678,342,555/- as at 31st December 2014 (2013: MRf. 509,283,363/-).

Qualified Opinion

In our opinion, except for the effects of the matters described in basis for qualified opinion paragraphs, the financial statements give a true and fair view of the financial position of the MRPS as at 31st December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Accountants

13th May 2015
Male'

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

FOR THE YEAR ENDED 31ST DECEMBER	Note	2014 MRf	2013 MRf
Income			
Interest income	6	433,819,859	316,569,141
Dividend income	7	25,555,620	6,175,000
Contribution revenue	8	809,554,917	749,062,730
Other Income	9	1,356,282	614,281
Total income		<u>1,270,286,678</u>	<u>1,072,421,152</u>
Expenses			
Management fee	10	30,944,974	21,080,388
Benefits paid to members		35,842,684	25,436,695
Other Expenses		-	4,480
Total expenses		<u>66,787,658</u>	<u>46,521,563</u>
Net Increase in net asset available for benefits		<u>1,203,499,020</u>	<u>1,025,899,589</u>

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

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

AS AT 31ST DECEMBER

	Note	2014 MRf	2013 MRf
ASSETS			
Cash and cash equivalents	11	25,768,900	20,646,861
Other receivables	12	3,729,464	1,517,653
Financial assets held to maturity	13	3,326,479,661	2,389,623,414
Available-for-sale investment	14	263,698,668	146,864,834
Recognition bond	15	2,894,359,524	2,759,187,735
Total assets		<u>6,514,036,217</u>	<u>5,317,840,497</u>
LIABILITIES			
Other payables	16	3,271,054	2,368,555
Contribution collection accounts	17	5,105,781	13,311,580
Total liabilities		<u>8,376,835</u>	<u>15,680,135</u>
Reserves and Accumulated members' balance			
Accumulated members' balance		6,505,659,382	5,302,160,362
Reserves and Accumulated members' balance		<u>6,505,659,382</u>	<u>5,302,160,362</u>
Total reserve & accumulated members' balance and Liabilities		<u>6,514,036,217</u>	<u>5,317,840,497</u>

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

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

Name of the Director

.....
ATHIFA ALI

.....
MUNTHAZIM JIBRAHIM

.....
MOHAMED HUSSAIN MANIKU

Signature

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

13th May 2015

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

FOR THE YEAR ENDED 31ST DECEMBER 2014

	Accumulated Members' Balance MRf
Balance as at 1st January 2013	4,276,260,773
Total Comprehensive Income	
Net Increase in net asset available for benefits	<u>1,025,899,589</u>
Balance as at 31st December 2013	<u><u>5,302,160,362</u></u>
Balance as at 1st January 2014	5,302,160,362
Total Comprehensive Income	
Net Increase in net asset available for benefits	<u>1,203,499,020</u>
Balance as at 31st December 2014	<u><u>6,505,659,382</u></u>

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

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

FOR THE YEAR ENDED 31 DECEMBER

	Note	2014 MRf	2013 MRf
Cash flows from operating activities			
Contribution received to Contribution Collection Account (CCA)		799,270,496	741,927,885
Amount received for matured recognition bond accrued right		43,123,938	45,239,051
Fine on late contribution		1,356,282	614,281
Interest received		208,165,927	104,218,490
Management fee Paid		(30,046,675)	(35,703,494)
Other Expenses		-	(4,480)
Benefit paid to members		(35,913,565)	(25,481,818)
Net Cash from operating activities		<u>985,956,403</u>	<u>830,809,915</u>
Cash flows from investing activities			
Dividend Received	7	25,555,620	6,175,000
Proceed from maturing of investments		2,542,506,954	1,657,856,311
Payments for purchase of investments		(3,431,845,763)	(2,433,376,661)
Investment made on Sukuk		-	(15,000,000)
Investment in shares		(125,957,210)	-
Investment made on Bond	14.1	-	(50,000,000)
Repayment of principle on Bond	14.1	8,906,035	4,213,067
Net Cash used in investment activities		<u>(980,834,364)</u>	<u>(830,132,283)</u>
Net Increase in cash and cash equivalents		5,122,039	677,632
Cash and cash equivalents at beginning of the period		20,646,861	19,969,229
Cash and cash equivalents at end of the period	11	<u>25,768,900</u>	<u>20,646,861</u>

Figures in brackets indicate deductions.

