

Annual Report 2018





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The header for the 'Acronyms' section features a dark blue rounded rectangle with a white border. To its left is an orange hexagonal shape with a white border, partially overlapping the rectangle. The word 'Acronyms' is written in white, bold, sans-serif font inside the blue rectangle.

Acronyms

ARMC	Audit and Risk Management Committee
CEO	Chief Executive Officer
CMDA	Capital Market Development Authority
HDFC	Housing Development Finance Corporation Limited
HR	Human Resources
IIAS	International Internal Audit Standards
IPO	Initial Public Offering
ISSA	International Social Security Association
IT	Information Technology
MMA	Maldives Monetary Authority
MRPS	Maldives Retirement Pension Scheme
RAMP	Reserve Advisory and Management Program
RNC	Remuneration and Nomination Committee
RSA	Retirement Savings Account
SAA	Strategic Asset Allocation
SOE	State Owned Enterprise
SOIP	Statement of Investment Principles
SOP	Standard Operating Procedure
SPC	Statement of Pension Contribution



Chief Executive Officer's Statement



We are looking forward to 2019 as we will be marking the 10th anniversary milestone of Pension Office. Owing to our hardworking team, we have certainly achieved the affection and trust of the public since the inception of Pension Office in 2009.

Assets of the pension fund has grown to MVR 12.40 billion and over 140,000 individuals has contributed to the fund. During the year, pension contribution exceeded MVR 1.00 Billion and pension benefits were disbursed to over 25,000 beneficiaries.

As we prepare for the 10th year of Pension Office, there still remains a lot more to accomplish. Although the fundamentals of a pension fund has been established during the past 9 years, it is noted that additional effort is required to increase retirement benefit and expand fund coverage or enrollment.

Foundation for the future should be determined based on the aforementioned areas. New perspective is required for the benefit of members to address current legislative and administrative challenges. Work is required to initiate the Disability Insurance Scheme and further increase the enrollment of self-employed individuals in the pension scheme.

To further enhance the pension fund, two key activities

are planned for 2019. Firstly, the introduction of annuity products for MRPS members. Administrative work necessary for annuity products has now been completed. Secondly, technical consultancy of the World Bank is enlisted to diversify investments. This will enable the proposal of legislative amendments to the Government in a systematic manner. Our aspiration is that these will result in a very positive change to the Pension Office and pension fund.

Members of MRPS were given the opportunity to utilize pension fund to make payment for obligatory Hajj in 2019. This was facilitated by determining procedures that will not compromise the fundamental concept of the pension fund.

I wish to thank the Chairperson and Board Members for the continued guidance and advice regarding Pension Office affairs. Further, I satisfactorily note the work ethic of the Senior Management and other staff. The trust and endearment bestowed on the Pension Office by the public is a result of the dedicated efforts of our team.

I would also like to convey my gratitude to the President's Office, Ministry of Finance and other state institutions for the cooperation provided to the Pension Office.

I wish a bright future for the members of the pension fund and may the staff of the Pension Office be blessed with continued determination to continue this outstanding effort.



Key Statistics of 2018

Participation of over **423** public sector employers in MRPS.

Participation of over **1,632** private sector employers in MRPS.

Total number of employees contributing to MRPS is **95,087**.

Average monthly contribution to MRPS is MVR **92.00** million.

Average Retirement Pension disbursed per month is MVR **4.87** million.

MRPS Fund has MVR **12.40** billion including Accrued Rights.

Basic Pension disbursed to **16,860** beneficiaries.

Average Basic Pension disbursed per month is MVR **36.93** million.

Average State Other Pension disbursed per month is MVR **23.38** million.

Average Senior Citizen Allowance disbursed per month is MVR **45.90**



About Pension Office



PENSION OFFICE



Maldives Pension Administration Office (“Pension Office”) came into existence following ratification of the Maldives Pension Act (“Pension Act”) on 13th May 2009 by the President.

The Pension Office is an independent legal entity with perpetual succession, having a separate seal, possessing the power to sue and be sued in its own name and having the right to acquire, hold and dispose of movable and immovable assets in accordance with the law and to make undertakings in its own capacity.

Vision



To be the most trusted, respected, and loved public institution in the Maldives.

Mission



The future income security and income stability of all our people are assured upon their retirement.

We endeavor to:

- Manage Maldives Retirement Pensions Scheme
- Deliver exceptional pension services
- Establish outstanding communication and awareness
- Set high standards and benchmarks for pension



Core Values

Integrity

Set remarkably high standards of honesty and transparency and preserve impeccable image nationally and internationally.

Communication

Committed to openness and share frequently, simply and clearly.

Team Spirit

Culture of lively debate, respect for the opinions of others, humility and a commitment to continuous learning and helpfulness.

Innovation

Value people who generate, foster and present ideas and find new ways to interpret and understand surroundings and emerging trends.

Excellence

Passion, dynamism and determination to deliver the best results for members and ensure every one operates at full capacity.



Key Functions of Pension Office

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

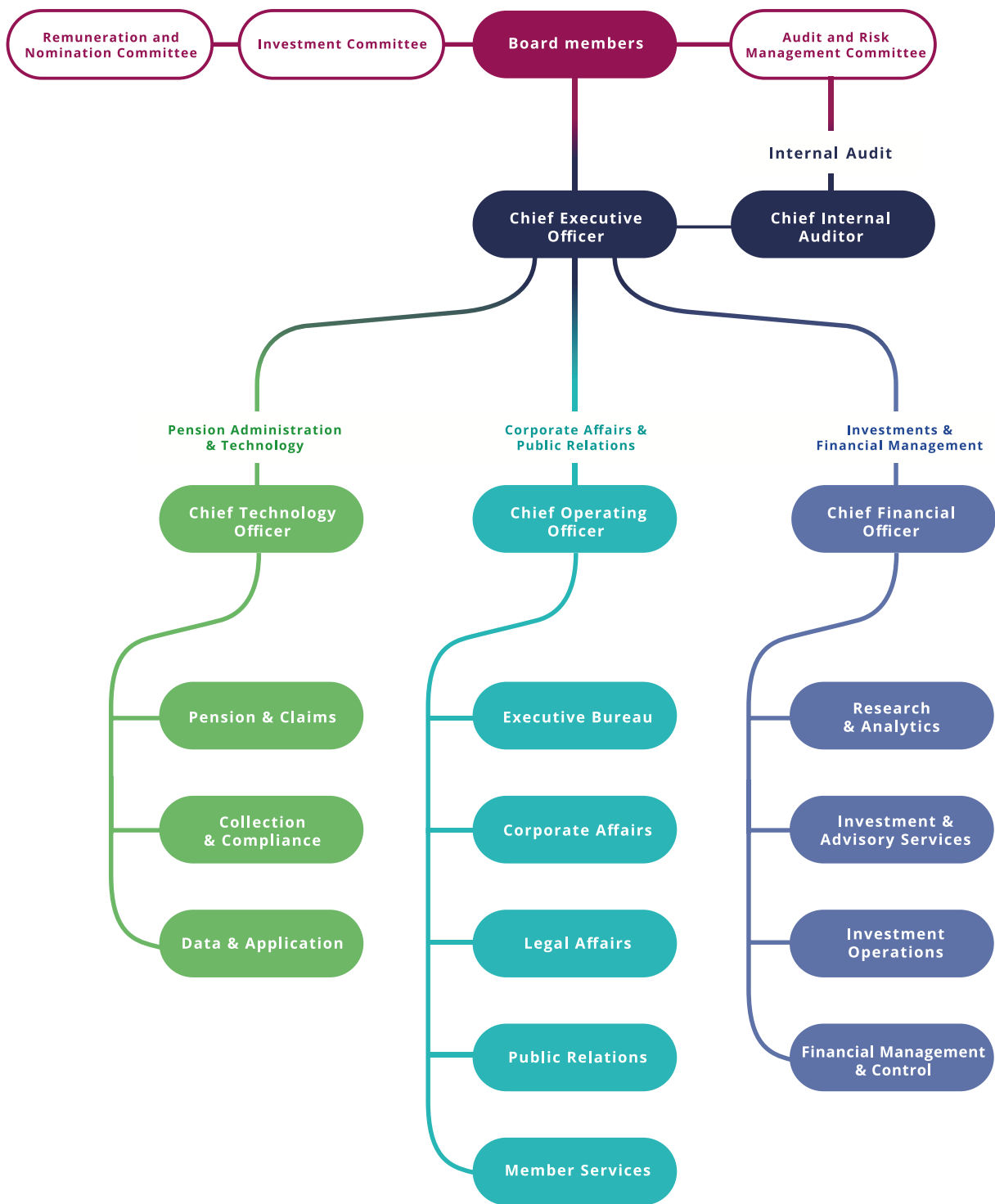
- Administer and manage Pension Schemes established under the Pension Act
- Provide Retirement Pension
- Pay Old-Age Basic Pension
- Formulate regulations, standards and guidelines to operate schemes established under the Pension Act
- Conduct awareness programmes on schemes established under the Pension Act

In addition to the aforementioned functions, disbursing State Other Pension and Senior Citizen Allowance to beneficiaries are functions of the Pension Office.

Administration Report



Organization Structure



Crucial changes were made effective from 01st January 2018 to the organization structure of the Pension Office in order to strengthen administration, achieve the vision and mission, and accelerate work. This change has enabled organizing and administering work effortlessly in accordance with the direction of the Board.

The organization structure introduced in 2018 is composed of 3 divisions overseen by the Chief Executive Officer. The 3 divisions are; Corporate Affairs and Public Relations Division,

Investment and Financial Management Division, Pension Administration and Technology Division. Further, the work of these 3 divisions are divided among 12 departments.

In addition, the current organization structure has an Internal Audit function reporting to the Audit and Risk Management Committee of the Board. All the work and staff of the Pension Office are assigned to these three divisions and function.



Corporate Affairs and Public Relations Division

Corporate Affairs and Public Relations Division is overseen by the Chief Operating Officer. This division is composed of 5 departments. They are the Executive Bureau, Corporate Affairs, Legal Affairs, Public Relations and Member Services.

Executive Bureau

Main functions of the Executive Bureau includes, providing administrative support to the Board and CEO, discharging the duties of Board Secretariat, preparing and safekeeping Board documents and conducting induction program for newly appointed Board Members.

Corporate Affairs

Corporate Affairs department manages the development of policies related to staff and human resources, manages all matters pertinent to staff, and facilitate administrative support.

Legal Affairs

Key responsibilities of the Legal Affairs department are providing legal advice, representing Pension Office at court of law, drafting of laws, regulations and contracts, and communicating with state institutions on legal matters.

Public Relations

Conducting campaigns through various mediums to raise awareness about the pension system, working on stakeholder relations, organizing Pension Office events, updating Pension Office website and social media platforms are responsibilities of the Public Relations department.

Member Services

Member Services department was established to communicate with individuals seeking information, entering documents and forms into the system, and issue statements from the Pension Office.



Investment and Financial Management

The Investment and Financial Management division comprises of 4 departments working under the Chief Financial Officer. The departments are Research and Analytics, Investments and Advisory Services, Investment Operations and Financial Management and Control.

Research and Analytics

Functions performed by Research and Analytics department includes performing due diligence on investments, researching financial status of listed companies and banks, compiling industry information, and evaluating investment risk.

Investment and Advisory Services

Investment and Advisory Services is mainly tasked with ensuring whether MRPS investments are made in accordance with the SOIP objectives, risk management and governance procedures.

Investment Operations

MRPS funds are managed by the Investment Operations department. Accordingly, daily fund valuation and unit price determination, trading securities, and disbursement of funds from MRPS are functions of this department.

Financial Management and Control

Financial Management and Control department provides administrative support related to disbursement of MRPS funds, issues benefits to beneficiaries of State Other Pension, prepares the Pension office budget and maintains records of expenditure.



Pension Administration and Technology

The 3 departments under Pension Administration and Technology division is directed by the Chief Technology Officer. The 3 departments are Pension and Claims, Collection and Compliance, Data and Application.

Pension and Claims

Major responsibilities of the Pension and Claim department includes, timely disbursement of pension and State allowances to beneficiaries, handover of funds through the courts to heirs of deceased members, facilitating the collateralisation of RSA funds for housing purchases, and recovering overpayments.

Collection and Compliance

Receiving MRPS contribution from employers and reconciling contribution to RSA of members, ensuring employer's compliance with Pension Act and regulations, taking action against non-compliers are tasked to Collection and Compliance department.

Data and Application

Essential functions undertaken by the Data and Application department includes, management of "Koshaaru" system, other internal systems and databases, maintaining IT infrastructure of Google Cloud Platform, providing technical assistance, generating various reports for the Management, developing software and providing software related training to staff, and developing Pension Office website and



Internal Audit

Internal Audit function is overseen by the Chief Internal Auditor. This function was established to audit different areas of the Pension Office, report audit findings to CEO and Board committees, and oversee implementation of audit recommendations.



Pension Office Financing

As per Section 7 (a) of the Pension Act, the Pension Office is financed through an administrative fee charged on the RSA balance of MRPS members. Accordingly, administrative fee of 0.60 percent charged in 2018 was less than the administrative fee of 0.80 percent charged during the preceding year.

The total income received in 2018 as administrative fee was MVR 49,852,977.08 million and the total annual expenditure amounted to MVR 38,589,839.54.

Activity Report



Numerous activities and work beneficial to the community were undertaken during 2018 to further promote the objectives of Pension Office, strengthen administration and increase the scope of services.



Internal Audit and Risk Management

Internal Audit continues to be an important pillar within the governance framework at Pension Office, since the setup of the in-house audit function in August 2015. It assists in accomplishing organizations objectives by supporting the independent and objective appraisal of business processes to ensure sound and appropriate internal control systems are in place. Overseen by ARMC, and in collaboration with the Management, Internal Audit continued to work towards the development of a sustainable function during the year 2018.

Program of Internal Audit - Annual Audit Plan

In setting the program of internal audits for the reporting period, an annual audit plan was developed which consists of audit assignments and schedule for the calendar year. It identified and prioritized the reviews using the results of the annual risk assessment of the audit universe including input from Management and approved by ARMC. The major reviews identified included processes under Pension Administration and Investment Operation.

Internal Audit conducted regular and systematic reviews on the adequacy and effectiveness of key controls and processes of the operating units.

During the year under review, 4 audits were undertaken of which, 3 audits were completed and 1 audit is in progress. Those audits included review of pension payment disbursements with the corresponding account reconciliations, audit of collateralization of accumulated savings in the pension fund for home purchase financing, bank verification process of members for the purpose of pension disbursements, determination of unit price for valuation of members RSA, switching of member portfolios and a review of pension overpayments and recovery process. The results of the audit work, incorporating audit recommendations and Management responses on control issues were reported to ARMC during the year.

Periodic follow up on outstanding audit recommendations

Throughout the year, Internal Audit monitored Management's progress towards implementing the agreed

recommendations from previous reviews. The follow up reports were periodically submitted to ARMC. This validates the continuing effort by the Management to close outstanding audit actions.

Internal Audit Gap Analysis exercise

During the last quarter of the year ended, Internal Audit carried out a gap analysis exercise to identify initiatives for the development of the function to ensure audits were performed in line with best practices of the profession. This identified needs and opportunities for improvement by aligning the current state with the future vision of the function. The identified initiatives along the line of its core characteristics such as its roles, people, planning, work practices, standards, performance and technology were included as part of the strategic plan activities for the year 2019. This was to be reassessed annually and maintained in an ongoing basis for the purposes of strengthening the function.

Other key development activities

Over the reporting period, preparation of work programs for future audits were carried out, which documented four major area's process maps, control reviews, and test programs. Other Internal Audit efforts included reviewing working papers used in audits such as test formats and findings sheet and refining those documentations to be in-line with IIAS. Additionally, work was underway to develop new performance targets to improve efficiency and productivity of the function. Apart from this, to enhance professional competency, audit staff participated in various in-house and external professional training in internal audit and other areas during the period under review.

Risk based regulatory inspection by CMDA

During the reporting period, apart from Internal Audit independent appraisals, annual onsite risk based inspection was carried out by CMDA. Key areas assessed by the inspection included, operational risks, investment risks, risks to member data and public awareness. The inspection suggested number of control and process improvements.

Stakeholder Relations

During 2018, the Public Relations department of the Pension Office conducted wide-ranging activities to promote stakeholder relations and raise awareness of the general public on matters relevant to pension.

