



2007

Annual Report



**CMDA**

Capital Market Development Authority

Integrity ■

Professionalism ■

Accountability ■

Independence ■

Initiative ■

## Vision

To have a thriving capital market in the Maldives, which finances business investment and development and promote the expansion of Maldivian economy

## Mission

To facilitate the fair and orderly development of the capital market so that businesses have access to capital and at the same time investors are provided with investment opportunities

## Objectives

*The principle objective of the Authority shall be:-*

- To develop a market in which securities can be issued and traded in an orderly and fair manner;
- To promote the interests of investors who invest or propose to invest in securities;
- To regulate and supervise the securities market; and
- To suppress illegal, dishonorable and improper practices in relation to dealings in securities.

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It gives me an immense pleasure to present the Annual Report of the Capital Market Development Authority for the year 2007. We have taken great strides over the past year to realize the objectives of the CMDA.

One of the cornerstone achievement of the year was the work undertaken to separate the operational and regulatory function of the CMDA to pave the way for a private sector stock exchange. In this regard, applications were opened to the private sector to form the first even Stock Exchange and Securities Depository in the Maldives. I am happy to note that we extended our full cooperation to the private sector applicants.

Further, to ensure smooth and efficient service to the investors CMDA reviewed and finalized the regulatory-framework of regulation under which Stock Exchange and Central Securities Depository will operate.

Mr. Abdul Ghafoor Abdul Latheef - Chairman

The Securities Trading Floor surpassed its previous years' performance registering 2007 as a record year as reflected by the huge increase in trading turnover. We are confident that, with the private sector Stock Exchange in 2008, the coming years will bring further strengths and developments into our market. Furthermore, as the Maldivian economic policy is geared towards encouraging foreign investments, the stock exchange will be in a position to reap the benefits of this. This will be coupled with the potential benefits for the stock market from an open and liberal economic policy.

I would like to extend my sincere appreciation to the Authority's Board of Directors for their continued support and commitment of in pursuing our mandate. At the same time, I extend my sincere appreciation to the Authority's Chief Executive Officer for her

remarkable role in the achievements of 2007. I also express my thanks and appreciation to the Authority's staff members who have worked hard and carried out their responsibilities with integrity and professionalism.

We could not have fulfilled our regulatory and developmental goals without the full support of the Government and the private sector. In this regard, I sincerely thank the President's Office and the Ministry of Finance and Treasury, other Government institution and private sector parties who worked closely with us to achieve our objectives. I am confident that all stakeholders will combine their efforts to push our markets into new heights in the forthcoming years.

Thank you

The year 2007 saw a number of significant regulatory and developmental activities which led to our market into remarkable heights. The global market saw a surge of between 5 to 150 percent in the stock prices and market capitalization, with increased number of significant developments in the emerging capital markets. Our capital market registered a same trend in the past year as indicated by increased number of transactions and a significant boost in the trading turnover. It is worth noting that the market capitalization of our market is relatively higher compared to the major regional emerging markets.

Chief Executive Officer  
Fathimath Shafeega



### **The Stock Market**

The trading turnover for the year 2007 is recorded at nearly RF 17 million from 925 trades with a share turnover of nearly 90,000. Inclusive of the year's turnover, the total turnover as at 31<sup>st</sup> December 2007 is recorded at nearly RF 30 millions.

The number of transaction increased by 370% compared to the preceding year while the number of shares traded increased by 4000%. The turnover in 2007 has increased by 1100%. The turnover for the year 2006 is recorded at RF nearly 1.5 millions. The statistics for the year 2007 is a clear evidence of strengthening demand for shares and opportunities for companies to undertake new listings.

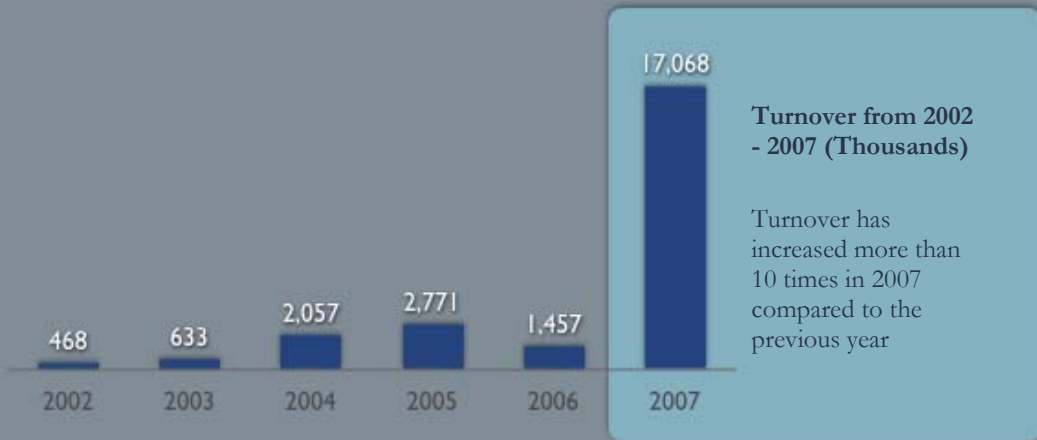
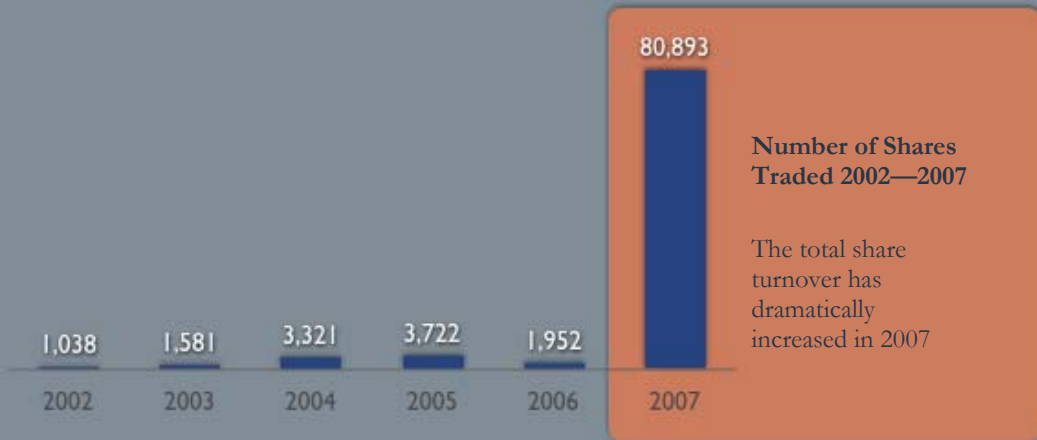
The total market capitalization of listed companies stood at RF 2.7 billion, an increase of

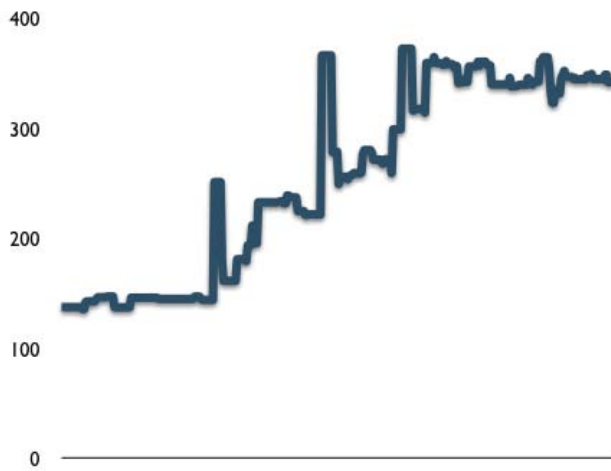
250% compared to the year 2006. Consequently the Maldives Stock Exchange Index (MASIX) stood at 343 points and has seen greater volatility during the year. MASIX was revised in 2007 to include the effects of capital adjustments such as bonus issues, right issues and share splits. MASIX was first published in the year 2004 as a market capitalization weighted index.