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

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

1. REPORTING ENTITY

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

2 BASIS OF PREPARATION

(a) Statement of Compliance

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

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

These financial statements are presented in Maldivian Rufiyaa, which is the MRPS's functional currency. All financial information presented in Maldivian Rufiyaa has been rounded to the nearest Rufiyaa.

(d) Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in 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
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Foreign Currency Transactions

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

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

3.2 Financial Instruments

(i) Financial Assets (Non-derivative)

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

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

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

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

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

Receivables

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

Receivables comprise contribution receivables from members and other receivables.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial Instruments (Continued)

Cash and cash equivalent

Cash and cash equivalents comprise balances with banks.

Held-To-Maturity

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

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

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

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

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

Available-for-sale

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

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

(ii) Financial Liabilities (Non-derivative)

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Financial Instruments (Continued)

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

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

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

3.3 Impairment

(i) Financial Assets (including receivables)

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

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

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

(ii) Available-for-sale financial assets

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Impairment (Continued)

(iii) Non-financial Assets

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

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

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

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

3.4 Provisions

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

3.5 Investment Income

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

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

3.6 Contribution Revenue

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

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

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

3.7 Events Occurring After the Reporting Date

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

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

4. DETERMINATION OF FAIR VALUES

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

(i) Receivables

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

(ii) Financial liabilities (Non-derivative)

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

(iii) Investment in Equity Securities

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

5. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

5.1 Newly Adopted Standard by the MRPS

MRPS has adopted the following new standard effective from 1st of January 2014.

Title	Description
IAS 32 "Financial Instruments Presentation"	Amendment to this IFRS clarify the offsetting criteria by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement.

5.2 New Standards and Interpretations not yet Adopted by the MRPS

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st January 2015. MRPS is currently in the process of evaluating the potential impact these standards and interpretation may have on the financial statements.

- IFRS 15 – Revenue from contracts with customers.
- IFRS 9 – Financial Instruments.
- Annual Improvements of IFRSs 2011-2013 Cycle.
- Amendment to IAS 16 and IAS 38 – Classification of Acceptable methods of Depreciation and Amortization.

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

FOR THE YEAR ENDED 31ST DECEMBER 2014

6 INTEREST INCOME	2014	2013
	MRf	MRf
Interest income from treasury bills	242,719,005	137,213,887
Interest income from fixed deposits	9,568,260	7,015,782
Interest income from HDFC bond	3,052,759	2,952,901
Income from Sukuk	126,000	-
Interest income from recognition bonds (Note 6.1)	178,353,835	169,386,571
	<u>433,819,859</u>	<u>316,569,141</u>

6.1 Interest income from recognition bonds

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

7 DIVIDEND INCOME	2014	2013
	MRf	MRf
Dividend income from Dhivehi Rajjeyge Gulhun PLC	<u>25,555,620</u>	<u>6,175,000</u>

8 CONTRIBUTION REVENUE	2014	2013
	MRf	MRf
Contributions from employers	398,809,541	376,483,374
Contributions from members	408,662,554	367,302,643
Net adjustment to Contribution from government on accrued rights (Note 8.1)	2,082,822	5,276,713
	<u>809,554,917</u>	<u>749,062,730</u>

8.1 Net adjustment to Recognition Bond on initial accrued rights

In accordance with section 25 of the Maldives Pension Act No 8 of 2009, "public service employees" who have not reached the age of 65 years at the commencement of this Act shall have their Accrued Pension Rights deposited in their Retirement Savings Accounts in the form of Recognition Bonds of the Government. As per the agreement between the Maldives Pension Administration Office and the Ministry of Finance and Treasury dated 19th September 2011, both parties have agreed to recognize the Accrued Pension Rights of MRf. 2,380,156,835/- subject to a variation of 5% of the rights. Accordingly, MRPS has recognized revenue of MRf. 2,380,156,835/- as contribution from the Government on Accrued Pension Rights during the period ended 31st December 2010. However due to subsequent changes to the initial recognition bond value, MRPS has recognized a net contribution of MRf. 2,082,822/- during the year ended 31st December 2014 (2013: MRf. 5,276,713/-) for the adjustment of the initial recognition bond amount.