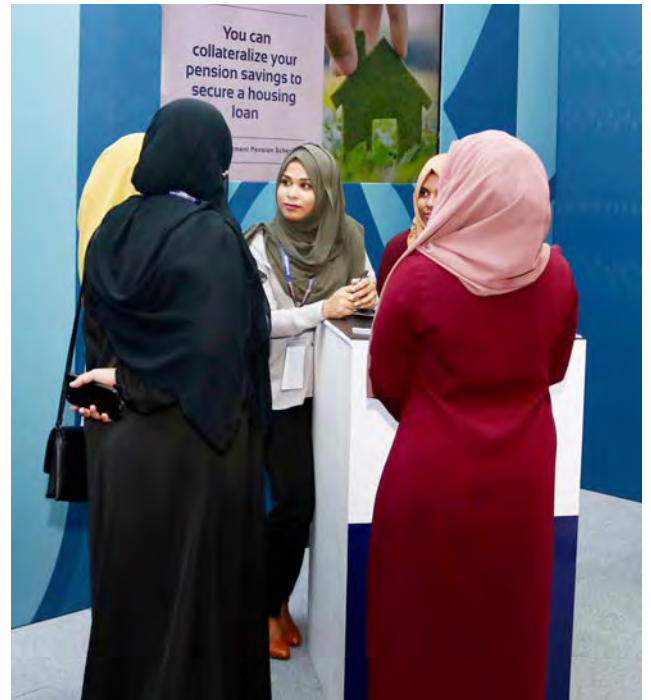
Activity/Work	Total
Information Session	16
TV/Radio Program	12
News/News Articles	42
Social Media Posts	263
TV Commercials	6
Billboards/Tactical Boards	12
Leaflets	300
Merchandise Distribution	1500

Maldives Finance Forum



The Maldives Finance Forum organized by the Pension Office annually since 2012 was held in 2018, with the theme focusing on “The Role of Institutional Investors in Long-Term Financing for Growth and Development”. The participants of the Forum held on 30th April 2018 at the Kurumba Maldives Resort included leading figures and technical experts in economic and financial sector.

Participated in HR Summit 2018



Pension Office made a presentation on the topic of "Pension as an Employee Benefit" in the "HR Summit 2018". HR Maldives organised the summit focusing on executives working in the human resource field in the Maldives. Information was provided to over 200 participants of the summit on promoting pension as a benefit to employees and advantages of pension to both the employers and employees. Additional information related to pension was disseminated through a stall of Pension Office.

Roadshow



A roadshow was held jointly with HDFC to inform MRPS members on collateralizing pension fund to finance housing purchases. Additional information related to MRPS was also provided during this event.

Information Sessions



Sessions were held in Male' and in the atolls to spread information on MRPS to private and public sector employees, and students as well. During these sessions information on the pension system and pension schemes were provided to over 1087 participants.

Media



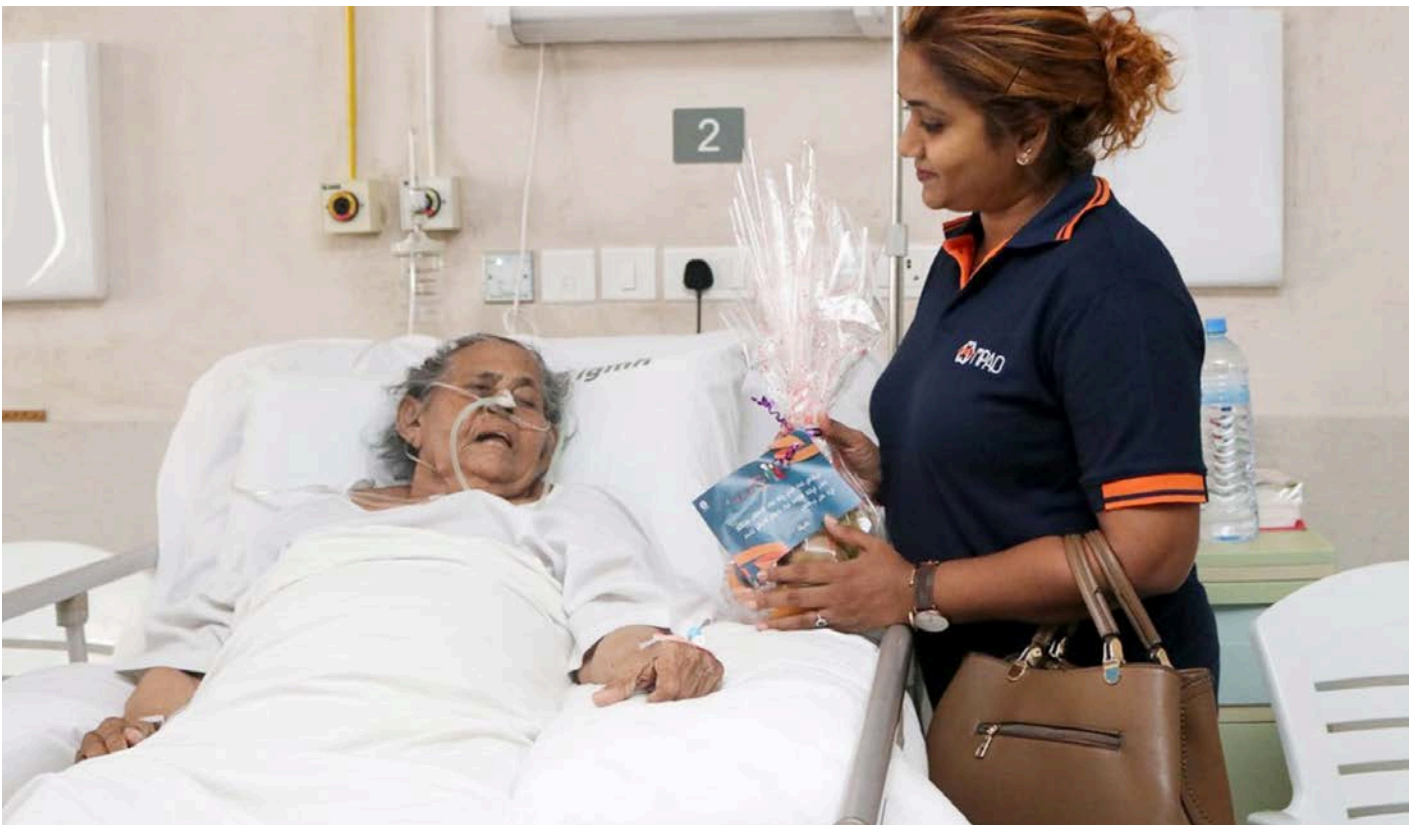
Awareness on pension system was raised during 2018 through TV, Radio and Newspaper media outlets. These included advertisements, television programmes and newspaper articles. In addition, special attention was given during the year to utilize social media to promote knowledge. Accordingly, popular social media platforms were engaged to disseminate information and news.

Celebrating International Day of Older Persons



To celebrate the International Day of Older Persons, Pension Office held an event on 12th December 2018 in HDh. Kulhudhuffushi. During this program information on areas relevant to senior citizens were provided. In addition, video profiles of notable senior citizens from Kulhudhuffushi was presented. Further, "Madhadhu" program planned to be jointly conducted by the Pension Office and Maldivian Red Crescent was launched. Announcement was made during the event that a park will be developed in Kulhudhuffushi for senior citizens by the Pension Office.

Corporate Social Responsibility Activities



Following are the summary of corporate social responsibility activities carried out by the Pension Office in 2018:

- Provided financial and technical assistance to “Ranveyla” program activities under the memorandum of understanding between Pension Office and Ministry of Gender, Family and Social Services.
- Provided financial assistance to strengthen administrative affairs of Senior Citizens Association of the Maldives.
- Provided financial assistance to the survey conducted by the Human Rights Commission of the Maldives to ascertain the conditions of senior citizens and people with special needs.
- Provided financial assistance to the Special Prevention Program organised by the National Drug Agency.
- Staff of Pension Office visited senior citizens admitted at Indra Gandhi Memorial Hospital on 01st October 2018 and donated 150 fruit baskets to mark the International Day of Older Persons.
- Provided financial assistance to the Accounting Forum organised by the Auditor General's Office.



Pension Office rigorously focuses on providing efficient and speedy services by utilizing modern information technology. Accordingly, systems are in place to cater for external and internal demands.

Significant work in the IT field was executed by the Data and Application department of the Pension Office in 2018.

Development of Cloudnet

Cloudnet functions as the intranet to speed up the processes and link various departments of Pension Office. During 2018, numerous developments were made to Cloudnet.

Initiatives made in this regard includes development of ticket generation module for outgoing documents through Cloudnet, multiple ticket generation module, multiple document and notice attachment module, API to connect HR system and attendance devices and updating SOP maintenance application.

In addition, applications for Cloudnet SMS notification, generate documents like letters and notices automatically, print cheques, share attendance information through Facebook Workplace chat function, generate guest wi-fi codes, and pension payout beneficiary portal were developed.

To increase the usefulness of Cloudnet, effort was made to develop bank account verification portal, phone call logging application, manual overpayment refund portal, "Koshaaru" pension payout and billing scheduling application, and asset management software for pension fund.

Development of Software

Important work carried out in 2018 to develop various types of software used by the Pension Office includes:

- Development of Information System software to manage updated information of MRPS members and employers

- Development of Online Voluntary Contribution software for self-employed individuals to enable making pension contributions in an efficient manner
- Development of Authentication System to allow the usage of different software and websites using a single username and password
- Development of Investment portal called "Binaa" to facilitate the submission of documents by parties seeking investment from the pension fund
- Development of Software for online submission of service request forms to Pension Office
- Development of "Koshaaru" module to make annuity payments from pension system

Development of Website and Mobile App

To enable easy access to information related to Pension Office, further improvements were made to the website and mobile app of Pension Office during the year in review. Accordingly, English version of the website was launched and work on designing second version of the website was initiated. Further, additional components were added to the mobile application.

IT Security

Entire IT infrastructure of Pension Office was transferred to the Google Cloud Platform in 2017. Continuous effort is made to ensure the security of IT infrastructure of Pension Office. A disaster recovery plan was tested in 2018 to prevent security challenges to the IT infrastructure, ways to restore the system and reduce outage time was identified during this process.

Compliance

It is mandatory under the Pension Act for the employer to enroll employees in MRPS and make regular pension contributions on their behalf. In 2018, first notice was issued to 3,463 non-compliers and final notice was issued to 1,370 non-compliers for failing to pay pension contributions.

Numerous inspections were carried out to ascertain employers compliance with the Pension Act and relevant regulations during the year. Following are the details of such inspections.

Details of Inspections	Total
Number of planned inspections and number of ad hoc inspections	66
Number of door to door inspections	84
Total Number of Inspections in 2018	150

Legal Action

Request was made to take legal action against 69 non-compliant employers by the Collection and Compliance department in 2018. From these, 28 employers paid the pension contribution and submitted SPC prior to the initiation of legal action.

During 2018, cases against 39 employers were registered in Civil Court for failing to comply with notices. Following court verdicts, 14 employers settled the outstanding payment.

Judgement enforcement cases against 26 employers were submitted for not complying with the Civil Court verdicts.

Legislative and Regulatory Developments

Laws and Regulations	Introduction Date
Regulation on Enrollment and Disbursement of Benefits to Foreign Employees under the Maldives Retirement Pension Scheme	27th March 2018
2nd Amendment to Regulation on Basic Pension to Older Persons	27th December 2018
1st Amendment to Regulation on Disbursement from Maldives Retirement Pension Scheme	27th December 2018
2nd Amendment to Regulation on Maldives Retirement Pension Scheme	27th December 2018

Training

Pension Office gives priority to ensure that staff members have the necessary talent and information to discharge job responsibilities. In this regard, training opportunities were facilitated in 2018 to increase their productivity.

A total of 21 employees participated in seminars, workshops and conferences held abroad. Further, 33 staff participated in trainings/workshops and forums organised by 11 different local institutes. In addition, Pension Office organised a training program for all staff members on Dhivehi language.

Redevelopment of "Koshaaru" portal used to make MRPS contributions is scheduled for 2019. A one day workshop for the Data and Application team was held in V. Fulidhoo island to prepare for this initiative, brainstorm and provide information on system modules.

Training programs aimed at customers of Pension Office were also held. In this regard, training on SPC submission was provided to 65 employers during the year.

Scheme Administration Report



Under the Pension Act, Pension Office administers three pension schemes, namely Maldives Retirement Pension Scheme (MRPS), Old-Age Basic Pension Scheme (BP) and Collateralization of MRPS Funds for Housing Finance Scheme. Additionally, Pension Office disburses State Other Pension under an agency arrangement.

Details	MRPS	Basic Pension	State Other Pension	Senior Citizen Allowance
Beneficiaries per month (average)	1,240	16,860	7,230	17,335
Total disbursed amount (MVR)	58,462,860.47	443,152,107.85	280,560,577.89	550,823,763.65

Details of disbursement in 2018 under schemes administered by the Pension Office and as State Other Pension

Maldives Retirement Pension Scheme (MRPS)

The primary objective of MRPS is to ensure individuals save during employment to cater for their livelihood in retirement and ultimately creating financial independence. MRPS is a defined contributory pension scheme administered with contribution of 14.00 percent of the pensionable wage by both employees and employers. The members of this scheme receive investment returns in addition to the contributions.

Following are the details of contributions, enrollment of employees and employers in MRPS as at 31st December 2018.

Contributions to MRPS	Amount in MVR
Public sector contributions	437,284,981.49
Private sector contributions	663,570,658.35
Total contributions to the Scheme in 2018	1,100,855,639.84

Members Enrolled in MRPS	Total
Members enrolled from public sector	40,066
Members enrolled from private sector	55,021
Total members in the Scheme by 31st December 2018	95,087

Employers Enrolled in MRPS	Total
Employers enrolled from public sector	423
Employers enrolled from private sector	1,632
Total Employers in the Scheme by 31st December 2018	2,055

During 2018, MVR 58,462,860.47 was disbursed to MRPS members as pension benefit. On average, 1,240 members received MRPS benefits per month.



Old-Age Basic Pension Scheme (BP)

Old-Age Basic Pension Scheme (BP) is designed to provide financial security for individuals who had no access to pensionable income prior to retirement age. This scheme is a lifelong pension benefit, fully funded by the Government, provided to all Maldivian citizens who have reached the age of 65, subject to meeting the eligibility criteria of the scheme.

A total of MVR 443,152,107.85 was disbursed as Basic Pension during the year and on average 16,860 beneficiaries received Basic Pension monthly.



Collateralization of RSA Balance for Housing Finance

Pursuant to the 3rd Amendment of Pension Act, MRPS members were given the opportunity to collateralize RSA balance towards the down payment of housing purchases. This scheme is administered in collaboration with mortgage finance providers. Under this scheme, members will be able to utilize the accumulated pension savings towards paying the down payment for home purchases.

A total of 159 application by 242 MRPS members was received in 2018 to collateralize RSA funds for housing purchases. From these, funds were collateralized for 138 applications of 206 members. The total amount of collateralized funds are MVR 31,345,050.14.



Disbursement of State Other Pension

Under a memorandum of understanding executed between Pension Office and the Ministry of Finance, State Other Pension are disbursed by the Pension Office since April 2011.

During the year a total of MVR 280,560,577.89 was disbursed to beneficiaries as State Other Pension. On average 7,230 individuals received State Other Pension monthly.

Furthermore, effective from February 2014, Pension Office was assigned to disburse 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.

Total of MVR 550,823,763.65 was disbursed as Senior Citizen Allowance in 2018. On average 17,335 beneficiaries received the allowance monthly.

Capital Market and Financial Sector Highlights





Economic Outlook

During the year, the Maldivian economy grew by 7.65 percent according to figures published by the MMA. Economic growth translated to increase in government revenue from January to December 2018, standing at MVR 21.32 billion representing a 5.25 percent increase.

Tax revenue for the government, increased in 2018 by 4.21 percent from 14.74 billion to 15.36 billion compared to the corresponding previous period. The biggest contributors to tax revenue were GST, Import duty, BPT with a combined share of tax revenue at 85.16 percent, and grew by 5.86 percent compared to the previous year. The Government expenditure for the same period was MVR 25.84 billion, which represents an increase of 14.84 percent from 2017. The increase in expenditure was contributed by an increase of 20.29 percent spending on recurrent expenditure compared to the same period last year.



Summary of Capital and Financial Markets

The banking assets stood at MVR 50.97 billion, which represents a modest growth of 4.67 percent as at December 2018 compared to the same period last year. The deposit base of the banks stood at MVR 30.03 billion, representing an increase of 3.23 percent. Despite the growth in deposit base and a reduction of reserve ratio during 2015 by the central bank, lending grew by 7.89 percent during the year, compared to 16.00 percent increase in the previous year. Banks increased deposits with MMA by 1.72 percent, compared to the previous period in which the banks increased its holdings with MMA by 15.06 percent.