### **Maldives Securities Depository**

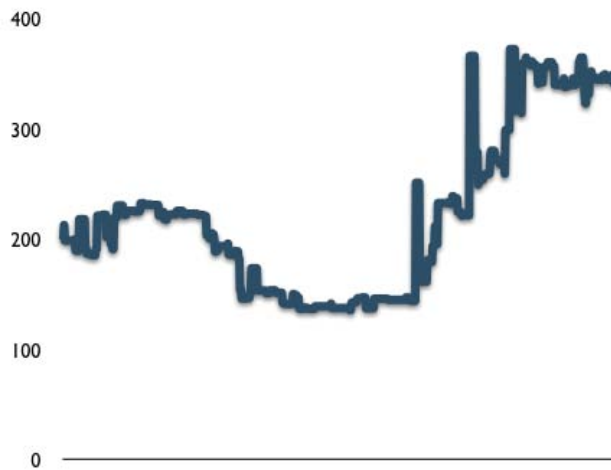
The number of investors registered in Maldives Securities Depository increased by 400% to 4500 in 2007 with 308,000 shares deposited showing an increase of 12000%. Inclusive of 2007's registrations, the total number of accounts opened with MSD is 6,358 with a total of 316,000 shares deposited.

# Statistical Highlights

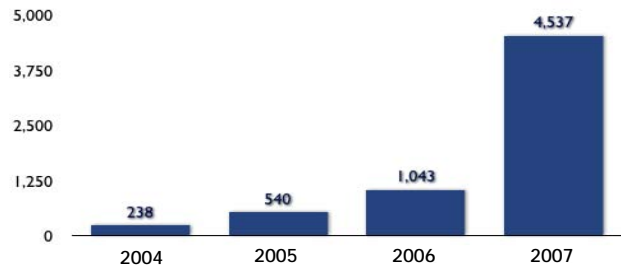




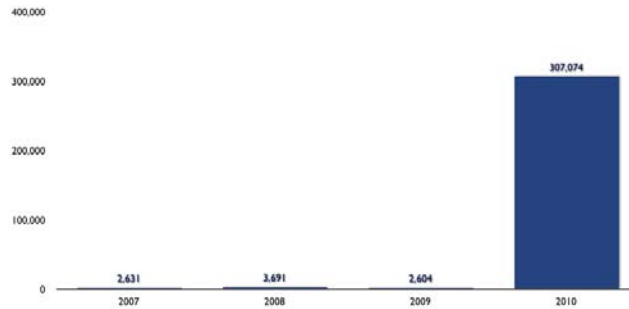
**Masix in 2007 :** MASIX has increased nearly by 200 points at by the end of the year



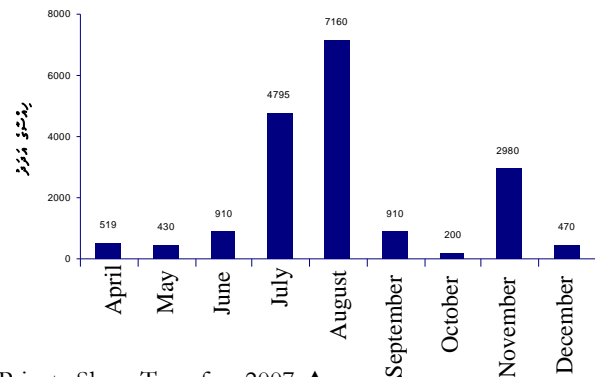
**Masix from 2006 to 2007:**  
The volatility of Masix has increase in 2007



The Number of Accounts of Accounts opened in the Securities Depository



Number of Shares deposited in Maldives Securities Depository



Private Share Transfers 2007 ▲

## Private Share Transfers

As an important measure to achieve a fully dematerialized share registry system, and to expand the services of MSD, private share transfer services are brought under the administration of MSD from 2007. Further, this measure would also reduce the possibility of ‘bypassing’ the market. Under the new rules established, all private transfers are to be approved by CMDA.

## Regulation and Enforcement

Significant efforts have been made last year to strengthen the regulatory framework. This includes revision of rules and regulations in place as well as initiatives to develop new laws and regulations to align with overall development in capital market.

The Securities Act 2006 restricts the operation of Securities Trading Floor for a maximum of a two year period after the establishment of the Authority. As such, the Authority undertook the preparatory work to spin off STF from CMDA and to pave the way for a fully fledged stock exchange, and opened application to the interested parties. By the end of 2007, most of the measures necessary to license a stock exchange were in

## Market Development

The authority's developmental role last year was mainly focused on promoting market activities by increasing investor participation and encouraging new listings. A second board for listing was introduced in 2007 with looser requirements to encourage small and medium sized enterprises to go public. Further CMDA continued to enhance its role in educating the market on various aspects of investing and on the rights and obligations of investors.

CMDA continues its effort to enhance corporate governance of listed companies through by promoting and implementing corporate governance code and international best practices. In order to promote the code, CMDA has proposed to give a National Award for a company who demonstrate best compliance with the code.

Further CMDA continuously worked on creating and strengthening ties with its international counter parts. Among this, it is noteworthy to mention the work on obtaining membership of International Financial Services Board (IFSB) and International Organization of Securities Commission (IOSCO).

## Human Resources and Administrative Development

To remain vigilant on the developments in the market and to provide continuous improvements, the capacity building is a crucial ingredient to the Authority. To increase our human resources capability higher education opportunities were provided to our staff under the 'CMDA Scholarships Scheme's introduced in 2006. Further numerous short term training opportunities were provided for staff both locally and abroad.

To strengthen the Authority's administration, procedures were put in place for the Internal Auditor to report directly to the Chairman. Further various measures were taken to increase the capacity and expertise needed for the audit function. Administrative steps were taken to align with necessary changes for spinning off STF from CMDA.

## Acknowledgements

I would like to express my genuine appreciation to the Board of Directors for their clear direction and to the staff of the Authority for their dedicated work. Our successful performance is the result of their untiring efforts.

We are also thankful for the unabated assistance and cooperation from all the market participants, particularly the listed companies and licensed intermediaries. The Authority is confident that with the good cooperation from all market participants, we would be able to achieve even more spectacular achievements in the coming years.



In addition to the above board members, the Board should have two more members representing Maldives Monetary Authority and the Private sector respectively.

*Mr. Abdul Ghafoor Abdul Latheef - Chairman*

Mr. Abdul Ghafoor holds the position of a Senior Executive Director at the Maldives Monetary Authority. He was appointed to the Board as the Chairman on 8<sup>th</sup> March 2006.

Mr. Abdul Ghafoor holds an MBA from Griffith University in Australia.

*Ms. Fathimath Shafeega - CEO*

Ms Fathimath Shafeega was appointed as the Chief Executive Officer of the Authority on 8<sup>th</sup> March 2006. Prior to this assignment, she held the post of a Deputy Managing Director at Maldives Monetary Authority.

She has a Masters degree in Banking and Finance from Monash University, Australia.

*Mr. Ahmed Ifthikhar - Registrar of Companies*

Mr. Ahmed Ifthikhar was appointed to the Board on 25<sup>th</sup> March 2007. He holds the position of a Director at the Ministry of Economic Development and Trade.

Mr. Ahmed Ifthikhar holds a Bachelor's degree from Middlesex University, UK.

*Mr. Ali Arif - Representative of MOFT*

Mr. Ali Arif is an Assistant Director General at the Ministry of Finance and Treasury. He was appointed to the Board on 8<sup>th</sup> March 2006.

Mr. Ali Arif holds an MBA (Finance) from Charles Stuart University, Australia.