9 OTHER INCOME	2014	2013
	MRf	MRf
Income from fines on late Contributions	469,472	614,281
Amounts reimbursed from MPAO	886,810	-
	<u>1,356,282</u>	<u>614,281</u>

10 MANAGEMENT FEE	2014	2013
	MRf	MRf
Management fee	<u>30,944,974</u>	<u>21,080,388</u>

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

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

FOR THE YEAR ENDED 31ST DECEMBER 2013

11 CASH AND CASH EQUIVALENTS	31/12/2014	31/12/2013
	MRf	MRf
Cash at bank (Note 11.1)	25,768,900	20,646,861
11.1 Cash at Bank		
Cash balance in Contribution Holding Account	12,063,878	6,433,264
Cash balance in Contribution Collection Account	13,696,763	14,180,621
Cash balance in Maldives Islamic Bank	8,259	32,976
	<u>25,768,900</u>	<u>20,646,861</u>
12 OTHER RECEIVABLES	31/12/2014	31/12/2013
	MRf	MRf
Receivable for Accrued Rights matured during the year	3,589,960	1,449,030
Other Receivables	139,504	68,623
	<u>3,729,464</u>	<u>1,517,653</u>
13 FINANCIAL ASSETS HELD TO MATURITY	31/12/2014	31/12/2013
	MRf	MRf
Treasury bills	3,054,586,605	2,128,710,778
Fixed deposits	256,893,056	245,912,636
Investment in Sukuk	15,000,000	15,000,000
	<u>3,326,479,661</u>	<u>2,389,623,414</u>
14 AVAILABLE-FOR-SALE INVESTMENT	31/12/2014	31/12/2013
	MRf	MRf
Investment in HDFC Bond (Note : 14.1)	37,741,458	46,864,834
Investment in shares of Dhivehi Rajjeyge Gulhun PLC (Note : 14.2)	225,957,210	100,000,000
	<u>263,698,668</u>	<u>146,864,834</u>
14.1 Investment in HDFC Bond	2014	2013
	MRf	MRf
Balance as at 1st January	46,864,834	-
Investment made during the year	-	50,000,000
Interest accrued during the year	3,052,759	2,952,901
Interest paid during the year	(3,270,100)	(1,875,000)
Principle repayment during the year	(8,906,035)	(4,213,067)
Balance as at 31st December	<u>37,741,458</u>	<u>46,864,834</u>
<p>The Company has acquired 5,000 Bond of Housing Development Finance Corporation PLC at MRf. 10,000/- each on 10th of March 2013, carrying an interest of 7.5% per annum. Repayment will be take place in ten semi annual installments commencing from six month after the date of allotment.</p>		
14.2 Investment in Shares	2014	2013
	MRf	MRf
Balance as at 1st January	100,000,000	100,000,000
Additions during the year	125,957,210	-
Balance as at 31st December	<u>225,957,210</u>	<u>100,000,000</u>

The Company has initially acquired 1,250,000 shares of Dhivehi Rajjeyge Gulhun PLC at MRf. 80/- per share during the year 2011. During the year the company has purchased 1,563,390 shares of Dhivehi rajjeyge Gulhun PLC at an average cost of MRf. 80.57/- per share. The fair value of this investment has been initially measured at the purchase cost, being the fair value and subsequently measured based on the income approach using discounted free cashflows of the investee company.

The investee company's free cash flows have been calculated using a forecasted annual growth rate of 2% and discounted by a risk adjusted discount rate of 13.04% to arrive at the fair value of this investment.