The lending rate by banks to the private sector increased to 10.68 percent by the end of the year, compared to 10.11 percent at the end of the previous year. Lending rate for the public sector increased to 9.68 percent compared to 9.17 percent during the previous year.

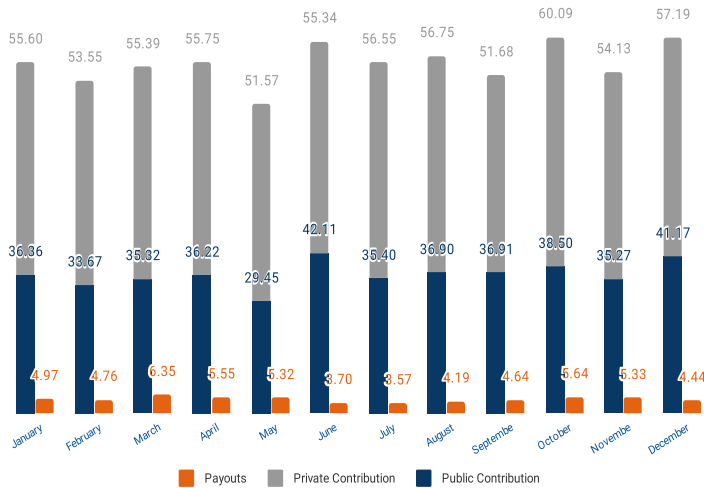
The interest on short term deposits offered by banks increased to 2.52 percent on average, and the interest on long term bank deposits increased to 3.28 percent at the end of the year. The rates of the Government treasury bills remained unchanged at 3.50 percent, 3.87 percent, 4.23 percent and 4.60 percent for 28 day, 91 day, 182 day and 364 day respectively.

During the year, HDFC listed a conservative bond to cater for the housing demand fueled by developments in Hulhumale. There were no new IPOs in the capital market in 2018 and liquidity in the capital market remained thin. The MASIX index of the Maldives stock exchange decreased by 2.96 percent during the year.

MRPS Investment Report



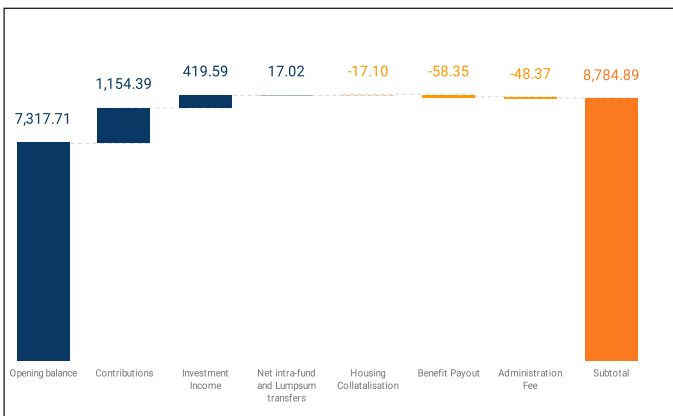
Contributions and Payouts (MVR, Millions)



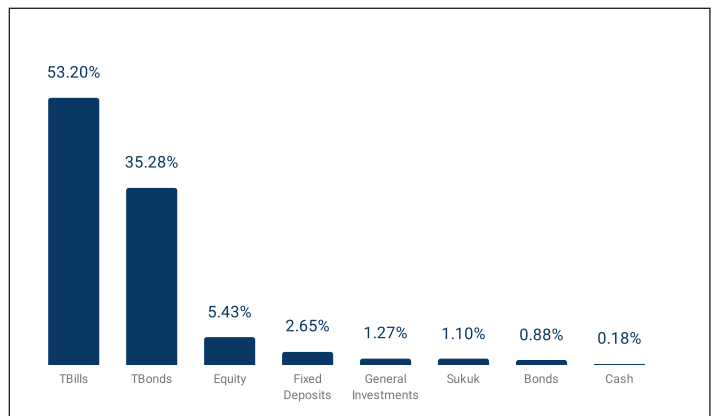
During the year, MRPS members contributed a total of MVR 1,100.86 million which represented an 8.00 percent increase from the previous year. The average contributions for the year was MVR 92.00 million per month which represents an increase of MVR 7.00 million per month from the previous year. The total pension payouts for the year was MVR 58.46 million representing an average pension payout of MVR 4.87 million per month. In terms of the contribution composition, private sector contributions represented 60.00 percent of the total contributions to the scheme.

MRPS Funds Performance (MVR, Millions)

MRPS Assets



MRPS Assets, by category



MRPS consist of four different funds; (1) Investment Fund, (2) Sharia Fund, (3) Conservative Fund and (4) Sharia Retirees Fund. The combined asset value of all funds, increased by 20.05 percent on a net basis during the year, from MVR 7.31 billion to MVR 8.78 billion.

During the year, the holdings in treasury bills and fixed deposits increased to 53.20 percent and 2.65 percent respectively compared to 46.48 percent and 2.08 percent in 2017. During the year, placements in long term fixed deposits were increased as part of the policy to shift the asset allocation towards longer term instruments as per the target asset allocation adopted in 2017. Investments in the asset classes and maturities remain fairly constant with the 2017 trend.

Asset Class Performance

Asset Class	Weight	Annual Return 2018
Equity	5.44%	12.93%
Sukuk	1.11%	8.41%
T-Bond	35.34%	5.21%
T-Bill	53.30%	4.76%
Fixed Deposits	2.66%	3.60%
General Investments	1.28%	3.34%
Bond	0.88%	3.14%

Fixed Deposits	Weight	Annual Return 2018
12 Months	1.26%	2.58%
03 Years	0.53%	0.51%
05 Years	0.87%	0.51%

In terms of the individual performance of the asset classes, equity was the best performing asset in 2018 with 12.93 percent return from dividend payments; equity generated an annual return of 18.80 percent in 2017. Investments in Sukuk was the second highest performing asset with a return of 8.41 percent. Treasury bonds, which consists of tenures ranging from five to eight years, made an annual return of 5.21 percent from coupon payments compared to 5.50 percent in 2017. The return on treasury bills was 4.76 percent compared to 4.71 percent in 2017.

Individual Fund Performances

MRPS Funds	Net Assets (MVR, Millions)	Returns			
		2018	2017	2 Year Average Return	Since Inception
Pre-Retirement Funds					
Investment	8273.49	5.40%	5.20%	5.30%	6.78%
Sharia	146.44	5.88%	2.80%	4.34%	2.37%
Post-Retirement Funds					
Conservative	334.08	4.59%	4.35%	4.47%	5.71%
Sharia Conservative	5.47	3.39%	0.42%	1.91%	0.47%
Recognition Bond	3422.85	5.00%	6.00%	5.50%	5.46%

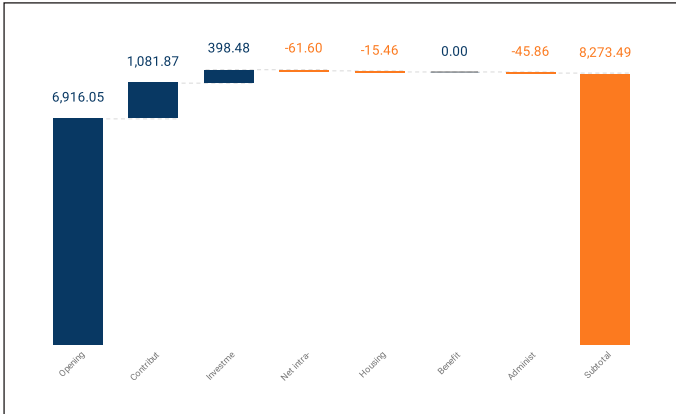
During the year, Investment Fund which is the biggest fund of MRPS by asset value made an investment return of 5.40 percent, compared to 5.20 percent the previous year. The Sharia Fund made a return of 5.88 percent compared to 2.80 percent return from the previous year. The increased returns of the Sharia Fund represent the return from sharia bond instrument invested in 2017.

The Conservative Fund is a treasury bill fund and made a return of 4.59 percent during the year compared to 4.35 percent made in 2017. The Sharia Conservative Fund makes its investments entirely in General Investment Accounts and made an investment return of 3.39 percent.

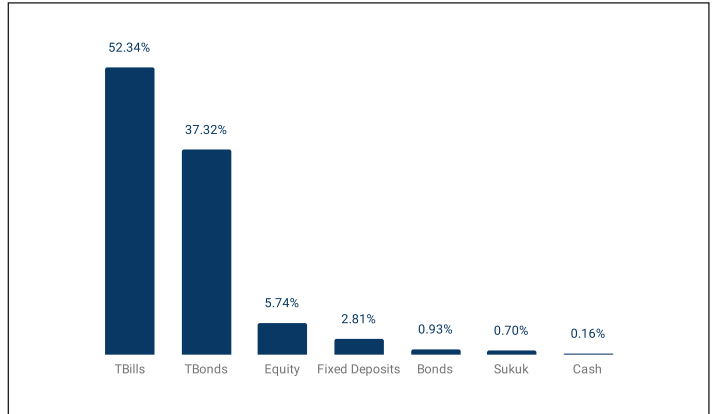
The Recognition Bond Fund represents the service recognition bonds awarded to Government employees who were in service at the time of the Pension Act implementation in 2009. The returns are accrued based on the highest fixed deposit rate of the previous year, and the returns were accrued at 5.00 percent during 2018.

Investment Fund

Investment Fund



Investment Fund Composition

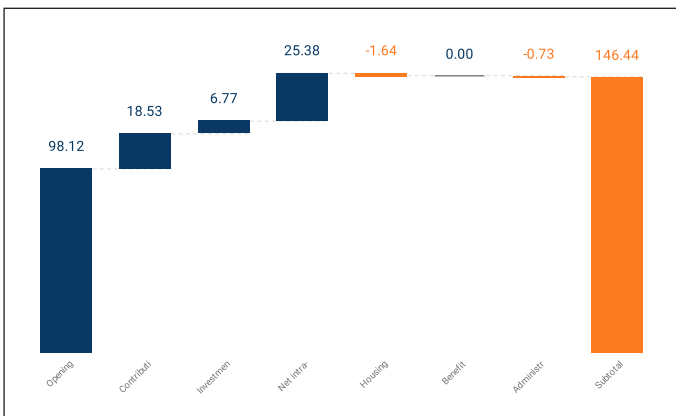


Net assets of the Investment Fund increased by 19.63 percent during the year compared to 2017. The contribution inflow was recorded at MVR 1.00 billion and MVR 398.00 million was earned as investment income. Housing collateralization outflows represents funds transferred to financial institutions under the housing collateralization scheme, and amounted to MVR 15.00 million. The outflows and lump sum transfers represent inter-fund transfer to MRPS Conservative Fund due to the retirement or death of members, and amounted to MVR 61.60 during the year. All MRPS funds are charged an administrative fee of 0.60 percent, and this fee amounted to MVR 45.90 million for the Investment Fund.

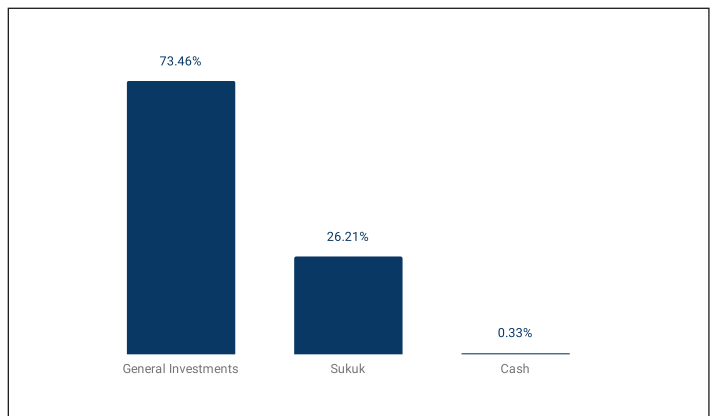
In terms of the fund composition, 43.00 percent of the funds are placed in long term investments which consist of treasury bonds, equity and corporate bonds, both as conventional and sharia instruments. The composition of treasury bonds and fixed deposits stood at 56.00 percent of the fund. Further, 53.00 percent of the fixed deposits were placed in long term tenures.

Sharia Fund

Sharia Fund



Sharia Fund Composition



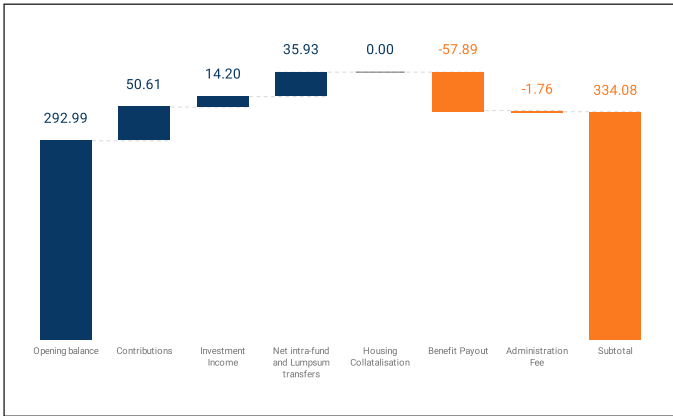
Pension contribution from members who opt to invest their funds in sharia instruments are invested in the Sharia Fund. The net assets of the fund increased by 49.00 percent during the year. The contribution inflow was recorded at MVR 18.53 million and MVR 6.77 million was earned as investment income.

Housing collateralization outflows amounted to MVR 1.64 million. The inflow and lump sum transfers represent inter-fund transfer to MRPS Sharia Retirees Fund due to retirement or death of members and due to the switch of funds from Conservative Fund to Sharia Fund, and amounted to MVR 25.38 million during the year. Further, MVR 0.73 million was charged on the fund as administrative fee at the rate of 0.60 percent for the year.

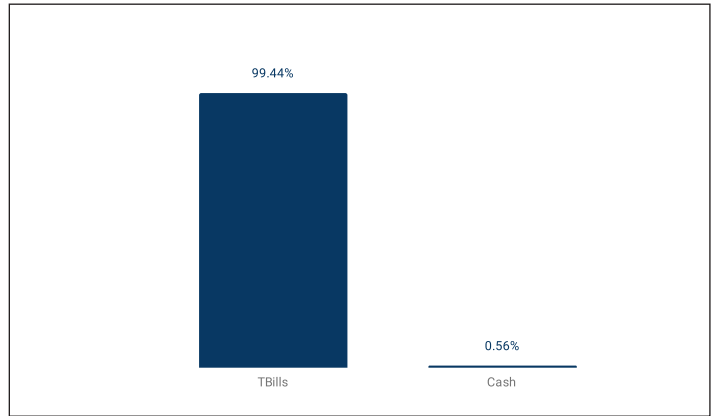
The fund comprises of two asset classes; General Investment Accounts placed with Maldives Islamic Bank and Sukuk fixed income instruments which represents 73.00 percent and 26.00 percent of the fund respectively.

Conservative Fund

Conservative Fund



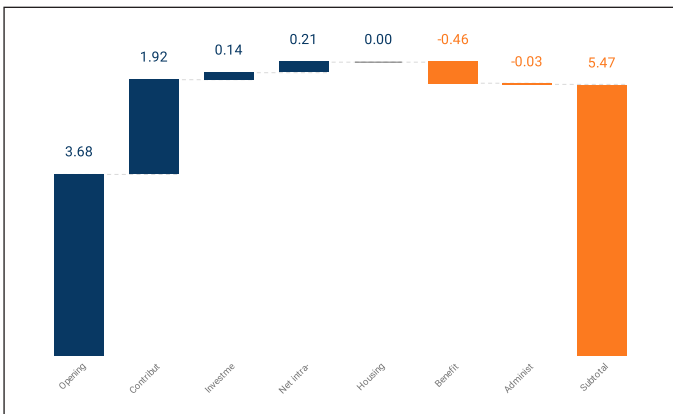
Conservative Fund Composition



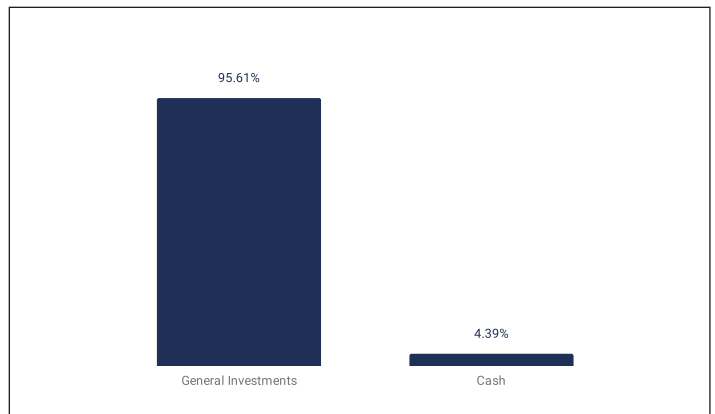
The Conservative Fund of MRPS is a payout fund, and manages the funds of MRPS retirees using conventional assets. The assets of the fund increased by 14.00 percent during the year. Contributions to the fund consists of inflows from liquidation of Recognition Bond, and the net intra-fund inflows represent the inflows from MRPS Investment Fund as members reach the retirement age of 65 years. A total of MVR 57.89 million was paid out as monthly pension payout, and the administrative fee charged on the fund was MVR 1.76 million. The fund remains fully invested in treasury bills and the cash position which represents the cash float set aside for meeting the pension payout of retirees.