*Mr. Hussein Ibrahim - Private sector representative*

Mr. Hussein Ibrahim was appointed to the Board on 8<sup>th</sup> March 2006. He has served the Government for a long time and at time of his leaving, he held a key position at the Ministry of Finance and Treasury.

Mr. Hussein Ibrahim holds a Bachelor's degree from Edith Cowan University, Australia.



## Resolutions passed by the Board in 2007

In 2007 the Board convened 21 times and had passed 25 resolutions on the following matters

- » Corporate Governance Code
- » CMDA Targets for the year 2008
- » Depreciation policy on property, plant and equipment
- » Revision of the Listing Rules
- » CMDA's External audit report
- » Balance in the 2006 Budget Account
- » First revision of the Corporate Governance Code
- » Appointment of External auditor for the year 2007
- » CMDA's Annual report for the year 2006
- » Revision of CMDA's Scholarship criteria
- » Clearing and Settlement policy
- » Revision of Board of Director's Regulation
- » Stock Exchange Licensing Regulation
- » Second Board Listing Rules
- » Interpretation of an 'associated person' in Securities Act
- » Central Depository Licensing Regulation
- » Opening of CMDA's additional bank accounts
- » Approval of CMDA's budget for 2008
- » Introduction of MSD related fees
- » Approval of Stock Exchange Company's Memorandum and Articles of Association
- » Approval of Central Depository Company's Memorandum and Articles of Association
- » Approval of Board of Directors of the Stock Exchange Company
- » Approval of Stock Exchange Licensing
- » CMDA's Code of Ethics

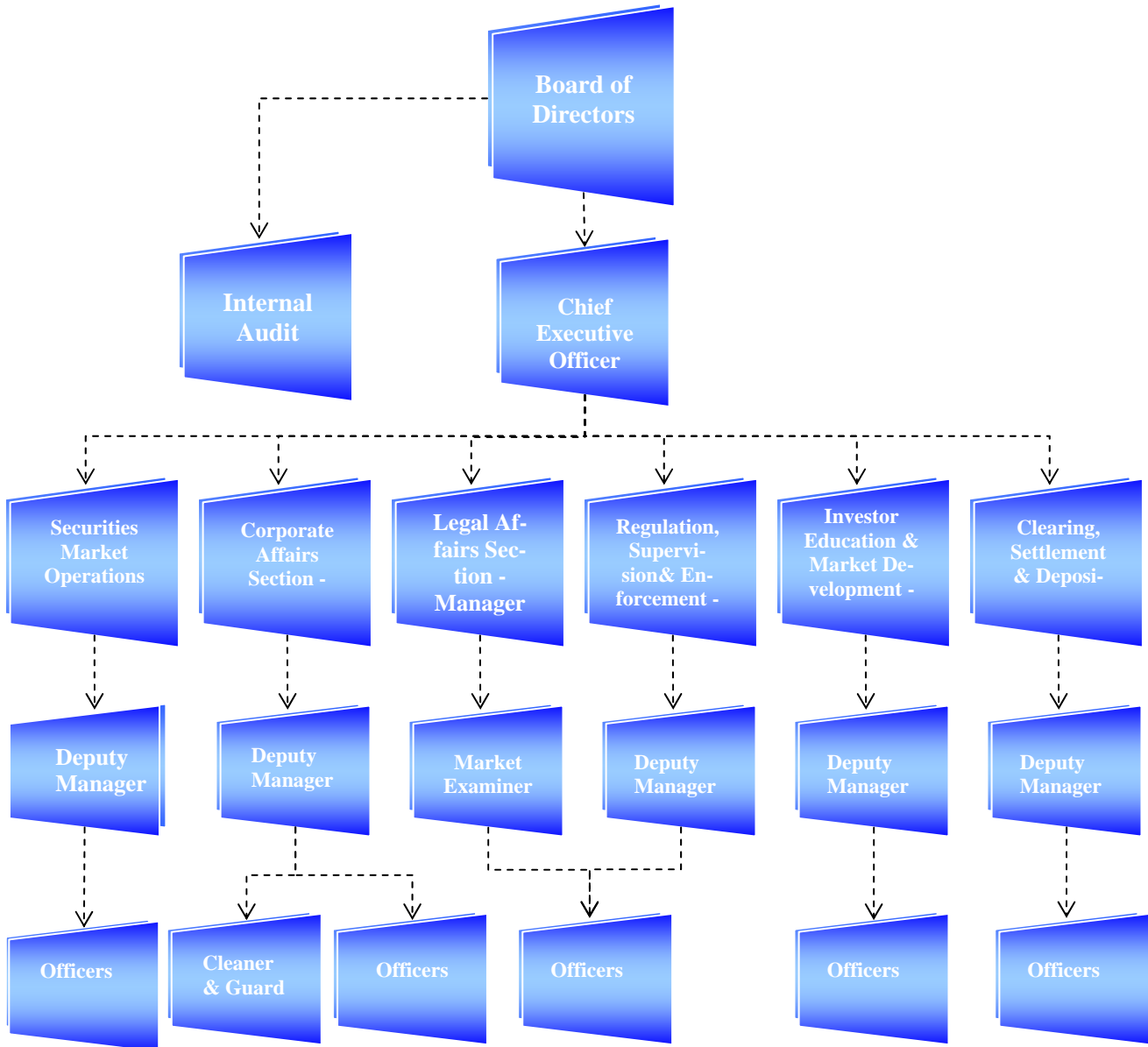


*From Left to Right (Front Row):* Ms. Aishath Liusha, Ms. Aminath Mohamed Didi, Ms. Azleema Ahmed, Ms. Fathimath Shafeega, Ms. Shabab Rasheed, Ms. Raheema Abdul Gadir;

*From Left to Right (Back Row):* Mr. Ibrahim Saleem, Mr. Idhrees Ismail, Mr. Ismail Abd. Razzaq, Mr. Makhzoom Saleem

- |    |  |
|----|--|
| 01 | Ms. Shabab Rasheed, Manager, Legal Affairs                                   |
| 02 | Mr. Ibrahim Saleem, Internal Auditor   |
| 03 | Ms. Aminath Mohamed Didi, Manager, Corporate Affairs                         |
| 04 | Ms. Raheema Abd. Gadir, Deputy Manager, Corporate Affairs                    |
| 05 | Ms. Mariyam Visam, Deputy Manager, Securities Market Operations              |
| 06 | Mr. Mohamed Nahushan, Financial Analysis, Securities Market Operations       |
| 07 | Ms. Aishath Liusha, Deputy Manager, Clearing, Settlement & Depository        |
| 08 | Ms. Azleema Ahmed, Manger, Investor Education & Market Development           |
| 09 | Ms. Aishath Sahma, Deputy Manger, Investor Education & Market Development    |
| 10 | Mr. Makhzoom Saleem, Manager, Regulation, Supervision & Enforcement          |
| 11 | Mr. Idrees Ismail, Market Examiner, Regulation, Supervision & Enforcement    |
| 12 | Mr. Ismail Abd. Razzaq, Deputy Manger, Regulation, Supervision & Enforcement |

Authority's Administrative Structure comprises seven main areas as follows



## Main Functions of Sections

### Corporate Affairs Section

- » General administration
- » Information technology and maintenance
- » Accounting and finance
- » Human resources development and management

- » Provide clearing and settlement services for secondary market trading
- » Provide registration, deposit, withdrawal and transfer services
- » Promote and represent Maldives Securities Depository in international seminars and forums

### Internal Audit

- » Internal audit of CMTA functions and reporting to Chairman
- » Coordination of external audit

### Legal Affairs section

- » Implement Maldives Securities Act
- » Provide legal assistance to the management on policy and operational issues
- » Identify and formulate new regulations and rules
- » Implement a framework on good governance for market participants
- » Represent CMTA in courts

### Investor Education and Market Development section

- » Facilitate introduction of new products into the market
- » Develop and manage the Capital Market and Corporate Governance Institute
- » Train market participants to increase professionalism
- » Promote the securities market

### Market Regulation, Supervision and Enforcement Section

- » Identify and implement necessary steps for the protection of investors
- » Supervise and regulate the securities market
- » Prevent and prohibit market misconduct
- » Implement capital market law and regulations

### Securities Market Operations Section

- » Operate the trading platform for secondary market trading
- » Facilitate and assist new IPOs
- » Promote and educate investors on secondary market trading
- » Promote and represent Maldives Stock Exchange in international seminars and forums

### Clearing, Settlement and Depository Section

- » Operate a scrip less trading system

At the beginning of 2007, Authority had 18 full time employees. During the year, 13 new staff joined the Authority while 6 left the Authority, mainly to pursue further education. At the end of the year the Authority had 25 full time employees.

