

CAPITAL MARKET DEVELOPMENT AUTHORITY
AUDITORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2008

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CAPITAL MARKET DEVELOPMENT AUTHORITY**

We have audited the accompanying financial statements of Capital Market Development Authority which comprise the balance sheet as at 31 December 2008 and the income and expenditure account, statement of changes in equity and cash flow statement for the Year then ended 31 December 2008, and a summary of significant accounting policies and other explanatory notes.

Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditors' report and for no other purpose. Therefore, we do not accept or assume responsibility to anyone other than the members, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Authority as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

24th March 2009
Male'

Capital Market Development Authority
INCOME & EXPENDITURE ACCOUNT
Year ended 31 December 2008

	Year ended 31.12.2008	Year ended 31.12.2007
	<u>Rf</u>	<u>Rf</u>
INCOME		
Annual listing fee	129,692	206,000
Application fee	1,550	3,600
Trade processing fee	43,724	-
Sale of MSE & MSD systems	3,039,690	-
Trade commissions	-	170,681
Training programme income	377,355	117,500
Donations	396,128	642,500
Treasury bills interest	397,893	-
Sundry income	20,691	115,120
	<u>4,406,723</u>	<u>1,255,401</u>
Less:		
EXPENSES		
Board expenses	376,799	97,221
Salaries & Wages	3,054,856	1,782,431
Expert expenses	525,467	730,624
Travelling	170,060	61,149
Training courses & scholarships	1,335,283	781,855
Printing & stationery	136,462	125,600
Internal & external audit fee	24,287	21,203
Electricity expenses	163,705	153,498
General office expenses	51,471	74,545
Depreciation & amortization	249,881	185,840
Telephone	169,009	158,182
Media related expenses	105,935	150,189
Legal & regulatory	58,085	27,218
Repairs & maintenance	144,192	116,480
Rent	637,190	518,140
Training programme expenses	653,269	556,885
Membership fees	464,939	32,687
Investor education expenses	134,296	200,184
Other	-	11,200
Loss on fixed asset disposal	5,677	-
	<u>8,460,863</u>	<u>5,785,131</u>
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	(4,054,140)	(4,529,730)
Amount received from government budget	9,977,622	6,303,208
NET SURPLUS/(DEFICIT) RECEIVED FROM THE GOVERNMENT FOR THE YEAR	<u>5,923,482</u>	<u>1,773,478</u>

The accounting policies and notes on pages 6 through 10 form an integral part of the financial statements.

24th March 2009
Male'



Capital Market Development Authority
BALANCE SHEET
As at 31 December 2008

ASSETS	Note	31.12.2008 Rf	31.12.2007 Rf
Non-current assets			
Property, plant and equipment	3	314,522	461,456
Intangible assets	4	207,683	175,485
		<u>522,205</u>	<u>636,941</u>
Current assets			
Receivables	5	221,205	57,787
Investments	6	6,162,566	1,200,000
Cash and bank balances		3,594,654	4,688,831
		<u>9,978,425</u>	<u>5,946,618</u>
		<u><u>10,500,630</u></u>	<u><u>6,583,559</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Capital contributed by government		3,000,000	3,000,000
Accumulated surplus/(deficit)		-	(80,417)
		<u>3,000,000</u>	<u>2,919,583</u>
Current liabilities			
Payables	7	7,500,630	3,663,976
		<u>7,500,630</u>	<u>3,663,976</u>
		<u><u>10,500,630</u></u>	<u><u>6,583,559</u></u>

The Board of Authority is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the Board by,

Name of the Director

Nariyam Hussain Didi

Mohamed Rasheed

Fathimath Shafeega

Signature

The accounting policies and notes on pages 6 through 10 form an integral part of the financial statements.