Sharia Retirees Fund

Sharia Retirees Fund



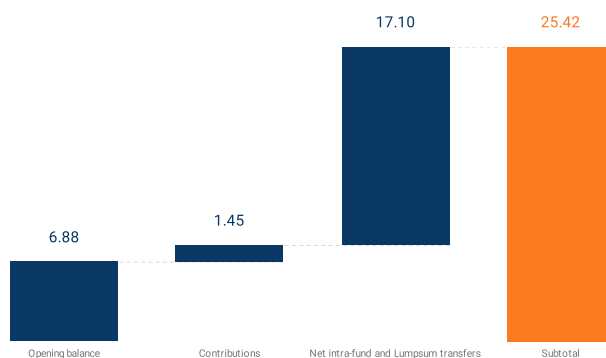
Sharia Retirees Fund Composition



The Sharia Retirees Fund was created during 2016 to manage the investments of members retiring from MRPS Sharia Fund, in sharia compliant assets. The fund remains completely invested in General Investment Account instruments of the Maldives Islamic Bank. A total of MVR 0.46 million was paid out as pension payout and an administrative fee of MVR 0.03 million was charged on the fund.



Housing Fund



The Housing Fund was created during 2017 and represents funds transferred to financial institutions under the housing collateralization scheme. During 2018, MVR 17.10 million was transferred to the Housing Fund from the Investment Fund and Sharia Fund. Further, MVR 1.45 million was transferred to the Housing Fund from the Recognition Bond. At the end of 2018, a total outflow of MVR 25.42 million was transferred for the purpose of housing collateralization to the Housing Fund.

Board Members Report



Composition of the Pension Office Board

The eight Board Members representing the public sector and the private sector are appointed by the President in accordance with Section 8 of the Pension Act. Further, the Chairperson and the four private sector representatives are nominated by the Selection Committee formed jointly by the Civil Service Commission, Ministry of Finance, and the Ministry responsible for social security. All candidates for Board membership are scrutinized by the CMDA for regulatory compliance before their appointment.

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

Board Members



Mr. Muznee Mohamed
Board Member representing
Capital Market Development
Authority



Ms. Maryam Abdul Nasir
Board Member representing
Ministry of Finance



Ms. Aminath Shifana
Board Member representing
Ministry of Gender, Family and
Social Services



Mr. Ilyas Haneef
Board Member representing the
private sector



Uza. Noorbaan Fahmy
Board Member representing the
private sector



Mr. Abdulla Ali
Board Member representing the
private sector



Ms. Aishath Lu-u-lua Hassan
Board Member representing the
private sector

Details of Board Succession in 2018

Mr. Ibrahim Ahmed Nasir served as the Chairperson of the Board in 2018 and there was no change to the position during the year.

Mr. Muznee Mohamed, representative of CMDA was re-appointed on 20th February 2017 for a second term. There was no change to securities market representative in 2018.

Ms. Aminath Shifana was appointed on 21st March 2017 to the Board as the representative of the Ministry of Gender, Family and Social Services and remained in the post throughout 2018.

Mr. Abdulla Ali who represented the Ministry of Finance, vacated Board membership on 28th March 2018, following his departure from the Ministry. Hence, Ms. Maryam Abdul Nasir was appointed on 28th March 2018 as the Ministry of Finance representative.

Mr. Ali Shareef, a private sector representative completed his first term on 03rd February 2018. As his replacement, Uza. Noorbaan Fahmy was appointed on 15th February 2018.

The term of private sector representative, Ms. Fathmath Muaza Ibrahim expired on 11th October 2018. Accordingly, Mr. Abdulla Ali was appointed on 10th December 2018 as her replacement.

Mr. Ali Faris Mohamed left the Board on 21st November 2018 upon expiry of his term as a private sector representative.

#	Name	Term	Capacity
1	Mr. Muznee Mohamed	<ul style="list-style-type: none"> Appointed on 20th February 2014 for a 3 year term. (First Term) Appointed on 20th February 2017 for a 3 year term. (Second Term) 	Board Member representing Securities Market Regulator
2	Mr. Abdulla Ali	<ul style="list-style-type: none"> Appointed on 20th February 2017 for a 3 year term. (First Term) Vacated on 28th March 2018 (On leaving employment with the Ministry of Finance) Appointed on 20th February 2017 for a 3 year term. (Second Term) 	Board Member representing Ministry of Finance Board Member representing the private sector
3	Ms. Aminath Shifana	<ul style="list-style-type: none"> Appointed on 21st March 2017 for a 3 year term. (First Term) 	Board Member representing the Ministry responsible for social security
4	Mr. Ilyas Haneef	<ul style="list-style-type: none"> Appointed on 12th April 2017 for a 3 year term. (First Term) 	Board Member representing the private sector
5	Mr. Ibrahim Ahmed Nasir	<ul style="list-style-type: none"> Appointed from 20th August 2012 until 1st October 2014 (First Term) Appointed on 07th September 2017 for a 3 year term. (Second Term) 	Board Member representing the private sector Board Chairperson
6	Mr. Ali Shareef	<ul style="list-style-type: none"> Appointed on 04th February 2015 for a 3 year term. (First Term) Vacated on 03rd February 2018 (On expiry of term) 	Board Member representing the private sector
7	Uza. Noorbaan Fahmy	<ul style="list-style-type: none"> Appointed on 15th February 2018 for a 3 year term. (First Term) 	Board Member representing the private sector
8	Ms. Maryam Abdul Nasir	<ul style="list-style-type: none"> Appointed on 28th March 2018 for a 3 year term. (First Term) 	Board Member representing Ministry of Finance
9	Ms. Fathmath Muaza Ibrahim	<ul style="list-style-type: none"> Appointed on 12th October 2015 for a 3 year term. (First Term) Vacated on 11th October 2018 (On expiry of term) 	Board Member representing the private sector
10	Mr. Ali Faris Mohamed	<ul style="list-style-type: none"> Appointed on 22nd November 2015 for a 3 year term. (First Term) Vacated on 21st November 2018 (On expiry of term) 	Board Member representing the private sector

Attendance of Board Meetings

During the year 2018, the Board met 14 times. Attendance of Board meetings are as follows:

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

Changes to Board Committees in 2018

In order to strengthen the performance of the Board, specific responsibilities are delegated to 4 committees. They are the Audit and Risk Management Committee, Investment Committee, Remuneration and Nomination Committee, Innovation and Technology Committee.

Innovation and Technology committee was formed and members were appointed by the Board in July 2018.

The main objective of composing Innovation and Technology committee was to reduce the dependency of IT matters on a single source, including opinion of Board Members and an independent expert in key IT related decisions.



Board Decisions and Activity Review for 2018

Strengthening Pension Office Governance

Similar to previous years, the Board initiated the review and formulation of a number of internal policies designed to improve the accountability and transparency of internal procedures. As part of this process various policies were formulated and implemented.

Accordingly, the Board reviewed SOIP, Credit Card Policy, and procedure on SAA. In addition, Employee Housing Assistance Policy, Gratuity Policy and Business Continuity Management Policy of Pension Office was approved in 2018.

The Board closely monitored whether actions were taken in accordance with the legal requirements and procedures against non-complying employers listed in the website and during court cases involving such employers.

Another important effort was the formulation and implementation of the Pension Office of Strategic Plan in 2018. Further, review of the Code of Conduct and Rules of Procedures of the Board was initiated during the year. To strengthen and increase transparency of systems, an audit of Pension Office information technology system was successfully conducted under the supervision of CMDA with the authorisation of the Board. Additionally, the Board deliberated on and took necessary actions to comply with recommendations made following annual audit by CMDA.

Board took the initiative to adopt international best practices in order to increase the credibility of Pension Office and the Management has commenced work to achieve this in 2018. In this regard, submission of SOP on Pension and Claims was initiated in 2018 to obtain ISSA certification.

Enhancement of MRPS Benefits

Board held discussions on ways to enhance MRPS member benefits similar to previous years. In this regard, work to introduce annuity products were undertaken in accordance with the Board's instruction. By the end of the year, Pension Office was in the midst of making final preparations for rolling out annuity products.

The Board discussed with regard to further strengthening the Regulation on Enrollment and Disbursement of Benefits to Foreign Employees under the Maldives Retirement Pension Scheme, which was approved in 2017. As a result the regulation was amended to simplify and enhance arrangements and operation matters. Further, foreign employees permanently leaving the Maldives were permitted to fully withdraw RSA balance.

In addition, the Board deliberated on implementing the Government's pledge to permit utilizing MRPS members RSA balance to pay for obligatory Hajj. Accordingly, before the end of 2018, Pension Office completed drafting of the 4th amendment to the Pension Act as per guidance of the Board.

Initiatives for Board Effectiveness

To assist in the performance of their governance duties, Induction Program was held in 2018 for newly appointed Board Members. The program includes sessions on governance concepts and procedures, director's roles and responsibilities, legal and compliance issues and regulators roles.

In their oversight role, the Board of Pension Office is composed of Members possessing diverse skill sets, experience and qualification to implement the functions of the Board. To increase capacity and experience, Board Members participated in training programs held locally and abroad on investment, good governance, internal audit, risk management and risk compliance areas. Notable training programs participated in 2018 includes, "Directors Training Program" organised annually by CMDA, "ISSA Guidelines on Investment and Social Security Funds" and "ISSA Guidelines on Good Governance" organised by ISSA. Further, similar to past years, Board Members attended the "World Pension Summit" in 2018.

Unofficial discussions were held between the Board and executives of Pension Office at a Board retreat held on 02nd August 2018 regarding necessary developments at operation and policy level.

Strengthening Investment Management of Pension Office

The Board and its Investment Committee played a crucial role in broadening the investment management and strengthening investment operations. Significant decisions were made and projects were initiated in this regard during 2018.

Key work carried out includes the following:

- Decision to invest MVR 80.00 million in HDFC conventional bond issue
- Decision to increase investment in fixed deposits with long tenures
- Decision to revise procedures on MRPS fixed deposit allocation
- Introduction of investment submission portal “Binaa”
- Held wide ranging discussions on diversifying and increasing the scope of MRPS investments
- Held discussions on direct investments and obtaining exposure to foreign investments
- Signed an agreement to obtain technical advisory for the next 3 years from the World Bank Treasury’s “Reserve Advisory and Management Programme (RAMP)” to further strengthen and structure investments

Furthermore, as part of efforts to strengthen investments, SOIP was revised and SAA was determined.

Improving Operational Effectiveness of Pension Office

In 2018, the Board took initiative in efforts to strengthen the administration of Pension Office and improve the quality of services provided to the public.

A key decision made by the Board was to amend 3 regulations in order to enable easy access to services by opening the door for electronic form submission.

As a result of efforts to strengthen administration, operational cost was reduced. Further, the Board decided to keep the decreased administrative fee of 0.60 percent charged on MRPS members in place for the year 2019.

Board deliberated on finding solutions for pension overpayments. These discussions centered on major cause of overpayment, which is unavailability of reliable information of the deceased from credible sources. Efforts were made to coordinate with relevant institutions, hospitals, social media platforms and individuals to address this.

Another important accomplishment was the approval of

“Performance Appraisal Tool” by the Board to evaluate the performance, ensure the productivity and capacity of Pension Office employees.

Outreach Initiatives

As an outreach initiative the Board held in-depth deliberations in 2018 as well, on measures for strengthening and further improving public relations.

The Board collaborated in selection of the theme and successfully organising the annual Maldives Finance Forum 2018. Board highlighted the importance of sharing information and experience between institutional investors, and holding discussions on obtaining investments to the private sector from institutional investors. Accordingly, the theme of 2018 finance forum was selected as “The Role of Institutional Investors in Long-Term Financing for Growth and Development”.

To better prepare for the upcoming finance forum in 2019, Board initiated the process of selecting a theme and coordinating with finance sector institutions during 2018.

Since 2017, Pension Office marked the International Day of Older Persons in various parts of the Maldives with the support of Board. In 2018, the function to mark this occasion was successfully held in HDh. Kulhudhuffushi. Following a Board decision under the corporate social responsibility initiatives of Pension Office, work commenced to develop a park for senior citizens in Kulhudhuffushi. Further, Board monitored and held discussions regarding completing the development of a similar park in Hithadhoo of Addu City.

In addition, activities were carried in different parts of the Maldives under a memorandum of understanding between Pension Office and Ministry of Gender, Family and Social Services to protect and promote the rights of older persons.

Pension Office sponsored wages of 2 employees working at the children’s shelter at Hulhumale’ operated by the Ministry of Gender, Family and Social Services, 1 employee working with the Senior Citizens Association of the Maldives, 1 occupational therapist working at the Center for Special Needs Persons located in K. Guraidhoo and 1 employee working at the National Drug Agency following Board approval under corporate social responsibility initiatives.

Pension Office participated in HR Summit organised jointly by Ooredoo Maldives and HR Maldives, and sponsored training programs conducted by CMDA. The Board held detailed discussions on building an old-age home for senior citizens. In this regard, the Board approved conducting an expert study to identify the present condition and improvements required for seniors under State care.

Introduction

Investment Committee is the Board sub-committee responsible for formulating the investment principles and policies for MRPS funds.

Responsibilities

Key functions of the Investment Committee includes:

- Formulating SOIP on investing pension assets
- Reviewing investment guidelines
- Advising Board on the appointment of asset managers and custodian

Composition

It comprises of three members; two members from the private sector and the Board member representing the Ministry of Finance. The chairpersonship of the committee is a one year position, appointed on a rotating basis among the investment committee members.

Following are Members of the Committee in 2018:

- Mr. Ali Faris Mohamed (Chairperson)
- Ms. Fathmath Muaza Ibrahim
- Ms. Maryam Abdul Nasir

Committee Meetings and Attendance

Three meetings of the Committee were held in 2018. The following table includes the attendance of Committee meetings.

#	Board Members	Meetings eligible to attend	Meetings attended
1	Mr. Ali Faris Mohamed *	3	3
2	Ms. Fathmath Muaza Ibrahim	3	3
3	Ms. Maryam Abdul Nasir	3	3
4	Mr. Muznee Mohamed **	NA	-

* The committee Chairperson Mr. Ali Faris, was appointed to the post on March 2018 and served for a nine month tenure (until his term as a Board Member expired).

** Mr. Muznee Mohamed attended as an observer.

Investment Decision

Government debt and fixed deposits remained the biggest investment opportunity for MRPS investments. During the year Pension Office was approached by a number of banks to increase deposit placements and to increase the tenure of investment. The proposed rates for longer tenures were comparatively better than the current treasury bill rates and one year fixed deposit rates, and placing in long term deposits would allow Pension Office to lock in higher interest rates.

During May 2018, the Committee made a decision to systematically increase the fixed deposit placements by allocating a maximum of 10.00 percent of expected monthly pension contribution to long term bank deposits, offering competitive rates with treasury bills.

A number of new debt instrument opportunities that came to the market were assessed and deliberated in the Committee. Apart from investments in Government debt and fixed deposits, the Committee also made a decision to subscribe to MVR 80.00 million of the second conventional bond issue of HDFC.

Investment Guidelines and Policies

The Committee revised the MRPS Strategic Asset Allocation (SAA) to change the single bank fixed deposit exposure limit from 50.00 percent to 60.00 percent. The limit is measured as total Pension Office fixed deposits in a particular bank against its total fixed deposit portfolio. The limit was relaxed to facilitate for the Committee's decision to increase placements in fixed deposits.

Activity Review

During July 2018, a systematic process was initiated to allocate fixed deposits to banks via an auction process. The bid process was introduced to strengthen the operational procedure for placing fixed deposits with banks. Additionally, it was introduced with the objective of facilitating Pension Office to obtain better rates for its fixed deposit funds, by creating a competitive process through auction and to allow transparent communication between Pension Office and financial institutions, as envisaged in the Pension Act.