## Strengthening the regulatory framework

Most of the regulatory work in the year 2007 was focused on spinning off the Securities Trading Floor and the Securities Depository from the CMDA. Additionally, revision of existing rules and formulation of certain new rules took place during the year.

### » *Stock Exchange Licensing Regulation*

This regulation governs the manner in which a license will be issued to establish a Stock Exchange in the Maldives. The Regulation prescribes condition for grant of license and also prescribes rules on conduct of business of the licensed entity. The objective of this regulation is to ensure that the market will be operated in an orderly and a fair manner with particular attention to investor protection.

### » *Central Depository Licensing Regulation*

This regulation governs the manner in which a license will be issued to establish a Central Depository in the Maldives. The Regulation prescribes condition for grant of license and also prescribes rules on conduct of business of the licensed company.

### » *Second Board Listing Rules*

The second board is aimed at small and medium sized enterprises which do not qualify for the listing requirements of the Listing Rules. Since small and medium sized enterprises dominate the Maldivian economy, a new opportunity for raising funds would be an additional boost for their development.

### » *Rules on Delisting*

Delisting rules were formulated and put in place in 2007, prescribing procedures for both voluntary and non-voluntary delisting.

### » *Revision of Listing Rules*

In the year 2007, the Listing Rules were revised to exclusively bring all private share transfers under administration of CMDA. As per the revision, only defined personnel will be considered eligible for private share transfers.

### » *Proposed Revision of Maldives Securities Act*

CMDA proposed a revision to the Maldives Securities Act to allow CMDA an extension of the time period to operate the Securities Trading Floor and Securities Depository. The amendment, however, was not passed.

### » *Review of Stock Exchange Regulations*

The Authority reviewed all the rules and regulations proposed by the Maldives Stock Exchange and suggested necessary revisions and corrections. The rules were pending approval at the end of the year.

### *List of Rules proposed by the Stock Exchange Company*

»	Memorandum and Articles of Association of the Stock Exchange Company
»	Stock Exchange Operational Rules
»	Default rules
»	Listing Rules
»	Trading Rules
»	Memorandum and Articles of Association of the Maldives Securities Depository Company
»	Operational Rules of Central Depository
»	Clearing and Settlement Rules
»	System policies

### **Proposed Laws and regulations**

#### » *Collective Investment Schemes and Trust Law*

Collective investments schemes will open a new mean of investing for small investors and expand the financing opportunities for both local and foreign companies. A Bill on Collective Investment Schemes and Unit Trust is underway and is expected to be presented to the Parliament in 2008.

#### » *Revision of Foreign Investment Act*

An essential ingredient for successful operation of collective investments is removing the hurdles for foreign investments in the stock market. The Authority has undertaken an initiative to identify the legal barriers and obstacles in Foreign Investment Act and will propose necessary amendments in 2008.

#### » *Central Depository Bill*

Central depository bill will further facilitate and strengthen the existing scrip less trading system and provide legal protection and safeguard for investors.

#### » *Investment Advisor's Licensing Regulation*

Investment Advisor's license is planned to be issued in 2008. The regulation will cover issues related to licensing and code of conduct of Investment Advisors.

### **Market Regulation and Supervision**

Formulation of necessary regulations, strong supervision and effective enforcement of regulations are essential for smooth operation of the market. The Authority has licensed market intermediaries in late 2006. In the year 2007 the Authority consistently monitored performance of licensed intermediaries on regular intervals to ensure compliance with licensing regulation and code of conduct.

» The Authority inspected 4 licensed dealing companies (Ariya Securities, First Option, Island Securities and Brokerage and Stock Brokers Maldives) quarterly in 2007. Observations were communicated with the dealers to make necessary improvements.

» The Authority opened second round of applications for license of securities dealers. One company applied for the license which however did not meet the licensing requirements.

» The Authority investigated a public complaint on certain organization portraying as operating a stock market, and ordered such operations and activities to be terminated immediately, as per the Securities Act and advised the related parties on the requirements imposed by the Securities Act.

» An additional individual was licensed a dealer's representative, making the total number of licensed brokers nine.

» The Authority took necessary steps to ensure compliance with the Listing Rules by listed companies, and examined their annual reports for compliance with disclosure requirements. All listed companies have had their annual general meetings within the time frame required by Listing Rules and had followed the disclosure requirements.

» The Authority advised in and monitored the IPO process of *Dhivehi Ekuveri* Kunfuni (DEK) to ensure compliance with Securities Act, Prospectus Regulations and Listing Rules. The company was listed in 2007 making the total number of listed companies five.

## Market Development

CMDA continued to enhance its role as the developer of market. Various important activities were carried out in the past year.

» The initiative to promote the international best practices of corporate governance among Maldivian companies was launched by the Authority in the year 2007. The project was speedily carried ahead in the past year with significant developments and success.

At the end of the year 5 public companies were noted as abiding by the CMDA framework of corporate governance. These companies have formulated and implemented their own code of good governance within the framework laid down by the CMDA. Several other companies have expressed interest in implementing the framework and have obtained assistance and advice from CMDA at various levels.

To further promote the Code, the Government in consultation with the Authority has announced a national award on good corporate governance to be awarded to the company who undertakes outstanding steps to increase good governance.

### *Listed companies and the date of Listing*

»	MTCC	2002
»	Bank of Maldives	2002
»	State Trading Organization	2002
»	MTDC	2007
»	DEK	2007

## Corporate Governance Award

Corporate governance award is a national award that will be awarded annually to the best company in implementing principles of good governance. The selection criteria for the award include:

»	The composition of the Board of Directors
»	Nomination and selection procedure of the Board members
»	Audit committee and internal controls
»	Operational procedure of the Board
»	Remuneration policy, procedures and procedure for evaluation of the Board
»	Disclosure of information through annual report
»	Extent to which targets are achieved and the extent and type of disclosure to the investors
»	Increase in shareholders wealth
»	Corporate social responsibility

### » *Research activities and publications*

To disseminate information about the market and increase awareness among the investors, the Authority published a monthly stock market bulletin each month, focusing on market activities and various essential topics aimed at improving financial literacy among investors. Through the bulletin the Authority communicated the most recent developments, ongoing activities and review and statistics of the market. Further, information on Authority's activities as well as research work on various topics of interests to the market was published in websites run by the Authority.

### » *Work on collective investments and unit trusts*

To facilitate successful implementation of Authority's plan on collective investment schemes and unit trusts, research work was undertaken on liberalizing the stock market. With the assistance of the commonwealth secretariat, a draft regulatory framework was promulgated and published for public comments and discussions. A regulatory framework on these issues is expected to be in place in 2008.

### » *Initiative on Islamic capital market products*

Islamic capital market products have captured a prominent attention in the world capital market with assets reaching over several billions. Under CMDA's plan to increase market supply, an initiative were undertaken to promote Islamic capital market products among issuers and investors. In collaboration with Islamic Financial Services Board (IFSB) CMDA conducted a remarkable seminar with experts from IFSB and a wide range of participants. Further seminars and workshops will be conducted and a regulatory framework will be drawn to promote such products.