24th March 2009

Male'



Capital Market Development Authority
 STATEMENT OF CHANGES IN EQUITY
 Year ended 31 December 2008

	Capital contributed by government Rf	Accumulated surplus/ (deficit) Rf	Total equity Rf
Balance as at 31 December 2006	3,000,000	(1,853,895)	1,146,105
Net surplus for the year	-	1,773,478	1,773,478
Balance as at 31 December 2007	<u>3,000,000</u>	<u>(80,417)</u>	<u>2,919,583</u>
Net surplus for the year	-	80,417	80,417
Balance as at 31 December 2008	<u><u>3,000,000</u></u>	<u><u>-</u></u>	<u><u>3,000,000</u></u>

The accounting policies and notes on pages 6 through 10 form an integral part of the financial statements.

24th March 2009
 Male'



Capital Market Development Authority
CASH FLOW STATEMENT
Year ended 31 December 2008

	<u>31.12.2008</u> Rf	<u>31.12.2007</u> Rf
Cash flow from/(used in) operating activities		
Surplus/ (deficit) for the year	5,923,482	1,773,478
Adjustments for,		
Depreciation	193,487	175,006
Amortization of intangible assets	56,394	10,833
Loss arising on disposal of fixed assets	5,677	-
	<u>6,179,040</u>	<u>1,959,317</u>
(Increase)/decrease in receivables	(163,418)	(34,418)
Increase/(decrease) in payables	(2,006,411)	3,315,120
Net cash (used in)/ from operating activities	<u>4,009,211</u>	<u>5,240,019</u>
Cash flow from/(used in) investing activities		
Acquisition of property, plant & equipment	(52,231)	(354,854)
Acquisition of intangible assets	(88,591)	(157,429)
Acquisition of investments	(4,962,566)	(1,000,000)
Net cash used in investing activities	<u>(5,103,388)</u>	<u>(1,512,283)</u>
Net increase/ (decrease) in cash & cash equivalents	(1,094,177)	3,727,736
Cash and cash equivalents at the beginning of the year	4,688,831	961,095
Cash and cash equivalents at the end of the year (Note 8)	<u>3,594,654</u>	<u>4,688,831</u>

The accounting policies and notes on pages 6 through 10 form an integral part of the financial statements.

24th March 2009
Male'



1 CORPORATE INFORMATION

1.1 Domicile and Legal Form

Capital Market Development Authority is a separate legal entity incorporated under Maldives Securities Act No.02/2006. The registered office of the Authority is located at 4th Floor, MTCC Tower, Boduthakurufaanu Magu, Male' and the principal place of business is also situated at the same place.

1.2 Principal Activities and Nature of Operations

The principal activity of the Authority is to develop a market in which securities can be issued and traded in a fair and orderly manner and act as the Maldives securities market regulator.

1.3 Number of Employees

The number of employees at the end of the period was 22.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 General Policies

2.1.1 Basis of Preparation

The Balance Sheet, Statements of Income & Expenditure and Cash Flows together with Accounting Policies and Notes, ("Financial Statements") of the Authority as at 31st December 2008 and for the year then ended, comply with the International Financial Reporting Standards.

The financial statements of Capital Market Development Authority for the period ended 31 December 2008 were authorized for issue in accordance with a resolution of the Board on 24th March 2009.

2.1.2 Foreign Currency Translation

All foreign currency transactions are converted to Maldivian Rufiyaa, which is the reporting currency, at the rates of exchange prevailing at the time the transactions were effected. Monetary assets and liabilities denominated in foreign currencies are translated to Maldivian Rufiyaa equivalents using year-end spot foreign exchange rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting gains and losses are accounted for in the Income Statement.

2.1.3 Financial Assets

Financial Assets include cash & bank and receivables. The accounting policies for each financial asset are stated separately.

2.1.4 Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered in to. The accounting policies for each financial liability are stated separately.

2.2 Valuation of Assets and their Measurement Bases

2.2.1 Receivables

Receivables are stated at the amounts that they are estimated to realize. A provision has been made in the Financial Statements where necessary for impairment losses on any uncollectible amounts.

2.2.2 Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise of cash at banks and cash in hand.

For the purpose of cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Cash flow statement is prepared in "indirect method".

2.2.3 Property, Plant and Equipment

a) Property Plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met.

b) Depreciation

Depreciation is provided on all Property, Plant and Equipment on a straight-line basis, at rates calculated to write off the cost of each asset evenly over its expected useful life.