In 2012, the Committee initiated a financial forum for stakeholders of the financial sector with the objective of working towards the development of the sector and improving financial literacy. The Committee sees that these objectives are imperative for Pension Office to achieve its strategic goals and has held the forum consecutively each year since its initiation. The 2018 forum was based on exploring financing modalities, where institutional investors in Maldives can collaborate to arrange long term financing for large projects, particularly of

infrastructure and real estate. The opportunities and challenges faced by the institutional investors, bankers and Government SOEs in raising finance locally were discussed in the forum and potential solutions to the issues were highlighted.

During Finance Forum 2018, Pension Office launched the first investment screening platform for finance seeking investors; the "Binaa" portal. This program was introduced with the aim of facilitating a process whereby prospective investors can assess the likelihood of an investment from the Pension Office, before going to the market. Under this program, investors who are keen to raise finance from Pension Office can submit their proposals online (binaa.pension.gov.mv) and get an investment opinion from our investment professionals.

In 2018, the Committee initiated discussions on performance targets for MRPS funds. As such, appropriate benchmark returns targets for MRPS funds and its asset classes were studied and reviewed. Taking into account practical issues in the current macroeconomic environment and in local financial and capital markets, the Committee agreed that an absolute return target would be more appropriate for MRPS funds respective to relative return targets.

Audit and Risk Management Committee Report

Introduction

The Audit and Risk Management Committee is delegated by the Board of Pension Office with approved terms of reference. The Committee is responsible to provide an independent review and supervision of financial reporting, internal controls, risk, internal and external audit of Pension Office.

Responsibilities

Main functions of ARMC are the following:

- Overseeing external audit process, both the conduct and outcome
- Approving the terms of engagement and scope of work of external auditor
- Overseeing internal audit process, systems of internal control and risk management to ensure integrity of financial reporting

Composition

This Committee comprises of four members. Accordingly, Committee Members in 2018 are named below:

- Mr. Ilyas Haneef (Chairperson)
- Ms. Maryam Abdul Nasir
- Mr. Ali Faris Mohamed
- Ms. Aminath Shifana
- Mr. Abdulla Ali

Meetings were also attended by CEO and representatives from business functions as required.

Committee Meetings and Attendance

Four meetings of the Committee were held in 2018. The following table includes the attendance of Committee meetings.

#	Board Members	Meetings eligible to attend	Meetings attended
1	Mr. Ilyas Haneef	4	4
2	Ms. Maryam Abdul Nasir	3	2
3	Mr. Ali Faris Mohamed	4	4
4	Ms. Aminath Shifana	4	3
5	Mr. Abdulla Ali	1	1

Activity Review

In line with the terms of reference of the Committee, the following work was carried out in 2018:

- The Committee summarized its work during the year to identify how it has fulfilled the duties required by the Board in its annual activity report. The Committee reviewed and approved its report on 26th February 2018.
- During the start of the review period, the Committee agreed on the ARMC annual activity calendar for 2018.
- The Committee also considered the Auditor's Report and Audited Financial Statements for the year ended 31st December 2017 by Ernst & Young. After review and discussion, on 16th April 2018, the Committee endorsed and recommended it for Board approval.
- During the third quarter of 2018, the Committee reviewed the process for the appointment of an external auditor. Following a formal tender process, KPMG was identified and appointed to the role for a 3 year period, after Board approval on the Committee's recommendation.
- The Committee reviewed and approved the risk based annual audit plan, which outlines the work to be undertaken by the internal audit function in 2018. For the reporting period, committee also monitored progress in implementing the plan and other work undertaken by audit function.
- The Committee reviewed and deliberated on reports of audits conducted by the Internal Audit function in the course of the review period. The audits undertaken and reviewed by the Committee in the year included: pension payment disbursements with the corresponding account reconciliations, collateralization of accumulated savings in the pension fund for home purchase financing, bank verification process of members for the purpose of pension disbursements. The Committee also reviewed system audit performed through an external engagement.
- The Committee considered the suggestions for process and control improvements as a result of audits and reviewed the Management responses given for reports issued during the course of the year. Additionally, the Committee closely monitored the progress of actions identified for the audit findings and their timely resolution by Management on a regular basis.
- The Committee noted annual inspection findings of CMDA and discussed on the actions proposed by management to address the issues raised and agreed to endorse the report.

Remuneration and Nomination Committee Report

Introduction

Employees are viewed as the most valuable asset of Pension Office. The driving force behind the success and growth achieved in a short span of time. The Board established Remuneration and Nomination Committee primarily for the purpose of ensuring that competitive and fair remuneration and benefits packages are provided to staff. Accordingly, this sub-committee was assigned specific responsibilities and obligations to achieve those goals.

Responsibilities

Key functions of RNC are the following:

- Determining the remuneration and benefits packages offered to Pension Office staff and Board Members, and overseeing the review of remuneration and benefits structures
- Overseeing the policies and processes relevant to nomination and appointment of executives to top management level positions at Pension Office
- Reviewing procedures for disciplinary and suspension issues relevant to staff

Composition

RNC comprises of three Board Members and the CEO, making a total of four members. Members of the Committee in 2018 are:

- Ms. Fathmath Muaza Ibrahim (Chairperson)
- Ms. Aminath Shifana
- Mr. Ali Shareef
- Uza. Noorbaan Fahmy
- Mr. Ilyas Haneef
- Mr. Mohamed Hussain Maniku (CEO)

Mr. Ali Shareef remained a Committee Member until the expiry of his Board membership on 03rd February 2018. Uza. Noorbaan Fahmy joined the Committee after being appointed to the Board on 15th February 2018. The term of Ms. Fathmath Muaza Ibrahim in the Committee ceased on 10th October 2018, following expiry of her tenure in the Board. As a replacement for Ms. Muaza, Mr. Ilyas Haneef joined the Committee on 02nd December 2018.

Committee Meetings and Attendance

Four meetings of RNC were held in 2018. The following table includes the attendance of Committee meetings.

#	Board Members	Meetings eligible to attend	Meetings attended
1	Ms. Fathmath Muaza Ibrahim	3	3
2	Ms. Aminath Shifana	4	3
3	Uza. Noorbaan Fahmy	4	4
4	Mr. Ilyas Haneef	1	1
5	Mr. Mohamed Hussain Maniku	4	4

Activity Review

The following are the summary of decisions taken by RNC in 2018:

- In the meeting held on 10th May 2018, Ms. Fathmath Muaza Ibrahim was appointed the Chairperson following expiry of the term of Mr. Ali Shareef on 03rd February 2018. Further, in this meeting the Committee reviewed and approved the processing of an application made by a staff under the "Total Reward - Housing Assistance Policy".
- In the second meeting of the Committee held on 04th September 2018, RNC advised the Management on the procedures for selecting the most capable individual to the Chief Financial Officer post.
- In the third meeting of the Committee held on 26th September 2018, RNC deliberated and made decisions regarding amendments to budget and salary items.
- During the fourth meeting held on 02nd December 2018, Uza. Noorbaan Fahmy was appointed Chairperson as replacement of Ms. Fathmath Muaza Ibrahim following expiry of her Board term. Further, performance appraisal form submitted by the Management was approved after incorporating recommendation of Committee Members.

Outlook



Pension Office continuously strives to introduce new ways to enhance benefits received by MRPS members and ensure social security. The following outlines some of the endeavours currently underway in this regard.

Utilizing MRPS Funds to Perform Obligatory Hajj

In accordance with the Government policy, the process for utilizing MRPS funds to perform obligatory Hajj was initiated by the Pension Office. Accordingly, work began with State institutions before the end of the year to introduce requisite amendments to the Pension Act.

Introduction of Annuity Products

Numerous work was carried out in 2018 to introduce annuity products through insurance companies for MRPS members. The drafting of regulation on annuity products was completed during the year, and it is envisioned that MRPS members will get the benefit of annuity in 2019. Once this scheme is commenced, members will receive pension payouts for life and may withdraw a lump sum from the RSA on attaining retirement age.

Commencing Disability Insurance Scheme

The purpose of this scheme is to provide compensation for loss of income and ensure continued benefits in cases of total and permanent disability. This provides an additional safety-net against unexpected losses arising during employment.

Increasing Investment Return

MRPS is a scheme operated by investing pension contributions. Currently, investments from this scheme are only made in locally available securities. In 2018 Pension Office joined the World Bank Treasury's "Reserve Advisory and Management Programme (RAMP)" to identify ways to further strengthen investments. This program will point to new areas for investment and enable formulation of comprehensive investment policies. As a result, it is hoped that the returns for MRPS members will increase.

Security of Pension for Self-Employed Individuals

Pension Office recognises the importance of providing pension coverage to all employees or workers. Accordingly, it is important

to enroll self-employed individuals in the pension system. Even now the opportunity is open for voluntary contributions from self-employed persons. Further, Pension Office is undertaking efforts to introduce legislative and administrative measures to increase their enrollment.

Financial Statements



**MALDIVES PENSION ADMINISTRATION OFFICE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018**

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

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Opinion

We have audited the financial statements of the Maldives Pension Administration Office ("MPAO"), which comprises the statement of financial position as at 31 December 2018, and the statement of income, statement of changes in accumulated fund and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information set out in pages 8 to 26.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of MPAO as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basic for Opinion

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

Other Matters

The financial of Maldives Pension Administration Office for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 1 April 2018.

Other Information

The Board of Members (the "Board") is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board.

Responsibilities of the Board of Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of Financial Statements

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

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

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



Auditors' Responsibilities for the Audit of Financial Statements (Continued)

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

kpmg.

Chartered Accountants

25 March 2019
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MALDIVES PENSION ADMINISTRATION OFFICE
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8 OF 2009)
STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2018 MVR	2017 MVR
Income			
Income	7	48,372,972	53,517,212
Other income	8	1,484,421	1,049,251
		<u>49,857,393</u>	<u>54,566,463</u>
Expenditure			
Salaries and allowance	9	(16,844,510)	(14,736,574)
Bank charges and custodian fees	10	(6,033,892)	(7,787,292)
Administrative expenses		(15,921,331)	(15,249,501)
		<u>(38,799,733)</u>	<u>(37,773,367)</u>
Excess of income over expenditure for the year		<u>11,057,660</u>	<u>16,793,097</u>

These financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of MPAO set out pages 8 to 26. The Report of the Independent Auditors is given on pages 1 to 3.



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

AS AT 31 DECEMBER

	Note	2018 MVR	2017 MVR
ASSETS			
Non current assets			
Furniture and equipment	11	3,202,984	4,425,722
Intangible assets	12	238,837	1,864,348
Prepaid lease rent	13	22,047,786	23,007,786
Total non current assets		<u>25,489,607</u>	<u>29,297,856</u>
Current assets			
Investment in fixed deposit	14	20,343,151	20,343,151
Other receivables	15	4,863,496	6,667,006
Cash and cash equivalents	16	47,750,207	34,369,005
Total current assets		<u>72,956,854</u>	<u>61,379,162</u>
Total assets		<u><u>98,446,461</u></u>	<u><u>90,677,018</u></u>
EQUITY AND LIABILITIES			
Equity			
Accumulated funds		80,984,274	74,926,614
Capital and General Reserve	17	10,000,000	5,000,000
Total equity		<u>90,984,274</u>	<u>79,926,614</u>
Current liabilities			
Other payables	18	7,462,187	10,750,404
Total liabilities		<u>7,462,187</u>	<u>10,750,404</u>
Total equity and liabilities		<u><u>98,446,461</u></u>	<u><u>90,677,018</u></u>

These financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of MPAO set out pages 8 to 26. The Report of the Independent Auditors is given on pages 1 to 3.

The financial statements were approved by the Board of Directors and signed on its behalf by;

Name of the Director

Ilyas Haneef

Maryam Abdul Nasir

Mohamed Hussain Maniku

Signature

(Handwritten signatures in blue ink over dotted lines)

25 March 2019



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

FOR THE YEAR ENDED 31 DECEMBER

		Capital and General Reserve MVR	Accumulated Fund MVR	Total MVR
Balance as at 1 January 2017		-	63,133,517	63,133,517
Excess of income over expenditure for the year		-	16,793,097	16,793,097
Transferred from accumulated fund	17	5,000,000	(5,000,000)	-
Balance as at 31 December 2017		<u>5,000,000</u>	<u>74,926,614</u>	<u>79,926,614</u>
Balance as at 1 January 2018		5,000,000	74,926,614	79,926,614
Excess of income over expenditure for the year		-	11,057,660	11,057,660
Transferred from accumulated fund	17	5,000,000	(5,000,000)	-
Balance as at 31 December 2018		<u>10,000,000</u>	<u>80,984,274</u>	<u>90,984,274</u>

These financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of MPAO set out pages 8 to 26. The Report of the Independent Auditors is given on pages 1 to 3.



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

FOR THE YEAR ENDED 31 DECEMBER

	Note	2018 MVR	2017 MVR
Cash flows from operating activities			
Excess of income over expenditure before tax		11,057,660	16,793,097
Adjustments for			
Depreciation of furniture and equipment	11	1,882,679	1,617,540
Amortization of intangible assets	12	1,756,188	1,730,053
Amortization of prepaid lease rent	13	960,000	992,214
Interest income from investment in fixed deposit	8	(750,000)	(343,151)
Loss on disposal of property, plant and equipment	11	-	1,132,288
Operating surplus before working capital changes		<u>14,906,527</u>	<u>21,922,041</u>
Working capital changes			
Changes in other receivables		1,803,510	3,589,986
Changes in other payables		(3,288,217)	1,186,976
Cash flows generated from operating activities		<u>13,421,820</u>	<u>26,699,003</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	11	(659,942)	(4,778,533)
Purchase of intangible assets	12	(130,677)	-
Purchase of financial instruments	13	-	(20,000,000)
Interest received		750,000	-
Net cash used in investing activities		<u>(40,619)</u>	<u>(24,778,533)</u>
Net increase in cash and cash equivalents		13,381,202	1,920,470
Cash and cash equivalents at the beginning of the year		34,369,005	32,448,535
Cash and cash equivalents at the end of the year	16	<u>47,750,207</u>	<u>34,369,005</u>

These financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of MPAO set out pages 8 to 26. The Report of the Independent Auditors is given on pages 1 to 3.



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 City Square, Chandhanee Magu, Republic of Maldives. MPAO is an independent legal entity with perpetual succession and with a separate seal under the Act.

The principal activities of MPAO are;

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

This is the first set of the MPAO’s annual financial statements in which IFRS 15, “*Revenue from Contracts with Customers*” and IFRS 9, “*Financial Instruments*” have been applied. Changes to significant accounting policies are described in Note 3.

(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.



3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The MPAO has initially applied IFRS 15 and IFRS 9 from 1 January 2018. A number of new standards are also effective from 1 January 2018 but they do not have a material effect on the MPAO's financial statements.

Due to the transition method chosen by the MPAO in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards and separately presenting impairment loss on trade receivables and contract assets where applicable.

A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgment.

The MPAO has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated - i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not been applied to comparative information.

IFRS 15 did not have a significant impact on the MPAO's accounting policies with respect to the revenue streams.

B. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 "Financial Instruments": Recognition and Measurement.

As result of the adoption of IFRS 9, the MPAO has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss.

Additionally, the MPAO has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

(i) Classification and Measurement of Financial Assets and Financial Liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirement in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the MPAO's accounting policies related to financial liabilities.



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

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Classification and Measurement of Financial Assets and Financial Liabilities (Continued)

The following table and accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the MPAO's financial assets and financial liabilities as at 1 January 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets as at 1 January 2018 relates solely to the new impairment requirements.

Financial Assets	Original asset classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 MVR	New carrying amount under IFRS 9 MVR
Cash and cash equivalents	Loans and receivables	Amortized cost	34,371,375	34,371,375
Other receivables	Loans and receivables	Amortized cost	6,667,006	6,667,006
Investment in fixed deposits	Held to maturity	Amortized cost	20,343,151	20,343,151
Total financial assets			61,381,532	61,381,532

Financial Liabilities	Original asset classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 MVR	New carrying amount under IFRS 9 MVR
Accrued expenses and other payables	Other financial liabilities	Other financial liabilities	10,750,404	10,750,404
Credit Card	Other financial liabilities	Other financial liabilities	2,370	2,370
Total financial liabilities			10,752,774	10,752,774

Prepayment and other receivables and cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortized cost as required under IFRS 9.

(ii) Impairment of Financial Assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments." Under IFRS 9, credit losses are recognized earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The MPAO has determined that the application of IFRS 9 impairment requirements as at 1 January 2018 results in no additional allowance for impairment required.