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

FOR THE YEAR ENDED 31ST DECEMBER 2014

15 RECOGNITION BOND	31/12/2014	31/12/2013
	MRf	MRf
Accrued Pension Rights Receivable (Note : 15.1)	2,216,016,969	2,249,904,372
Interest receivable on recognition bonds (Note : 15.2)	678,342,555	509,283,363
	<u>2,894,359,524</u>	<u>2,759,187,735</u>

15.1 ACCRUED PENSION RIGHTS RECEIVABLE	2014	2013
	MRf	MRf
Balance as at 1st January	2,249,904,372	2,285,743,717
Net adjustment to contribution from government on accrued rights	2,082,822	5,276,713
Accrued right matured during the year	(35,970,225)	(41,116,058)
Balance as at 31st December	<u>2,216,016,969</u>	<u>2,249,904,372</u>

15.2 Interest receivable on recognition bonds	2014	2013
	MRf	MRf
Balance as at 1st January	509,283,363	346,315,002
Additions during the year	178,353,835	169,368,571
Paid during the year	(9,294,643)	(6,400,210)
Balance as at 31st December	<u>678,342,555</u>	<u>509,283,363</u>

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

16 OTHER PAYABLES	31/12/2014	31/12/2013
	MRf	MRf
Management fee payable	3,047,767	2,149,468
Excess collection from employers	75,045	70,845
Accrued rights excess collection from MOFT	148,242	148,242
	<u>3,271,054</u>	<u>2,368,555</u>

17 CONTRIBUTION COLLECTION ACCOUNTS	31/12/2014	31/12/2013
	MRf	MRf
Contribution received into Contribution Collection Account	812,577,876	757,097,597
Contribution transferred to Contribution Holding Account	(807,472,095)	(743,786,017)
Balance in Contribution Collection Accounts	<u>5,105,781</u>	<u>13,311,580</u>

18 COMMITMENTS

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

19 CONTINGENT LIABILITIES

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

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

FOR THE YEAR ENDED 31ST DECEMBER 2014

20 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(i) Overview

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Entity's exposure to each of the above risks, the Entity's objectives, policies and processes for measuring and managing risk, and the Entity's management of capital.

(ii) Risk management framework

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

(iii) Credit Risk

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

	31/12/2014	31/12/2013
	MRf.	MRf.
Balances with Banks	25,768,900	20,646,861
Other Receivables	3,729,464	1,517,653
Financial assets held to maturity	3,326,479,661	2,389,623,414
Recognition bond	2,894,359,524	2,759,187,735
	<u>6,250,337,549</u>	<u>5,170,975,663</u>

(iv) Liquidity Risk

Liquidity risk is the 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 or risking damage to the Entity's reputation.

The followings are the contractual maturities of financial liabilities as at the period end;

31st December 2014	Carrying Amount MRf.	0-6 Months MRf.
Financial Liabilities (Non- Derivative)		
Other payables	3,271,054	3,271,054
Balance in Contribution Collection Account	5,105,781	5,105,781
Total	<u>8,376,835</u>	<u>8,376,835</u>

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

FOR THE YEAR ENDED 31ST DECEMBER 2014

20 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iv) Liquidity Risk (Continued)

31st December 2013

	Carrying Amount MRf.	0-6 Months MRf.
Financial Liabilities (Non- Derivative)		
Other payables	2,368,555	2,368,555
Balance in Contribution Collection Account	13,311,580	13,311,580
Total	15,680,135	15,680,135

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

(v) Market Risk

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

(a) Interest Rate Risk

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

	31/12/2014 MRf.	31/12/2013 MRf.
Variable Rate Instruments		
Financial Assets	15,000,000	15,000,000
Fixed Rate Instruments		
Financial Assets	3,349,221,119	2,421,488,248

21 COMPARATIVE INFORMATION

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

22 EVENTS AFTER THE REPORTING DATE

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

23 MANagements' Responsibilities

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



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