### » *Order matching system*

The STF operates a manual system where orders are matched and executed physically. With the expected growth trajectory of market activities, the Authority has started work on developing an application which will automate the work of Stock exchange and increase efficiency. Such a system will also increase efficiency of the dealers, collection and communication of information and surveillance of the market. The system is expected to be in operation in the year 2008.

## Training and awareness programs

To achieve the regulatory objectives of the Authority, a broad range of awareness programs were conducted during the year to various segments of the population including government staff, corporate sector and students. Awareness programs were tailored to educate market participants and investing community on their rights and obligations. The Capital Market and Corporate Governance Institute (CMCGI), the training arm of the Authority played a vital role in conducting these programs.

The mission of the CMCGI is to assist the Authority in protecting investors by means of education and awareness.

### *Training programs*

- » A training course on basic principles of the stock market was conducted tailored to market intermediaries and government employees.
- » In collaboration with Financial Services Institute of Australasia, a broker training program was conducted in 2007. A total of 20 participants attended the course including dealing companies, potential brokers, secondary school teachers and invitees from general public.
- » A program to train corporate directors was conducted during the year with 32 participants from government corporations, public and private companies including board members.

### *Seminars and Workshops*

- » A workshop on corporate governance awareness was held at Kurunbaa Maldives with sixty four participants in collaboration with the Commonwealth Secretariat from 22<sup>nd</sup> to 23<sup>rd</sup> of August. This workshop was aimed at identifying and resolving issues related to implementing a good governance framework in the Maldives.

The participants also discussed on formulating a national framework of corporate governance and identified existing shortcomings in the governance framework and an action plan was drawn to implement corporate governance. Participants include experts from Global Corporate Governance Forum, Commonwealth Secretariat and members of leading corporations in the Maldives and regulatory authorities.

### *Information Sessions*

- » In 2007 several presentations and information sessions were conducted specifically targeting potential public companies, government employees and students.

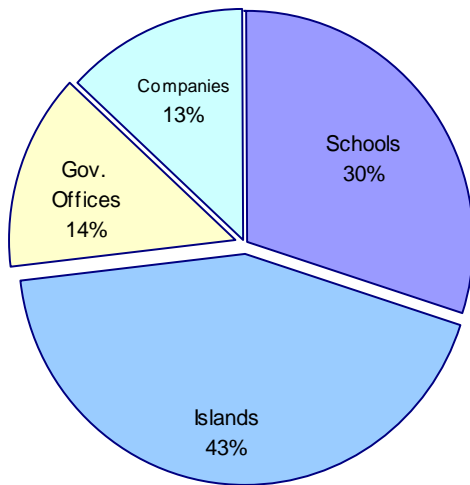
Among school presentations include information sessions tailored at students at the higher secondary level and visits to remote islands where financial literacy is minimal. Further, CMDA also conducted information sessions to 8 Ministries and the community of 8 islands.

## CORPORATE GOVERNANCE AWARENESS WORKSHOP

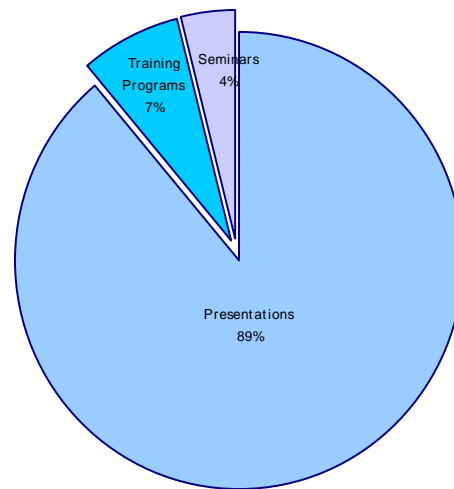
22 & 23 August 2007



*Awareness Programs by Sectors—2007*

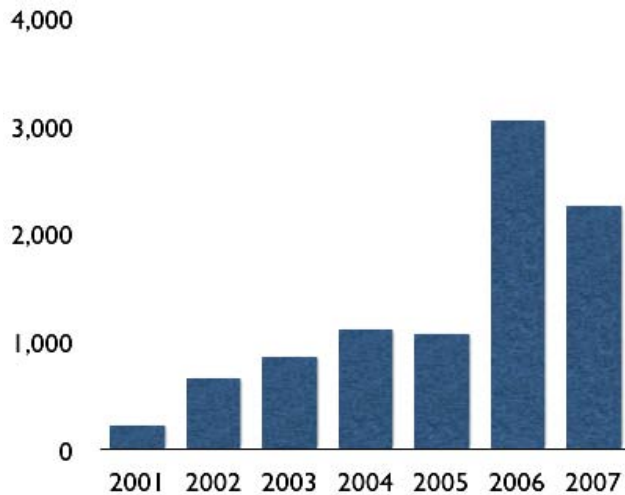


*Awareness Programs by Categories—2007*



### *Specific Programs for Students*

To increase stock market literacy among students CMDA conducted an essay writing competition and quiz competition were held during the year. The Quiz competition which was broadcasted and was held in collaboration with the Voice of Maldives. A total of twenty seven students participated in the Essay writing competition while 7 schools competed in the Quiz competition. Winners were given prizes and trophies during the year.



#### Participants of Seminars, Training programs and Presentations 2001 - 2007

More than 9000 persons have participated in various programs by the end of 2007

» CMDA in collaboration with the *DbiFM* launched a radio program series in 2007 to address a wider audience. Two more Quiz competitions were held for public companies and general public through radio and a daily newspaper. These programs attracted a remarkable participation and support.

» The media was extensively used to achieve a wider scale participation in CMDA programs and events. It has played a remarkable role in educating the public and bringing timely information to the investors.

#### Capital Market and Corporate Governance Institute (CMCGI)



The Capital Markets and Corporate Governance Institute (CMCGI) was established by the CMDA on 15th July 2006 with the objective to provide training and certification to ensure the good conduct and professionalism of market intermediaries, to raise market awareness and to promote good corporate governance in the Maldives.

Among the activities of this institute are:

- » Continuous training to market intermediaries to ensure good conduct and professionalism
- » Run in house training programs tailored to meet the needs of CMDA
- » Develop and deliver professional development programs through a mix of mediums such as workshops, seminars and conferences
- » Conduct directors training programs for listed companies and other institutions
- » Carry out and publish research reports and other educational materials
- » Affiliate with other training institutions to provide a wide range of training programs
- » Establish and maintain a database of directors
- » Assist in implementing an international agenda for good corporate governance

CMCGI's vision is to establish itself as the national centre for capital market and governance training.

## Administrational and Human Resource Development

### » Strengthening Authority's Administrational structure

In order to strengthen the implementation of regulatory and developmental agenda of the Authority research was undertaken to restructure the Authority to establish a Corporate Governance Section and a Research, Development and Publication Section.

In order to strengthen the Internal Audit function of the Authority, a manager was assigned to the audit function and would report to the Chairman directly.

Further, to increase efficiency in the back office, the development of a financial module tailored to the Authority's needs was begun in 2007.

### » Staff training programs

To develop the Authority's staff's capability to remain ahead of industry, numerous training and enhancement opportunities were facilitated during the year. Staff attended seminars, workshops and short term training courses, both locally and abroad. Further, to enhance the awareness of our staff and improve their communication and presentation skills, a presentation competition was organized among the staff during the year.