3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Transition

The MPAO has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

4. 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 the MPAO.

4.1 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.

4.2 Financial Instruments

(i) Recognition and Initial Measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the MPAO becomes a party to the contractual provisions of the instrument.

A financial asset (Unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL (fair value through profit or loss), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and Subsequent Measurement

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI (fair value through other comprehensive income) – debt investment; FVOCI – equity investment; or FVTPL.



4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Financial Instruments (Continued)

(iii) Classification and Subsequent Measurement (Continued)

Financial assets are not reclassified subsequent to their initial recognition unless the MPAO changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets – Subsequent measurement and gains and losses Policy applicable from 1 January 2018

Financial assets at amortized cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.
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Financial assets- Policy applicable before 1 January 2018

The MPAO classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;

Financial assets - Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Held to maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de-recognition is also recognized in profit or loss.



4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Financial Instruments (Continued)

(iv) De-recognition

Financial Assets

The MPAO derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the MPAO neither transfer nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial Liabilities

The MPAO derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The MPAO also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in profit or loss.

4.3 Impairment

(i) Financial Assets (including receivables)

The MPAO recognize loss allowance for ECLs (Expected Credit Loss) on financial assets measured at amortized cost.

The MPAO measures loss allowances at an amount equal to lifetime ECLs, except for the following, which measured at 12-month ECLs.

- Debt instruments that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the MPAO considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the MPAO's historical experience and informed credit assessment and including forward looking information.

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all the cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.



4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Impairment (Continued)

(iii) 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.

The recoverable amount of an asset or a 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 or groups of assets.

4.4 Furniture and Equipment

(i) Recognition and Measurement

Items of furniture 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 furniture and equipment have different useful lives, they are accounted for as separate items (major components) of furniture and equipment.

Gains and losses on disposal of an item of furniture and equipment are determined by comparing the proceeds from disposal with the carrying amount of furniture 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 furniture 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 furniture and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

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



4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Furniture and Equipment (Continued)

(iii) Depreciation (Continued)

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of furniture 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
Furniture and Fittings	3 years
Office Equipment	3-5 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 furniture and equipment are ready for use.

4.5 Intangible Asset

(i) Recognition and Measurement

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

(ii) Subsequent Expenditure

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

(iii) Amortization

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

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

4.6 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.



4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Interest Income

Interest income is recognized as it accrues, using the original effective interest rate of the fixed deposit calculated at the acquisition or origination date.

4.8 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.

4.9 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.

5. 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.

6. NEW STANDARDS AND INTERPRATATIONS

Following new standards, amendments to standards and interpretations applicable to the financial statements of the MPAO are effective for annual periods beginning after 1 January 2017 and earlier application is permitted, however the MPAO has not applied the following new or amended standards interpretations in these financial statements.

(i) IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 leases, IFRIC 4 – Determining whether an arrangement contains a lease, SIC 15 – Operating leases incentive and SIC 27 – Evaluating the substance of transactions involving the legal form of a leases with effect from 1 January 2019.

The MPAO is in the process of assessment of the potential impact and not yet completed the detail assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the MPAO's borrowing interest rate at 1 January 2019 and other relevant factors.



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

6. NEW STANDARDS AND INTERPRATATIONS (CONTINUED)

(i) Other standards

The following amended standards and interpretations are not expected to have a significant impact on the MPAO's financial statements.

- Annual improvement to IFRS Standards 2015 – 2017 cycle – various standards
- Amendments to references to Conceptual Framework in IFRS Standards



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FOR THE YEAR ENDED 31 DECEMBER 2018

7 INCOME	2018 MVR	2017 MVR
Management fee	48,372,972	53,517,212
	<u>48,372,972</u>	<u>53,517,212</u>
<p>Management fee is the income recognized for administration and management of assets of the Maldives Retirement Pension Scheme (MRPS). Management fee is charged on accrual basis based on the daily net asset value of the members' balance at the rate of 0.6% (2017: 0.8%) per annum.</p>		
8 OTHER INCOME	2018 MVR	2017 MVR
Fines	419,900	469,000
Sponsors for finance forum	193,840	237,100
Miscellaneous income	120,681	-
Interest income	750,000	343,151
	<u>1,484,421</u>	<u>1,049,251</u>
9 SALARIES AND ALLOWANCES	2018 MVR	2017 MVR
Directors' remuneration	1,144,060	1,076,302
Retirement contribution obligation	823,336	726,242
Employee insurance	341,594	194,739
Salaries and wages	14,535,520	12,739,290
	<u>16,844,510</u>	<u>14,736,574</u>
10 BANK CHARGES AND CUSTODIAN FEES	2018 MVR	2017 MVR
Bank charges	33,892	17,647
Custodian fees	6,000,000	7,769,645
	<u>6,033,892</u>	<u>7,787,292</u>

Custodian fee is paid to Bank of Maldives for provision of Custodian Services to MRPS under an agreement between MPAO and Bank of Maldives. Custodian fee is charged based on assets under custody. The fee rates are 0.16% upto MVR 5 Billion and 0.10% thereafter till June 2017. From July 2017 onwards MPAO is charged a fixed amount of MVR 6 Million per year.



**MALDIVES PENSION ADMINISTRATION OFFICE
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2018

11 FURNITURE AND EQUIPMENT

	Computer and Accessories		Furniture and Fittings		Office Equipment		Total	
	MVR		MVR		MVR		31/12/2018	31/12/2017
Cost								
Opening balance	1,900,213		3,574,617		1,049,519		6,524,349	6,449,801
Addition during the year	419,871		119,140		120,931		659,942	4,778,533
Disposal during the year	-		-		-		-	(4,703,985)
Closing balance	2,320,084		3,693,757		1,170,450		7,184,291	6,524,349
Accumulated depreciation								
Opening balance	703,241		969,245		426,141		2,098,627	4,052,784
Charge during the year	644,977		1,000,394		237,308		1,882,679	1,617,540
Disposal during the year	-		-		-		-	(3,571,697)
Closing balance	1,348,218		1,969,639		663,449		3,981,307	2,098,627
Net carrying values								
As at 31 December 2018	971,866		1,724,118		507,000		3,202,984	
As at 31 December 2017	1,196,972		2,605,372		623,378			4,425,722

11.1 There is an adjustment of reclassification made to the opening balances of Furniture and Equipment as at 1st January 2018. Intangible asset classified under Office Equipment has reclassified under Intangible Assets (Note 12).



MALDIVES PENSION ADMINISTRATION OFFICE
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

12 INTANGIBLE ASSETS	31/12/2018	31/12/2017
	MVR	MVR
Cost		
Opening balance	8,650,253	8,650,253
Additions during the year	130,677	-
Closing balance	<u>8,780,930</u>	<u>8,650,253</u>
Amortization		
Opening balance	6,785,905	5,055,852
Amortization during the Year	1,756,188	1,730,053
Closing balance	<u>8,542,093</u>	<u>6,785,905</u>
Net carrying value (Note 12.1)	<u>238,837</u>	<u>1,864,348</u>

12.1 Intangible assets includes the Data Centre Virtualization Project and Human Resource and Payroll Management System.

13 PREPAID LEASE RENT	31/12/2018	31/12/2017
	MVR	MVR
Opening balance	23,007,786	24,000,000
Amortization for the year	(960,000)	(992,214)
Closing balance	<u>22,047,786</u>	<u>23,007,786</u>

MPAO has entered into a lease agreement with State Trading Organisation PLC on 18 August 2014 to lease 8000 square feet (2 floors) of Umar Shopping Arcade Office Complex. As lessee, MPAO has paid MVR of 24 million as rent for a period of 25 years effective from the date of completion of the building. This prepayment will be amortized throughout the period of 25 years from the date of 18 December 2016.

14 INVESTMENT IN FIXED DEPOSIT	31/12/2018	31/12/2017
	MVR	MVR
Opening balance	20,343,151	-
Addition for the year	20,000,000	20,000,000
Matured during the year	(20,750,000)	-
Interest income	750,000	343,151
Closing balance	<u>20,343,151</u>	<u>20,343,151</u>

The MPAO has renewed a fixed deposit with Commercial Bank of Maldives amount of MVR 20,000,000/- on 17 July 2018 for carrying interest of 3.75% per annum.



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FOR THE YEAR ENDED 31 DECEMBER 2018

15 OTHER RECEIVABLES	31/12/2018 MVR	31/12/2017 MVR
Assets management fee receivables	4,445,646	4,954,280
MRPS receivables	-	264,960
Refundable deposits	60,000	80,000
Prepayments	4,000	426,166
MRPS fines receivables	4,400	941,600
Retention allowance (Note 15.1)	349,451	-
	<u>4,863,496</u>	<u>6,667,006</u>
<p>15.1 As per the Remuneration and Nomination committee No. 11/2018 dated on 10 May 2018, MPAO has granted retention allowance of MVR 400,000 to the employees which has been amortized over 05 year period.</p>		
16 CASH AND CASH EQUIVALENTS	31/12/2018 MVR	31/12/2017 MVR
Favorable balance		
Cash in hand	10,265	37,855
Balance with banks	47,758,771	34,333,520
Unfavorable balance		
Credit card balance	(18,828)	(2,370)
	<u>47,750,207</u>	<u>34,369,005</u>
17 CAPITAL AND GENERAL RESERVE	31/12/2018 MVR	31/12/2017 MVR
Opening balance	5,000,000	-
Transferred from accumulated fund	5,000,000	5,000,000
Closing balance	<u>10,000,000</u>	<u>5,000,000</u>
<p>Pursuant to MPAO board meeting No. 126/2016 dated on 01 November 2016, capital and general reserve is set up the MPAO has to be transferred the purpose of asset replacement reserve. As per this board meeting minute MVR 5 Mn annually from accumulated funds to capital and general reserve till accumulate the reserve upto MVR 20 Mn.</p>		
18 OTHER PAYABLES	31/12/2018 MVR	31/12/2017 MVR
Accrued expences	2,186,247	1,313,738
Custodian fee	3,000,000	3,000,000
MRPS pension payouts	29,814	50,321
Other payables	-	347,114
Payable to Ministry of Finance (Note 18.1)	2,246,126	6,039,231
	<u>7,462,187</u>	<u>10,750,404</u>
<p>18.1 This amount represents excess collections to be refunded to Ministry of Finance (MOF) as at reporting date. MPAO disburses state funded pension under an agency agreement with MOF. MPAO invoices MOF for state pensions and on receipt of funds from MOF disbursements are made to beneficiaries.</p>		



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19 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – FAIR VALUE AND RISK MANAGEMENT

The effect of initially applying IFRS 9 on the MPAO's financial instruments is described in note 3. Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

(A) Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair values.

31 December 2018	Financial Assets at Amortised Cost MVR	Other Financial Liabilities MVR	Total Carrying Amount MVR	Fair Values MVR	Fair Value Hierarchy	
Financial assets						
Investments in fixed deposits	20,343,151	-	20,343,151	20,343,151	Level II	
Other receivables	4,514,046	-	4,514,046	4,514,046		
Cash and cash equivalents	47,758,771	-	47,758,771	47,758,771		
	<u>72,615,967</u>	<u>-</u>	<u>72,615,967</u>	<u>72,615,967</u>		
Financial liabilities						
Other payables	-	7,462,187	7,462,187	7,462,187		
Credit card balance	-	18,828	18,828	18,828		
	<u>-</u>	<u>7,481,015</u>	<u>7,481,015</u>	<u>7,481,015</u>		
31 December 2017						
	Loan and Receivables MVR	Held to Maturity	Other Financial Liabilities MVR	Total Carrying Amount MVR	Fair Values MVR	Fair Value Hierarchy
Financial assets						
Investments in Fixed Deposits	-	20,343,151	-	20,343,151	20,343,151	Level II
Other receivables	6,667,006	-	-	6,667,006	6,667,006	
Cash and cash equivalents	34,333,520	-	-	34,333,520	34,333,520	
	<u>41,000,526</u>	<u>20,343,151</u>	<u>-</u>	<u>61,343,677</u>	<u>61,343,677</u>	
Financial liabilities						
Other payables	-	-	10,750,404	10,750,404	10,750,404	
Credit card balance	-	-	2,370	2,370	2,370	
	<u>-</u>	<u>-</u>	<u>10,752,774</u>	<u>10,752,774</u>	<u>10,752,774</u>	

Above balances not included non financial assets and non financial liabilities.



FOR THE YEAR ENDED 31 DECEMBER 2018

**19 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - FAIR VAUE AND RISK
 MANAGEMNT (CONTINUED)**

(B) Financial risk management

Overview

The MPAO has exposure to the following risks from it uses of financial instruments;

- Credit Risk
- Liquidity Risk
- Market Risk

This note present information about the MPOA's exposure to each of the above risks, MPAO's objectives, policies and process for measuring and managing risk, and MPAO's financial statements.

Risk Management Framework

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

The Main risks arising from the MPOA's financial statements are credit risk, liquidity risk and market risk. The polices for managing each of these risks are summarised below.

(i) Credit Risk

Credit risk is the risk of financial loss of MPOA's if a debtor fails to meet its contractual obligations. The credit risk arises principally from other receivables and investmentsin fixed deposits as at 31 December 2018.

Comparative information under IAS 39

The carring amount of financial asstes represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was,

	2018 MVR	2017 MVR
Asset management fee receivable	4,445,646	4,954,280
Investment in fixed deposits	20,343,151	20,343,151
	<u>24,788,796</u>	<u>25,297,431</u>

The MPAO believes that the unimpaired amounts that is outstandings are still collectible, base on historical payment behavior. Based on historic default rates. The MPAO believes that, apart from the above no provision for impairment is necessary in respect of trade receivables.

Cash and cash equivalent

The MPAO held cash and equivalent of MVR 47,750,207/- as at 31 December 2018 (2017 - MVR 34,369,005/-). On the initial application of IFRS 9, the MPAO has no significant impact on cash and cash equivalent balances as at 1 January 2018.



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19 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - FAIR VALUE AND RISK
MANAGEMENT (CONTINUED)

(ii) 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 when due, without incurring unacceptable losses or risking damage to MPAO's reputation.

31 December 2018	Carrying Amount MVR	0-6 Months MVR
Financial liabilities (Non- derivative)		
Other payables	7,462,187	7,462,187
Credit card balance	18,828	18,828
	<u>7,481,016</u>	<u>7,481,016</u>
31 December 2017	Carrying Amount MVR	0-6 Months MVR
Other payables	10,750,404	10,750,404
Credit card balance	2,370	2,370
	<u>10,752,774</u>	<u>10,752,774</u>

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

(iii) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the 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 optimizing the return.

(a) Interest Rate Risk

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

Fixed rate instruments	Carrying Amount	
	31/12/2018 MVR	31/12/2017 MVR
Financial Assets	20,343,151	20,343,151
	<u>20,343,151</u>	<u>20,343,151</u>



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FOR THE YEAR ENDED 31 DECEMBER 2018

19 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – FAIR VAUE AND RISK
MANAGEMNT (CONTINUED)

(iii) Market Risk (Continued)

(a) Interest Rate Risk (Continue)

The MPAO has account the financial assets and liabilities at fixed rate and therefore, a change in interest rate at the reporting date would not be affected to the profit or loss.

A change of 100 basis point in interest rates would have increased or decreased profit for the year ended 31 December 2018 by MVR 20,000/- (2017 : MVR 9,151/-). This analysis assumes that all the other variables remain constant.

(b) Currency Risk

Currency risk is the risk that the values of a financial instrument will fluctuate due to changes in foreign exchange rates. This represent exposure the MPAO has due to changes in the values of current holding and future cash flow positions denominated in currencies other than the local currency.

	31/12/2018 USD	31/12/2017 USD
Cash and cash equivalents	136,121	137,188
Credit card balance	1,221	154
	<u>137,342</u>	<u>137,342</u>

The following significant exchange rate applied during the year:

	Average rate		Reporting date spot rate	
	2018	2017	31/12/2018	31/12/2017
1 United States Dollar : Maldives Rufiya	<u>15.42</u>	<u>15.42</u>	<u>15.42</u>	<u>15.42</u>

In respect of the monetary assets and liabilities denominated in MVR, the MPAO has limited currency risk exposure on such balances since the Maldivian Rufiyaa is pledged to the US Dollar within a band to fluctuate within $\pm 20\%$ of the mid-point of exchange rate.

(iv) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and level of funds to members.

There were no changes in the MPAO's approach to capital management during the year. The MPAO is not subject to externally imposed capital requirements.