	Useful Life
Furniture & Fittings	5 Years
Office Equipment	5 Years
Computers & Computer Software	3 Years
Assets transferred from Maldives Monetary Authority	2 Years

2.2.4 Intangible Assets

Intangible assets consist of cost of acquisition and development cost of various software. Intangible assets acquired are capitalized at cost as at the date of acquisition. The cost of intangible assets acquired by the Authority includes cost of acquisition together with any incidental expenses incurred in bringing the assets to its working condition for the intended use. The cost of the self-constructed assets includes the cost of materials, direct labor cost, and appropriate proportion of production overheads.

Subsequent to initial recognition all intangible assets are stated at cost less accumulated amortization and impairment losses. The cost of website software is amortized over a period of 3 years on a straight-line basis.

2.3 Liabilities and Provisions

All known liabilities have been accounted for in preparing the Financial Statements.

The materiality of the events occurring after the Balance Sheet date have been considered and appropriate adjustments and provisions have been made in the Financial Statements where necessary.

2.3.1 Provisions

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate.

2.3.2 Liabilities

Liabilities classified as current liabilities in the Balance Sheet are those, which fall due for payment on demand or within one year from the Balance Sheet date. Non-current liabilities are those balances, which fall due for payment after one year from the Balance Sheet date.

2.4 Revenue and Expenditure Recognition

2.4.1 Income Recognition

Income is recognized to the extent that it is probable that the economic benefits will flow to the Authority and the income can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of income.

a) Rendering of Services

Income from rendering of services is recognized in the accounting period in which the services are rendered or performed.

b) Others

Other income is recognised on an accrual basis.

2.4.2 Expenditure Recognition

Expenses are recognised in the Income & Expenditure Account on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to Income & Expenditure Account in arriving at the surplus /deficit for the year.

3 PROPERTY, PLANT AND EQUIPMENT

3.1 Gross Carrying Amounts	Balance as at 01.01.2008 Rf	Additions Rf	Disposal/Transfers Rf	Balance as at 31.12.2008 Rf
Furniture and fittings	155,990	8,035	850	163,175
Computers	423,484	12,375	-	435,859
Office equipment	162,748	31,820	6,500	188,068
	<u>742,222</u>	<u>52,230</u>	<u>7,350</u>	<u>787,102</u>

3.2 Depreciation	Balance as at 01.01.2008 Rf	Charge for the year Rf	Disposal/Transfers Rf	Balance as at 31.12.2008 Rf
Furniture and fittings	107,480	23,286	156	130,610
Computers	135,132	136,214	-	271,346
Office equipment	38,154	33,987	1,517	70,624
	<u>280,766</u>	<u>193,487</u>	<u>1,673</u>	<u>472,580</u>
Net book value	<u>461,456</u>			<u>314,522</u>

4 INTANGIBLE ASSETS

4.1 Gross Carrying Amounts at Cost	Balance as at 01.01.2008 Rf	Additions Rf	Disposal/Transfers Rf	Balance as at 31.12.2008 Rf
Website software	32,500	164,020	-	196,520

4.2 Accumulated Amortization At Cost	Balance as at 01.01.2008 Rf	Charge for the year Rf	Disposal/Transfers Rf	Balance as at 31.12.2008 Rf
Website software	14,444	56,394	-	70,838

4.3 In the Course of Construction	Balance as at 01.01.2008 Rf	Incurred during the year Rf	Disposal/Transfer Rf	Balance as at 31.12.2008 Rf
Order matching system	85,050	28,350	113,400	-
Financial accounting system	56,250	18,750	-	75,000
Financial module.	-	7,000	-	7,000
CMDA website	16,129	-	16,129	-
Total gross carrying amount	<u>157,429</u>	<u>54,100</u>	<u>129,529</u>	<u>82,000</u>

Net book values	31.12.2007 Rf	31.12.2008 Rf
At cost	18,056	125,682
In the course of construction	157,429	82,000
	<u>175,485</u>	<u>207,682</u>