### Training courses and seminars attended by the Authority's staff

23 <sup>rd</sup> Annual meeting of the International Organization of Securities Commission	<i>India</i>
11 <sup>th</sup> General meeting of Asia Pacific Central Depositories Group	<i>China</i>
Workshop on techniques of stress testing	<i>Singapore</i>
Seminar on regulatory issues in Islamic capital markets	<i>Malaysia</i>
Singapore third country training program – Advanced seminar for Chief Executives	<i>Singapore</i>
9 <sup>th</sup> ACG cross training seminar	<i>Malaysia</i>
Central Depository of Bangladesh, Internal training	<i>Bangladesh</i>
Making corporate governance work for development beyond awareness and advocacy 2007 – commonwealth corporate governance workshop	<i>Sri Lanka</i>
Training program on public sector accounting	<i>Male'</i>
Training on preparing official documents in <i>Dhivehi</i>	<i>Male'</i>
Course on leadership training	<i>Male</i>
Course on financial market analysis	<i>Singapore</i>
International program on dematerialization and depositories	<i>India</i>
Training program on Islamic capital markets	<i>Malaysia</i>
Training program on securities market for members of South Asian Regulator's Forum	<i>India</i>
Course on quality management	<i>Male'</i>
International training program for securities market professionals	<i>Pakistan</i>
Training program on human resource management	<i>Male'</i>
8 <sup>th</sup> Emerging markets programs	<i>Malaysia</i>
Training program on portfolio management	<i>Sri Lank</i>
Fundamentals of Internal auditing	<i>Thailand</i>

## CMDA Code of Ethics

To enhance the standards of governance of the Authority and to instill professionalism, efficiency and effectiveness among the Directors and employees, a code of ethics was formulated and implemented during the year.

- » Have a clear understanding of the aims and objectives of the CMDA as provided in the Maldives Securities Act.
- » At all times comply with all applicable laws, regulations, and rules.
- » Set high standards and strive to exceed them, within the tenets of moral responsibility, efficiency, and administrative effectiveness.
- » At all times exercise the utmost good faith and act both responsibly and honestly with reasonable care and due diligence in the exercise of one's powers.
- » Be free from conflicting interests and influences of such nature and importance as will make it difficult to give the CMDA their best efforts and undivided loyalty.
- » Take all reasonable steps to maintain the confidentiality and privacy of information acquired in the course of the work.
- » Work together collectively towards a common goal, learn from each other, and share skills and resources for the benefit of stakeholders.
- » Enhance competencies, skills and knowledge with emphasis on the pursuit of continuous learning to promote creativity, quality and innovativeness.

## International assistance and affiliations

As in the preceding years, the Authority continues to strengthen its ties with international counterparts and capital market educational institutions. Among the activities conducted in this regard include the following:-

- » Application was made to obtain membership of the International Organization of Securities Commission (IOSCO). The Authority made necessary arrangements to sign the multi lateral memorandum of understating between the member organizations.
- » Application was made to obtain the membership of Islamic Financial Services Board (IFSB). Further, following a request from IFSB, the Authority hosted the annual meeting of IFSB members in Maldives.
- » The Authority provided assistance and cooperation to introduce a regional index as SAFE Index to represent the movements in overall capital market in the region. An agreement was signed between SAFE and CMDA to provide Dow Jones with the necessary statistical details from Maldives. A regional index will indicate the regional movements of markets and opportunities for investments at the regional level.
- » Commonwealth Fund for Technical Corporation provided the Authority with technical assistance in formulating regulatory framework for collective investment schemes and unit trusts. Further, CFTC and Global Corporate Governance Forum also provided technical assistance in the corporate governance seminar hosted in Maldives in August 2007.
- » A delegate from CMDA visited Companies Commission of Malaysia to observe the operations of the primary market in Malaysia. The delegate also discussed possible areas of multi national cooperation to develop securities market in Maldives.

As a regulator of the capital market and corporate governance it is crucial that the Authority in its activities abide by good governance principles promoted by the code.

» *Board Meetings*

In the past year, 21 board meetings were held. The attendance of board members are as follows:

Member	#	%
Mr. Abdul Ghafoor	21	100
Ms. Fathimath Shafeega	21	100
Mr. Ahmed Ifthikhar	20	95
Mr. Ali Arif	18	86
Mr. Hussein Ibrahim	17	81

» *Appointing qualified and competent people to the board*

As per the section 6 (d) of Maldives Securities Act it is mandatory for the board member to have an educational qualification in finance, business or law and has worked in a financial institution or gained financial experience through working in the business sector prior to his appointment. CG Code mandates that directors must be well-qualified to carry out their duties. The members appointed to the board fulfill the requirements set out in the Securities Act.

» *Composition of the Board*

Authority's Board is comprised of members from diverse areas of the economy.

» *Independence and autonomy of the Board members*

Securities Act requires two private sector participants to be in the board

» *Conflict of interest*

In order to avoid conflict of interest no member of the Board holds any interest in any of the regulated entities.

» *Duration of the Board*

According to the Securities Act, the term of the Board is six years.

» *Separation of CEO and Chairman*

The roles and functions of Chairman and CEO have been clearly identified and segregated. While the Chairman leads the Authority's Board in policy formulation, the CEO implements Board's policies at operational levels of the Authority.

» *Provision of Information to the Board*

The Authority ensures that the Board is provided with enough information for formulating its policies. As per the Board regulation of the Authority, Board papers should be provided in advance to the members to study and analyze. Further, the Board has access to all members of the management to question and obtain additional information where necessary. All resolutions are made after thorough discussion and debate in the Board.

» *Training*

The Authority has worked to ensure that the Board members get appropriate opportunities for continues learning and development. During the year, Board members attended seminars and workshop in different countries.

» *Disclosure of information*

The Authority's information was communicated to the public through media, the Authority's websites and the monthly bulletin.

» *Internal Controls:*

Appropriate internal control measures were in place to safeguard the Authority's data and assets. As a data safety measure, the Authority's data were daily backed up and stored at outside locations.

	<i>Planned Activities</i>	<i>Progress</i>
»	Spin off Securities Trading Floor and Securities Depository	All necessary arrangements made by the end of 2007 to license these two entities
»	Increasing human resource capacity	Four members of staffs studying abroad for their degrees and staff members participated in technical training programs
»	Capital market master plan	Requested for technical assistance from CS
»	Strengthening regulatory framework	Several regulations revised and new laws in progress as necessary
»	Providing incentives for going public	Requested at appropriate authorities
»	Increasing awareness on investor rights	Various awareness programs conducted in 2007
»	Introducing corporate governance award	Planned to begin in 2009
»	Strengthening and widening the role of CMCGI	CMCGI activities undertaken at a wider scale
»	Facilitating foreign investments in stock market	Discussion in progress with appropriate authorities
»	Strengthening ties with international capital market regulatory agencies	Activities undertaken on a continuous basis
»	Assisting in expanding services of licensed intermediaries and licensing additional market intermediaries	An additional license issued in 2007
»	Enhancing quality of services of licensed intermediaries	Inspections carried on and recommendations passed to licensees
»	Facilitating bond market development and credit rating	Requested for technical assistance from CS
»	Promoting and implementing international best practices among capital market institutions	Good governance principles and best practices to be implemented through the regulatory framework
»	Obtaining membership of IOSCO	Expected in 2008

Corporate Governance Awareness Workshop—August 2007



International Experts shared their views and ideas on Corporate Governance issues in Maldives



Mr. Abdullah Jihad (Governor of MMA) chaired the Corporate Governance Workshop (*Mr. Jihad—second from left*)



Participants of Corporate Governance Awareness Workshop

Chief Executive Officer of CMDA presented the CMDA code on Corporate Governance at the workshop (*Left*)



## Investor Education Program 2007—Atolls



Deputy Manager, *Ms. Mariyam Visam* gives a presentation to secondary students



Deputy Manager, *Ms. Mariyam Visam* gives a presentation to investors



## Directors Training Program—December 2007



*Ms. Ann* (A member of Australian Institute of Company Directors) presents at the Training Program