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

FOR THE YEAR ENDED 31 DECEMBER 2018

20 CAPITAL COMMITMENTS

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

21 CONTINGENT LIABILITIES

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

22 COMPARATIVE FIGURES

To facilitate comparison, relevant balances pertaining to the previous year have been re-classified to conform to current year's classification and presentation.

23 EVENTS AFTER REPORTING DATE

Subsequent to the reporting date, no circumstances have arisen which would require adjustments or disclosure in the Financial Statements.

24 RELATED PARTY TRANSACTION

Name of the Related Party	Relationship	Nature of Transactions	Amount		Amount due from/ (to) as at	
			2018	2017	31/12/2018	31/12/2017
			MVR	MVR	MVR	MVR
Maldives Pension Retirement Scheme	Administration Office	Service provided Settlement	48,372,972 (48,881,607)	53,517,212 (53,148,457)	4,445,646	4,954,280

24.1 Transaction with Key Management Personnel

The Board of Directors of MPAO are members of the key management personnel. The MPAO has paid an amount of MVR 1,144,060/- (2017: 1,076,302/-)



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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018**

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

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Opinion

We have audited the accompanying financial statements of Maldives Retirement Pension Scheme ("MRPS"), which comprise the statement of financial position as at 31 December 2018, the statements of comprehensive income, changes in net assets attributable to members and cash flows for the year then ended and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information set out in pages 3 to 30.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the MRPS as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Other matter

The financial statements of Maldives Retirement Pension Scheme for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 1 April 2018.

Other Information

The Board of Members (the "Board") is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board.

Responsibilities of the Board of Members for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



Chartered Accountants

25 March 2019
Male



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

FOR THE YEAR ENDED 31 DECEMBER

	Note	2018 MVR	2017 MVR
Income			
Net Contribution	7	1,041,242,179	968,055,078
Interest Income	8	523,551,012	481,156,769
Dividend Income	9	59,892,792	40,540,950
Other Income	10	1,277,563	1,249,992
Total income		<u>1,625,963,546</u>	<u>1,491,002,789</u>
Operating Expenses			
Administrative expenses	11	48,372,972	53,544,983
Total expenses		<u>48,372,972</u>	<u>53,544,983</u>
Increase in net assets attributable to members		<u><u>1,577,590,574</u></u>	<u><u>1,437,457,806</u></u>

These 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 30. 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 31 DECEMBER		2018	2017
	Note	MVR	MVR
ASSETS			
Cash and cash equivalents	12	22,973,405	16,332,522
Other receivables	13	7,585,570	968,487
Investment in financial assets	14	8,736,796,164	7,306,693,174
Recognition bond	15	3,422,759,616	3,312,334,299
Housing collateralization deposit	16	25,821,294	6,876,329
Total Assets		<u>12,215,936,049</u>	<u>10,643,204,811</u>
LIABILITIES			
Other Payables	17	5,511,797	7,145,863
Contribution collection accounts		2,672,124	5,897,394
Total liabilities (excluding net assets attributable to members)		<u>8,183,921</u>	<u>13,043,257</u>
ACCUMULATED MEMBERS' BALANCE			
Accumulated members' balance		12,207,752,128	10,630,161,554
Total accumulated members' balance and Liabilities		<u>12,215,936,049</u>	<u>10,643,204,811</u>

These 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 30. The Report of the Independent Auditors is given on pages 1 and 2.

The financial statements were approved by the Committee of Members and signed on its behalf by:


Name of the Director

Signature

Ilyas Haneef


.....

Maryam Abdul Nasir


.....

Mohamed Hussain Maniku


.....

25 March 2019



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

FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>Accumulated members balance</u>
	<u>MVR</u>
Balance as at 1 January 2017	9,192,703,748
Increase in net assets attributable to members	1,437,457,806
Balance as at 31 December 2017	<u>10,630,161,554</u>
Balance as at 1 January 2018	10,630,161,554
Increase in net assets attributable to members	1,577,590,574
Balance as at 31 December 2018	<u>12,207,752,128</u>

These 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 30. 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	2018 MVR	2017 MVR
Cash flows from operating activities		
Contribution received to contribution collection account	1,101,446,031	939,543,142
Accrued right received for matured recognition bond	33,505,963	34,424,478
Interest received for matured recognition bond	20,023,893	17,637,692
Fine on late contribution	1,277,563	1,249,992
Interest received	326,721,572	306,835,718
Management fee paid	(53,159,743)	(53,151,157)
Benefits paid to members	(58,456,945)	(54,585,242)
Net cash from operating activities	<u>1,371,358,334</u>	<u>1,191,954,623</u>
Cash flows from investing activities		
Dividend received	59,892,792	40,540,950
Net investments	(1,414,362,180)	(1,253,534,718)
Payments for housing collateralization	(18,944,965)	(6,876,329)
Repayment on principle on bond	8,696,902	11,107,408
Net cash used in investment activities	<u>(1,364,717,451)</u>	<u>(1,208,762,689)</u>
Net increase / (decrease) in cash and cash equivalents	6,640,883	(16,808,066)
Cash and cash equivalents at beginning of the year	16,332,522	33,140,588
Cash and cash equivalents at end of the year	<u>22,973,405</u>	<u>16,332,522</u>

Figures in brackets indicate deductions.

These 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 30. 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 13 May 2009. The registered office is located at 8th Floor, City Square, Chaandhance 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") and in compliance with the requirements of the Maldives Pension Act No 8/2009.

This is the first set of the MRPS's annual financial statements in which IFRS 15, "*Revenue from Contracts with Customers*" and IFRS 9, "*Financial Instruments*" have been applied. Changes to significant accounting policies are described in Note 3.

(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 Materiality, Offsetting and Rounding

Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or functions are presented separately unless they are immaterial.

Offsetting

Assets and liabilities and income and expenses in the financial statements are not set off unless required or permitted by IFRSs.

Rounding

The amounts in the financial statements have been rounded off to the nearest Rupees thousands, except where otherwise indicated.



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

2. BASIS OF PREPARATION (CONTINUED)

(e) Use of Estimates and Judgements and Assumptions

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 prospectively.

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.

Going concern

The Management has made an assessment of Fund's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the Financial Statements of the Fund continued to be prepared on a going concern basis. In addition to that specific accounting judgments, estimations and assumptions were used in following disclosures.

- Valuation of Financial Instruments
- The impairment of assets

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The MRPS has initially applied IFRS 15 and IFRS 9 from 1 January 2018. A number of new standards are also effective from 1 January 2018 but they do not have a material effect on the MRPS's financial statements other than loss allowance for trade receivables.

Due to the transition method chosen by the MRPS in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards and separately presenting impairment loss on trade receivables and contract assets where applicable.

A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgment.

IFRS 15 did not have a significant impact on the MRPS's accounting policies with respect to the revenue streams on 1 January 2018.



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

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 “Financial instruments”: Recognition and measurement.

Additionally, the MRPS has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirement in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the MRPS’s accounting policies related to financial liabilities.

The following table and accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the MRPS’s financial assets and financial liabilities as at 1 January 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets as at 1 January 2018 relates solely to the new impairment requirements.



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

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. IFRS 9 Financial instruments (Continued)

(i) Classification and measurement of financial assets and financial liabilities (Continued)

Financial Assets	Original asset classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 MVR	New carrying amount under IFRS 9 MVR
Cash and cash equivalents	Loans and receivables	Amortized cost	16,332,522	16,332,522
Other receivables	Loans and receivables	Amortized cost	968,487	968,487
Treasury bills	Held to Maturity	Amortized cost	3,392,006,497	3,392,006,497
Investment in fixed deposits	Held to Maturity	Amortized cost	250,323,438	250,323,438
Investment in Sukuk	Held to Maturity	Amortized cost	95,000,000	95,000,000
Treasury bonds	Held to Maturity	Amortized cost	3,087,401,192	3,087,401,192
Investment in HDFC bond	Held to Maturity	Amortized cost	6,004,937	6,004,937
Investment in equity shares	Available for sale	FVOCI	475,957,110	475,957,110
Recognition bond	Held to Maturity	Amortized cost	3,312,334,299	3,312,334,299
Total financial assets			10,636,328,482	10,636,328,482

Financial Liabilities	Original asset classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 MVR	New carrying amount under IFRS 9 MVR
Other Payables	Other financial liabilities	Other financial liabilities	7,145,863	7,145,863
Contribution collection accounts	Other financial liabilities	Other financial liabilities	5,897,394	5,897,394
Total financial liabilities			13,043,257	13,043,257



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

4. 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 the MRPS.

4.1 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.

4.2 Financial Instruments

i. Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the MRPS becomes a party to the contractual provisions of the instrument.

A financial asset (Unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL (fair value through profit or loss), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI (fair value through other comprehensive income) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the MRPS changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Financial Instruments (Continued)

ii. Classification and subsequent measurement

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets – Subsequent measurement and gains and losses Policy applicable from 1 January 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets- Policy applicable before 1 January 2018

The MRPS classified its financial assets into one of the following categories:

- loans and receivables;
- Available for sale:
- held to maturity;
- FVPTL



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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Financial Instruments (Continued)

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Held to maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method
Available for sale	Measured at fair value
Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de-recognition is also recognized in profit or loss.

iii De-recognition

Financial assets

The MRPS derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the MRPS neither transfer nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The MRPS derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The MRPS also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in profit or loss.



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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Impairment

(i) Financial Assets (including receivables)

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

(ii) 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 a 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 or groups of assets.

4.4 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.

4.5 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.

4.6 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.



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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Events Occurring After the Reporting Date

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

4.8 Cash Flow Statement

The Cash Flow Statement has been prepared using the “Direct Method” of preparing cash flows in accordance with the IAS 7 – “Statement of Cash Flows”. For the purpose of the Cash Flow Statement, cash and cash equivalents include Cash at bank with original maturities of less than three months, which are subject to insignificant risk of changes in their value, and are used by the MRPS in the management of its short-term commitments.

5. 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) Trade and other receivables

The fair value of trade and 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.

6. NEW STANDARDS AND INTERPRATATIONS NOT YET ADOPTED

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the MRPS has not early applied these new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the MRPS’s financial statements.

- IFRS 16 Leases
- Amendments to References to Conceptual Framework in IFRS Standards.
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)



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

FOR THE YEAR ENDED 31 DECEMBER 2018

7 NET CONTRIBUTION	2018	2017
	MVR	MVR
CONTRIBUTION RECEIVED		
Contribution from employers	541,584,337	517,589,898
Contribution from members	558,002,370	504,343,248
Contribution from self-employed members	25,121	122,100
Contribution from government on accrued rights (Note 15.1)	87,296	585,074
	<u>1,099,699,124</u>	<u>1,022,640,320</u>
CONTRIBUTION PAID		
Benefits paid to members	58,456,945	54,585,242
	<u>58,456,945</u>	<u>54,585,242</u>
	<u>1,041,242,179</u>	<u>968,055,078</u>
8 INTEREST INCOME	2018	2017
	MVR	MVR
Interest on recognition of bonds (Note 8.1)	163,867,875	188,836,739
Interest on treasury bonds	157,703,000	150,011,412
Interest on treasury bills	180,722,972	131,993,239
Interest on fixed deposits	10,509,008	8,238,026
Interest on HDFC bonds	2,883,130	809,553
Income on Sukuk	7,865,027	1,267,800
	<u>523,551,012</u>	<u>481,156,769</u>

8.1 Interest income from recognition bonds

Interest on recognition bonds is calculated based on highest annual fixed deposit rate issued by the Maldivian Monetary Authority during the previous year. Highest annual fixed deposit rate for the year ended 31 December 2018 was 5%. (2017 - 6%)



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

FOR THE YEAR ENDED 31 DECEMBER 2018

9 DIVIDEND INCOME	2018	2017
	MVR	MVR
Dividend from equity securities - Quoted	59,892,792	40,540,950
	<u>59,892,792</u>	<u>40,540,950</u>
10 OTHER INCOME	2018	2017
	MVR	MVR
Fines on late contribution	1,243,812	1,249,992
Other income	33,751	-
	<u>1,277,563</u>	<u>1,249,992</u>
11 ADMINISTRATIVE EXPENSES	2018	2017
	MVR	MVR
Management fee (Note 11.1)	48,372,972	53,517,212
Other expenses	-	27,771
	<u>48,372,972</u>	<u>53,544,983</u>

11.1 Management fee

In accordance with section 6(d) of the Maldivian Pension Act 8/2009, the MPOA is entitled to charge a fee towards the administration of the scheme from the members. Based on the daily asset value of the members balance of the MRPS, prior to 2013 the fee was charged only on the member balances in the Investment Portfolio. The Board of MPAO decided to levy a fee on the Sharia and Conservative Portfolio members effective from January 2013. The fees are subject to review annually. Management Fees are accounted Monthly on accrual basis at rate of 0.6% per annum on each month end net asset value. (2017 - 0.8%)

12 CASH AND CASH EQUIVALENT	31/12/2018	31/12/2017
	MVR	MVR
Cash at bank (Note 12.1)	22,973,405	16,332,522
	<u>22,973,405</u>	<u>16,332,522</u>
12.1 Balances with Banks	31/12/2018	31/12/2017
	MVR	MVR
Cash balance in contribution holding account	22,805,731	16,189,589
Cash balance in Maldives Islamic Bank	167,674	122,516
Cash balance in Mauritius Commercial Bank	-	20,417
	<u>22,973,405</u>	<u>16,332,522</u>



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

FOR THE YEAR ENDED 31 DECEMBER 2018

13 OTHER RECEIVABLES	31/12/2018 MVR	31/12/2017 MVR
Receivable for accrued rights matured during the year	6,983,722	743,912
Other receivables	601,848	224,575
	<u>7,585,570</u>	<u>968,487</u>
14 INVESTMENT IN FINANCIAL ASSETS	31/12/2018 MVR	31/12/2017 MVR
Treasury bills - held-to-maturity	-	3,392,006,497
Treasury bills - at amortised cost	4,656,055,733	-
Investment in Fixed deposit - held-to-maturity	-	250,323,438
Investment in Fixed deposit - at amortised cost	343,598,288	-
Investment in Sukuk - held-to-maturity	-	95,000,000
Investment in Sukuk - at amortised cost	96,612,727	-
Treasury bonds - held-to-maturity	-	3,087,401,192
Treasury bonds - at amortised cost	3,087,401,192	-
Investment in HDFC bond - held-to-maturity	-	6,004,937
Investment in HDFC bond - at amortised cost (Note 14.1)	77,171,114	-
Equity securities – available-for-sale	-	475,957,110
Equity securities – at FVOCI - (Note 14.2)	475,957,110	-
	<u>8,736,796,164</u>	<u>7,306,693,174</u>
14.1 Investment in HDFC bond - at amortised cost	31/12/2018 MVR	31/12/2017 MVR
Balance as at 1 January	6,004,937	17,371,518
Addition during the year	80,000,000	-
Interest accrued during the year	-	809,554
Interest received during the year	(136,921)	(1,068,726)
Principal repayment during the year	(8,696,902)	(11,107,409)
Balance as at 31 December	<u>77,171,114</u>	<u>6,004,937</u>

The MRPS has acquired 8,000 bonds of Housing Development Finance Cooperation (HDFC) PLC at MVR 10,000/- each on 01 July 2018, carrying interest of 7% per annum. Repayment will take place in ten semi-annual installments commencing six month after the date of allotment.



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

FOR THE YEAR ENDED 31 DECEMBER 2018

14 OTHER INVESTMENTS (CONTINUED)

14.2 Equity securities – at FVOCI	31/12/2018 MVR	31/12/2017 MVR
Investment in equity shares (quoted) (Note 14.3)	475,957,110	475,957,110
	<u>475,957,110</u>	<u>475,957,110</u>

14.3 Investment in equity shares (quoted)

	Number of shares		Carrying value	
	31/12/2018	31/12/2017	31/12/2018 MVR	31/12/2017 MVR
Dhivehi Raajjeyge Gulhun PLC (DHR)	2,813,390	2,813,390	225,957,210	225,957,210
Ooredoo Maldives PLC (OMPL)	8,333,330	8,333,330	249,999,900	249,999,900
			<u>475,957,110</u>	<u>475,957,110</u>

Financial assets at fair value through other comprehensive Income , comprising principally marketable equity securities, are measured at fair value annually at the close of the business on 31 December. The management has performed a valuation on a basis of discounted cash flows to determine the fair value, since the absense of an active market.

14.4 Measurement of fair values

(i) Fair value hierarchy

The fair value of investment in equity shares was determined by the management and having appropriate recognized professional qualifications. The Management determines the fair value investment in equity shares every three months.

The fair value measurement for investment in equity shares has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.



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

FOR THE YEAR ENDED 31 DECEMBER 2018

14 OTHER INVESTMENTS (CONTINUED)

14.4 Measurement of fair values (Continued)

(ii) Valuation technique and significant unobservable inputs

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<i>Discounted cash flows:</i> The valuation model considers the present value of future free cash flows of the investee, taking into account the expected earnings growth, Terminal growth and Capital Investments. The expected free cash flows are discounted using weighted average cost of capital (WACC).	-Expected revenue growth (2018: 4%-11%, 2017: 2.2% - 4%). -Terminal growth and Capital Investments: (2018: 10%-19% of the asset base, 2017: 16% - 30% of the asset base) -WACC (2018: 12.25%-14%, 2017: 12.5% - 13.7%)	The estimated fair value would increase / (decrease) if: -Expected revenue growth were higher / (lower); -Terminal growth and Capital Investments were higher / (lower); or -Weighted average cost of capital were lower / (higher).

15 RECOGNITION BOND	31/12/2018 MVR	31/12/2017 MVR
Accrued pension rights receivable (Note 15.1)	2,075,998,964	2,109,417,631
Interest receivable on recognition bonds (Note 15.2)	1,346,760,652	1,202,916,668
	<u>3,422,759,616</u>	<u>3,312,334,299</u>
15.1 Accrued pension rights receivable		
Opening balance	2,109,417,631	2,143,257,035
Net adjustment to contribution from Government on accrued rights	87,296	585,074
Accrued rights matured during the year	(33,505,963)	(34,424,478)
Closing balance	<u>2,075,998,964</u>	<u>2,109,417,631</u>



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

FOR THE YEAR ENDED 31 DECEMBER 2018

15 RECOGNITION BOND (CONTINUED)

15.1 Accrued pension rights receivable (Continued)

In accordance with section 25 of the Maldives Pension Administration 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 Account in the form of recognition bonds of Government. As per the agreement dated 19 September 2011 Ministry of Finance and Treasury has agreed to recognise the Accrued Pension Rights" of MVR 2,380,156,835/- subject to a variation of 5% of the rights. Accordingly, MRPS has recognised revenue of MVR 2,380,156,835/- as contribution from Government on Accrued Pension Rights during the period ended 31 December 2010.

15.2 Interest receivable on recognition bonds	31/12/2018 MVR	31/12/2017 MVR
Opening balance	1,202,916,668	1,031,717,621
Additions during the year	163,867,875	188,836,739
Paid during the year	(20,023,893)	(17,637,692)
Closing balance	<u>1,346,760,652</u>	<u>1,202,916,668</u>

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

16 HOUSING COLLATERALIZATION DEPOSIT	31/12/2018 MVR	31/12/2017 MVR
Housing collateralization deposit	<u>25,821,294</u>	<u>6,876,329</u>
	<u>25,821,294</u>	<u>6,876,329</u>

The amounts under the heading "housing collateralization deposit" concern cash collateral pledged with Housing Development Finance Corporation (HDFC), Bank of Maldives (BML), Commercial Bank of Maldives (CBM), Maldives Islamic Bank (MIB) and The Mauritius Commercial Bank (Maldives) Private Limited (MCB) to facilitate the collateralization of accumulated Retirement Savings Accounts (RSA) for the purpose of paying the down payment in obtaining home finance for the members of Maldives Retirement Pension Scheme.



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

FOR THE YEAR ENDED 31 DECEMBER 2018

17 OTHER PAYABLES	31/12/2018 MVR	31/12/2017 MVR
Management fee payable	4,445,646	4,938,398
To be allocated to collateralization deposit members	866,271	-
Excess collection from employers	48,253	113,346
Accrued rights excess collection from MOFT	-	2,002,415
Other payables	151,627	91,704
	<u>5,511,797</u>	<u>7,145,863</u>

18 EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, no circumstances have arisen which would require adjustments or disclosure in the Financial Statements.

19 CAPITAL COMMITMENTS

There were no material capital commitments outstanding as at the reporting date.

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - FAIR VAUE AND RISK MANAGEMNT

The following table shows the carrying amounts and fair values of financial assets financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair values.

(A) Accounting classification and fair values

Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level I	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level II	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level III	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Assessing the significance of a particular input requires judgment, considering factors specific to the asset or liability.



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

FOR THE YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

(A) Accounting classification and fair values (Continued)

31 December 2018	Carrying amount			Fair value				
	Financial assets at amortised cost	FVOCI – equity instruments	Other financial liabilities	Total	Level I	Level II	Level III	Total
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Financial assets								
Cash and cash equivalents	22,973,405	-	-	22,973,405	-	22,973,405	-	22,973,405
Other receivables	7,585,570	-	-	7,585,570	-	7,585,570	-	7,585,570
Financial assets at amortised	8,260,839,054	-	-	8,260,839,054	-	8,260,839,054	-	8,260,839,054
Equity securities at FVOCI	475,957,110	475,957,110	-	475,957,110	-	-	475,957,110	475,957,110
Recognition bond	3,422,759,616	-	-	3,422,759,616	-	3,422,759,616	-	3,422,759,616
Housing collateralization deposit	25,821,294	-	-	25,821,294	-	25,821,294	-	25,821,294
	<u>12,215,936,049</u>	<u>475,957,110</u>	-	<u>12,215,936,049</u>	-	<u>11,739,978,939</u>	<u>475,957,110</u>	<u>12,215,936,049</u>
Financial liabilities								
Other Payables	-	-	5,511,797	5,511,797	-	5,511,797	-	5,511,797
Contribution collection accounts	-	-	2,672,124	2,672,124	-	2,672,124	-	2,672,124
	<u>-</u>	<u>-</u>	<u>8,183,921</u>	<u>8,183,921</u>	<u>-</u>	<u>8,183,921</u>	<u>-</u>	<u>8,183,921</u>



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

FOR THE YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

	(A) Accounting classification and fair values (Continued)													
	Held to maturity			Available for sale			Carrying amount			Fair value				
	MVR	MVR	MVR	MVR	MVR	MVR	Loans and receivable	Other financial liabilities	Total	Level I	Level II	Level III	Total	
Financial assets														
Cash and cash equivalents	-	-	16,332,522	-	-	16,332,522	-	-	16,332,522	-	-	-	16,332,522	-
Other receivables	-	-	968,487	-	-	968,487	-	-	968,487	-	-	-	968,487	-
Financial assets at amortised cost	7,306,693,174	-	-	-	-	7,306,693,174	-	-	7,306,693,174	-	-	-	7,306,693,174	-
Financial assets at AFS	475,957,110	475,957,110	-	-	-	475,957,110	-	-	475,957,110	-	-	475,957,110	475,957,110	-
Recognition bond	3,312,334,299	-	-	-	-	3,312,334,299	-	-	3,312,334,299	-	-	-	3,312,334,299	-
Housing collateralization deposit	6,876,329	-	-	-	-	6,876,329	-	-	6,876,329	-	-	-	6,876,329	-
	7,306,693,174	475,957,110	17,301,009	-	-	11,119,161,921	-	-	10,643,204,811	-	-	475,957,110	11,119,161,921	-
Financial liabilities														
Other Payables	-	-	-	-	-	7,145,863	-	-	7,145,863	-	-	-	7,145,863	-
Contribution collection accounts	-	-	-	-	-	5,897,394	-	-	5,897,394	-	-	-	5,897,394	-
	-	-	-	-	-	13,043,257	-	-	13,043,257	-	-	-	13,043,257	-



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

FOR THE YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

(B) Financial risk management

Overview

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

- Credit Risk
- Market Risk
- Liquidity Risk

This note presents information about the MRPS's exposure to each of the above risks, the MRPS's objectives.

Risk Management Framework

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

(i) Credit Risk

Credit Risk is the risk of loss due to the inability or unwillingness of a borrower/ counter-party to meet its payment obligations. The credit risk of the MRPS is deemed minimal as 88% of the total investment is made in Government Securities. Further the other investments are made in highly creditworthy corporate debt and equity instruments after thorough analysis of risks and returns. Therefore, the credit risk of the MRPS as a whole was at a very low level. Composition of the investments of the MRPS as at the yearend is as follows.

Analysis of Risk Concentration – Investment Composition

Investment	31/12/2018		31/12/2017	
	MVR	%	MVR	%
Government Securities	7,620,297,826	71.01%	6,366,538,743	68.28%
Recognition bond	2,075,998,964	19.35%	2,109,417,631	22.62%
Investment in Fixed Deposits	363,321,294	3.39%	255,076,328	2.74%
Corporate Debt Securities	172,171,114	1.60%	100,868,017	1.08%
Investment in Equity Securities	475,957,110	4.44%	475,957,110	5.10%
Balance with banks	22,973,405	0.21%	16,332,522	0.18%
	<u>10,730,719,713</u>		<u>9,324,190,351</u>	



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

FOR THE YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - FAIR VAUE AND RISK
 MANAGEMNT (CONTINUED)

(B) Financial risk management (Continued)

(i) Credit Risk (Continued)

Cash and cash equivalent

The MRPS held cash and equivalents of MVR 22,973,405/- as at 31 December 2018 (2017 - MVR 16,332,522/-). On the initial application of IFRS 9, the MRPS has no significant impact on cash and cash equivalent balances as at 1 January 2018.

(ii) Market Risk

Market Risk is the risk of losses from changes in the market value of portfolios and financial instruments due to movements in interest rates, foreign exchange and equity prices. The market risk faced by the MRPS primarily arises from interest rate risk and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(a) Interest Rate Risk

Exposure to interest rate risk

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

	Carrying Amount	
	2018	2017
	MVR	MVR
Fixed Rate Instruments	10,205,967,904	8,825,024,391

The MRPS does not account for any fixed-rate financial assets at FVTPL. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis point in interest rates would have increased or decreased profit for the year ended 31 December 2018 by MVR 115,527,579/- (2017 : MVR 100,279,432/-). This analysis assumes that all the other variables remain constant.



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

FOR THE YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - FAIR VAUE AND RISK
MANAGEMNT (CONTINUED)

(B) Financial risk management (Continued)

(ii) Market Risk (Continued)

(b) Equity Price Risk

The equity price risk is the reduction in the value of equity portfolio due to the decline in share prices. This is an inherent risk of equity investments which has been mitigated by investing in fundamentally sound stocks with robust value. However, MRPS value equity securities based on discounted free cash flows of the investee companies.

(iii) Liquidity Risk

Liquidity Risk is the risk arising from the inability of the MRPS to meet its financial commitments and obligations when they fall due. The net contribution of the Fund was between MVR 77 Mn to MVR 94 Mn per month during the year. Further, interest and maturity proceeds provided additional cash flow to the MRPS.

Management of liquidity risk includes taking steps to ensure, as far as possible, that it will always have adequate financial resources to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the MRPS's reputation.



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

FOR THE YEAR ENDED 31 DECEMBER 2018

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

(B) Financial risk management (Continued)

(iii) Liquidity Risk (Continued)

Maturity analysis of financial assets and financial liabilities

Financial assets	0-12	1-3	3-5	More Than	Total as at	Total as at
	Months	Years	Years	5 years	31/12/2017	31/12/2018
	MVR	MVR	MVR	MVR	MVR	MVR
Cash and cash equivalents	22,973,405	-	-	-	22,973,405	16,332,522
Other receivables	7,585,570	-	-	-	7,585,570	968,487
Treasury bills	4,656,055,733	-	-	-	4,656,055,733	3,392,006,497
Investment in Fixed deposit	163,700,171	103,910,809	75,987,308	-	343,598,288	250,323,458
Investment in Sukuk	1,612,727	-	-	95,000,000	96,612,727	95,000,000
Treasury bonds	39,401,192	931,000,000	1,005,000,000	1,112,000,000	3,087,401,192	3,087,401,192
Investment in HDFC bond	5,938,271	13,219,901	15,170,141	42,822,801	77,171,114	6,004,937
Financial assets at FVOCI	475,957,110	-	-	-	475,957,110	475,957,110
Recognition bond	46,920,322	119,071,932	117,282,579	3,139,484,783	3,422,759,616	3,312,334,299
Housing collateralization deposit	-	-	-	25,821,294	25,821,294	6,876,329
Total assets	5,420,164,501	1,167,202,642	1,213,440,028	4,415,128,878	12,215,936,049	10,643,204,811
Financial liabilities						
Other Payables	5,511,797	-	-	-	5,511,797	7,145,863
Contribution collection accounts	2,672,124	-	-	-	2,672,124	5,897,394
Total liabilities	8,183,921	-	-	-	8,183,921	13,043,257
ACCUMULATED MEMBERS' BALANCE						
Contribution payout	71,754,736	193,046,670	220,279,305	11,722,671,417	12,207,752,128	10,630,161,554
Total accumulated members' balance and Liabilities	79,938,657	193,046,670	220,279,305	11,722,671,417	12,215,936,049	10,643,204,811



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

FOR THE YEAR ENDED 31 DECEMBER 2018

20 COMPARATIVE FIGURES

To facilitate comparison, relevant balances pertaining to the previous year have been re-classified to conform to current year's classification and presentation.

21 EVENTS AFTER THE REPORTING DATE

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

22 RELATED PARTY TRANSACTIONS

22.1 Transactions with the Key Management Personnel

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. Under the investment management agreement, the MPAO receives a management fee at an annual rate of 0.6% (2017 - 0.8%) of the MRPS member balance.

The total Board of Members' fee paid for the year ended 31 December 2018 were nil. (2017 - Nil)

22.2 RELATED PARTY TRANSACTIONS

Related Party	Relationship	Nature of Transactions	Amount		Balance as at	
			2018 MVR	2017 MVR	31/12/2018 MVR	31/12/2017 MVR
Maldives Pension Administration Office (MPAO)	Investment Manager	Management fee	48,372,972	53,544,983	(4,445,646)	(4,938,398)

23 COMMITTEE OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board of Members of the Fund is responsible for the preparation and presentation of these Financial Statements.



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

FOR THE YEAR ENDED 31 DECEMBER 2018

24 INVESTMENT FUND ANALYSIS

MRPS comprise of the following sub funds.

Income	Investment		Shariah		Conservative		Shariah Retirees		Housing		Recognition Bond		Consolidated Adjustment		Total	
	MVR		MVR		MVR		MVR		MVR		MVR		MVR		2018	MVR
Net Contribution Income	1,080,544,531		18,524,356		(7,296,673)		1,467,501		1,445,024		(53,442,560)		-		1,041,242,179	
Interest Income	338,574,087		6,765,982		14,198,274		144,794		-		163,867,875		-		523,551,072	
Dividend Income	59,892,792		-		-		-		-		-		-		59,892,792	
	1,479,011,410		25,290,338		6,901,601		1,612,295		1,445,024		110,425,315		-		1,624,685,983	
Other income	1,225,532		5,273		46,752		6		-		-		-		1,277,563	
Inter-Portfolio Movements	(76,955,552)		23,745,806		35,902,699		211,910		17,095,137		-		-		-	
Management fee	(45,862,214)		(726,786)		(1,757,816)		(26,155)		-		-		-		(48,372,972)	
Increase in net assets attributable to members	1,357,419,176		48,314,631		41,093,236		1,798,055		18,540,161		110,425,315		-		1,577,590,574	
ASSETS																
Cash and cash equivalents	17,495,454		593,923		1,863,009		188,440		160,456		-		2,672,123		22,973,405	
Other receivables	3,552		384,185		6,140,732		1,188,264		301,010		90,512		(522,685)		7,585,570	
Investment in financial assets	8,260,834,905		145,631,074		326,229,485		4,100,700		-		-		-		8,736,796,164	
Recognition bond	-		-		-		-		-		3,422,759,616		-		3,422,759,616	
Housing collateralization deposit	-		-		-		-		25,821,294		-		-		25,821,294	
Total Assets	8,278,333,911		146,609,182		334,233,226		5,477,404		26,282,760		3,422,850,128		2,149,435		12,215,936,049	
LIABILITIES																
Other Payables	4,848,093		164,655		152,663		2,785		866,271		19		(522,689)		5,511,797	
Contribution collection accounts	-		-		-		-		-		-		2,672,124		2,672,124	
Total liabilities (excluding net assets attributable to members)	4,848,093		164,655		152,663		2,785		866,271		19		2,149,435		8,185,921	
ACCUMULATED MEMBERS' BALANCE																
Accumulated members' balance	8,273,485,818		146,444,528		334,080,563		5,474,618		25,416,490		3,422,850,108		-		12,207,752,128	
Total accumulated members' balance and Liabilities	8,278,333,911		146,609,182		334,233,226		5,477,403		26,282,761		3,422,850,127		2,149,435		12,215,936,049	