*Ms. Ann* with the participants of the Training Program



Prize Awarding Ceremony—Quiz and Essay Writing Competition 2007, Male'



Prize Awarding Ceremony—Interschool Essay writing competition and Quiz Competition

Chief Guest, Mr. Abdul Rasheed Hussein with the participants of the competitions (*Front row, Middle*)



*Aisbath Maisa Hayat* received the first place in Interschool Essay competition (under 16 category)

Prize Winners of Essay and Quiz Competitions



*January*

- » A comprehensive report was prepared on capital market history and future prospects
- » Delisting rules were formulated
- » Development of an Order Matching System for STF began
- » CMDA participated in a meeting to develop the charter of ACG
- » HDFC was delisted
- » An MOU was signed between CMDA and FINSIA to deliver training to capital market participants
- » A code of ethics was drafted
- » Participated in 'Techniques of Stress Testing' seminar

*February*

- » Onsite inspection of licensed intermediaries were carried out
- » Presentations to secondary school students

*March*

- » A national award for best compliance to corporate government was established
- » A seminar was conducted on the theme 'Strong capital market in the Maldives'
- » A training course was conducted on stock market basics
- » Development work on a back office system was begun
- » Presentations were conducted to secondary school students

*April*

- » Participated in a general meeting of IOSCO – India
- » Participated in 'Financial market analysis' program – Singapore
- » Annual report for 2006 was published
- » Presentations were carried out for secondary school students
- » Presentations were conducted to employees of some government agencies
- » Participated in seminar on 'regulator issues in Islamic capital market' – Malaysia
- » Had a meeting with Ministry of Trade and Economic Development on opening up stock market for foreigners

*May*

- » Held a seminar on stock exchange formation
- » Advised and assisted bank of Maldives on further issue of shares
- » Participated in a training program on 'dematerialization and depositories' organized by Bombay Stock Exchange – India
- » Onsite inspections of dealing companies carried on
- » Applications opened for prospective dealers
- » Presentations carried out for secondary school students
- » Draft regulations on CMDA inter school essay writing competition

*June*

- » Took corrective actions on a misleading article in a daily newspaper
- » Carried out presentations to students of V. Atoll education center
- » Carried on presentations to employees of Ma. Ward office
- » Introduced second board listing rules
- » Held CMDA interschool essay writing competition
- » Participated in 'advanced seminar on chief executives' – Singapore
- » Onsite inspection of Stock Brokers Maldives PVT LTD
- » Held an information session with interested applicants to form stock exchange
- » Formulated draft of stock exchange licensing regulation

*July*

- » Participated in ACG cross training seminar
- » Held 3<sup>rd</sup> broker training course
- » Information sessions were carried out to students and people of K. Thulusdhoo
- » Information sessions held for participants of capital market quiz 2007
- » Placed tripod stands at STO to advertize stock market
- » Participated in 'Islamic capital market seminar' – Malaysia
- » Analyzed prospectus of DEK public issue
- » Took corrective actions on an unauthorized arrangement portraying as a licensed stock market

- » Opened applications to establish a stock exchange
  - » Upgraded CMDA maintained stock market website
- August*
- » Information sessions held at HDh. Hanimaadhoo and Ha. Kulhudhuffushi
  - » Participated in a training program held for SAFE members – India
  - » Hosted a workshop on corporate governance awareness in collaboration with Global Corporate Governance Forum and Commonwealth Secretariat
  - » Placed stock market advertisement tripods at Airport domestic terminal
  - » Formulated draft regulation on securities depository licensing
- September*
- » Held examinations for 3<sup>rd</sup> round of brokers
  - » Reviewed application of Maldives Stock Exchange Company PVT LTD
  - » Held CMDA interschool quiz competition
  - » Participated in an internship training at Dhaka central depository
  - » Participated in a program for securities market professionals – Pakistan
  - » Attended a meeting of Asia Pacific Central Depositories Group
  - » Participated in 11<sup>th</sup> AGM of ACG
- October*
- » Onsite inspection of dealing companies carried out
  - » Introduced services fees of Maldives Securities Depository
  - » Held information sessions for students of Faculty of Management and Computing
  - » Held discussion session with *Fathuru* Maldives LTD on their IPO
  - » Held a seminar on ‘going public’ in collaboration with MNCCI
  - » Held certificate awarding ceremony for winners of essay writing and quiz competition and participants of broker training program
  - » Participated in a seminar on corporate governance – Sri Lanka
  - » Introduced staff health insurance scheme
  - » Undertook a research on establishing a staff welfare fund

*November*

- » Participated in a discussion on Pension Bill
- » Participated in emerging markets program – Malaysia
- » Advised to HDFC on issue of shares to foreign institutions
- » Held an information session to the students of faculty of management on Securities Act
- » Analyzed and advised on MTCC corporate governance code
- » Undertook analysis on seconding CMDA employees to stock exchange
- » Analyzed and advised on stock exchange operational rules
- » Developed a report on CMDA's corporate governance principles
- » Held information sessions to people of R. Atoll

*December*

- » Presented a one month open quiz through a daily paper
- » Organized a corporate governance quiz for companies
- » Held a program to enhance directors awareness on corporate governance
- » Revised Maldives stock market index
- » Listed DEK PLC in STF
- » Participated in a training on fundamentals of internal auditing
- » Introduced CMDA's library for staff
- » Developed CMDA's targets for 2008

	2002	2003	2004	2005	2006	2007
Number of Transactions	73	129	252	273	195	925
Number of Shares traded	1,038	1,581	3,321	3,722	1,952	80,893
Number of Trading days	182	245	247	246	245	236
Turnover	468,483	633,347	2,056,718	2,771,449	1,457,347	17,068,122
Average turnover per month	55,116	52,779	171,393	230,954	121,446	1,422,344
Average Turnover per day	2,574	2,585	8,327	11,266	5,948	72,323
Market capitalization (31st Dec)	662,638,000	860,366,000	1,334,931,000	1,113,252,150	766,823,300	2,681,701,620
Market capitalization US\$	51,567,160	66,954,553	103,885,681	86,634,409	59,674,965	208,692,733
MASIX	122	154	240	200	138	343
	<b>Highest Traded Prices</b>					
MTCC	600	370	275	275	350	500
MTDC	-	-	-	-	-	400
Bank of Maldives	750	1,200	1,350	1,800	2,000	2,000
STO	600	800	1,200	1,210	899	770
	<b>Lowest Traded Prices</b>					
MTCC	150	190	200	236	236	231
MTDC	-	-	-	-	-	135
Bank of Maldives	585	600	750	975	1,500	150
STO	400	400	500	740	430	500
	<b>Dividend Per Share (RF)</b>					
Dividend Per Share (RF)	2002	2003	2004	2005	2006	-
STO	118	110	70	55	82	-
MTCC	25	27	25	30	35	-
Bank of Maldives	85	90	95	100	150	-
	<b>Securities Depository</b>					
Securities Depository	-	-	2004	2005	2006	2007
Total Number of Accounts	-	-	238	540	1,043	4,537
Total Deposits	-	-	2,631	3,691	2,604	307,074
Total Withdrawals	-	-	210	212	25	1,164

## **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 2006 and the income and expenditure account, statement of changes in equity and cash flow statement for the Eleven Months and Five Days period then ended 31 December 2006, and a summary of significant accounting policies and other explanatory notes.

### **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 2006, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

**4th February 2007**

	<i>11 Months and 5 Days Period Ended 31 December 2006 Ruġġyaa</i>	<i>Year Ended 31 December 2007 Ruġġyaa</i>
Annual Listing Fee	48,323	206,000
Application Fee	3,300	3,600
Non Refundable Deposits	100,000	-
Trade Processing Fee	510	-
Trade Commissions	887	170,681
Training Program Income	65,900	117,500
Donations—Budget	-	6,303,208
Donations—Consultancy	-	642,500
Donations—Other	121,663	-
Sundry Income	27,318	115,120
	<u>367,901</u>	<u>7,558,609</u>
Board Expenses	28,401	97,221
Salaries & Wages	1,040,305	1,782,431
Expert Expenses	71,061	730,624
Travelling	65,430	61,149
Training Courses & Scholarships	139,806	781,855
Printing & Stationary	77,380	125,600
Internal & External Audit Fee	49,596	21,203
Electricity Expenses	98,266	153,498
General Office Expenses	26,937	74,545
Depreciation & Amortization	109,371	185,840
Telephone	129,666	158,182
Media Related Expenses	37,961	150,189
Legal & Regulatory Expenses	10,000	27,218
Repairs and Maintenance	11,769	116,480
Rent	227,024	518,140
Capital Market & Corporate Governance Institute	-	556,885
Membership Fees	-	32,687
Investor Education	95,826	200,184
Others	2,997	11,200
	<u>2,221,796</u>	<u>5,785,131</u>
Surplus (Deficit) for the Year/Period	(1,853,895)	1,773,478

	Note	31 Dec 2006 Rufiyaa	31 Dec 2007 Rufiyaa
<b>ASSETS</b>			
<b>Non—Current Assets</b>			
Property, Plant and Equipment	3	281,608	461,456
Intangible Assets	4	28,889	175,485
		310,497	636,941
<b>Current Assets</b>			
Receivables	5	23,369	57,787
Investment	6	200,000	1,200,000
Cash and Bank Balances		961,095	4,688,831
		1,184,464	5,946,618
		1,494,961	6,583,559
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Capital Contributed by the Government		3,000,000	3,000,000
Accumulated Surplus (Deficit)	7	(1,853,895)	(80,417)
		1,146,105	2,919,583
<b>Current Liabilities</b>			
Payables		348,856	3,663,976
		348,856	3,663,976
		1,494,961	6,583,559

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

*(Signed for and on behalf of the Board)*

4th February 2008  
Male' Maldives

## STATEMENT OF CHANGES IN EQUITY

	<i>Capital Contributed by the Government</i> (Rufiyaa)	<i>Accumulated Surplus / Deficit</i> (Rufiyaa)	<i>Total Equity</i> (Rufiyaa)
<b>Balance as at 26 January 2006</b>	-	-	-
Capital Contributed by the Government	3,000,000	-	3,000,000
Net Deficit for the Period	-	(1,853,895)	(1,853,895)
<b>Balance as at 31 December 2006</b>	3,000,000	(1,853,895)	1,146,105
Net Surplus for the Year	-	1,773,478	1,773,478
<b>Balance as at 31 December 2007</b>	3,000,000	(80,417)	2,919,583

The Accounting Policies and Notes on pages 6 through **10** form an integral part of the Financial Statements.

04 February 2008

Male'

## CASH FLOW STATEMENT 31st December 2007

<b>Cash Flow from (used in) Operating Activities</b>	<i>31 Dec 2006</i> <i>Rufiyaa</i>	<i>31 Dec 2007</i> <i>Rufiyaa</i>
Excess of Expenditure over Income	(1,853,895)	1,773,478
<b>Adjustments for,</b>		
Depreciation	105,760	175,006
Amortization of Intangible Assets	3,611	10,833
Donations of Fixed Assets	(30,000)	-
	(1,774,524)	1,959,317
(Increase) Decrease in Receivables	(23,369)	(34,418)
Increase (Decrease) in Payables	348,856	3,315,120
<b>Net Cash Used in Operating Activities</b>	(1,449,037)	5,240,019
 <b>Cash Flow from (used in) Investing Activities</b>		
Acquisition of Purchase of Property, Plant & Equipment	(357,368)	(354,854)
Acquisition of Intangible Assets	(32,500)	(157,429)
Acquisition of Investments	(200,000)	(1,000,000)
<b>Net Cash used in Investing Activities</b>	(589,868)	(1,512,283)
 <b>Cash Flow from (used in) Financing Activities</b>		
Proceeds from Government	3,000,000	-
<b>Net Cash Flow from Financing Activities</b>	3,000,000	-
 <b>Net Increase<sup>1</sup> (Decrease) in Cash &amp; Cash Equivalents</b>	961,095	3,727,736
Cash and Cash Equivalents at the Beginning of the Period	-	961,095
<b>Cash and Cash Equivalents at the End of the Period (Note 8)</b>	961,095	4,688,831

The Accounting Policies and Notes on pages 6 through 10 form an integral part of the Financial Statements.

4th February 2008, Male'

## NOTES TO FINANCIAL STATEMENTS—31 December 2007

### 1 CORPORATE INFORMATION

#### 1.1 Domicile and Legal Form

Capital Market Development Authority is a separate legal entity incorporated under Maldives Securities Act No.0212006. The registered office of the Authority is located at fourth 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 act as the Maldives security market regulator.

#### 1.3 Number of Employees

The number of employees at the end of the period was 25

### 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 31 December 2006 and for the period then ended, comply with the International Financial Reporting Standards.

##### 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 including 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 are recorded at cost less accumulated depreciation, which is provided for on the bases specified below.

The cost of Property, Plant and Equipment is the cost of purchase or construction together with any incidental expenses thereon.

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.

	<u>Useful Life</u>
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 of website 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 recognized 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 recognized on an accrual basis.

### 2.4.2 Expenditure Recognition

Expenses are recognized 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 in arriving at the Surplus for the period.

**3 PROPERTY, PLANT & EQUIPMENT****3.1 Gross Carrying Amount at Cost**

	<i>Balance as at 01 Jan 07 Rufiyaa</i>	<i>Additions Rufiyaa</i>	<i>Balance as at 31 Dec 2007 Rufiyaa</i>
Furniture and Fittings	131,359	24,631	155,990
Computers	194,769	228,715	423,484
Office Equipment	61,240	101,508	162,748
	<u>387,368</u>	<u>354,854</u>	<u>742,222</u>

**3.2 Depreciation**

	<i>Balance as at 01 Jan 07 Rufiyaa</i>	<i>Charge for the Year</i>	<i>Balance as at 31 Dec 2007 Rufiyaa</i>
Furniture and Fittings	50,031	57,449	107,480
Computers	46,103	89,029	135,132
Office Equipment	9,626	28,528	38,154
	<u>105,760</u>	<u>175,006</u>	<u>280,766</u>
<b>Net Book Value</b>	<u>281,608</u>		<u>461,456</u>

**4 INTANGIBLE ASSETS****4.1 Gross Carrying Amounts at Cost**

	<i>Balance as at 01 Jan 07 Rufiyaa</i>	<i>Additions Rufiyaa</i>	<i>Balance as at 31 Dec 2007 Rufiyaa</i>
Website Software	32,500	-	32,500

**4.2 Accumulated Amortization at Cost**

	<i>Balance as at 01 Jan 07 Rufiyaa</i>	<i>Charge for the Year Rufiyaa</i>	<i>Balance as at 31 Dec 07 Rufiyaa</i>
Website Software	3,611	10,833	14,444

### 4.3 In the Course of Construction

	<i>Balance as at 01 Jan 07 Rufiyaa</i>	<i>Incurred During the Year</i>	<i>Balance as at 31 Dec 2007 Rufiyaa</i>
Order Matching System	-	85,050	85,050
Financial Accounting System	-	56,250	56,250
CMDA Website	-	16,129	16,129
Total Gross Carrying Amounts	-	157,429	157,429

### Net Book Values

	<i>31 December 2006</i>	<i>31 December 2007</i>
At cost	28,889	18,056
In the Course of Construction	-	157,429
	28,889	175,485

## 5 RECIEVABLES

	<i>31 December 2006</i>	<i>31 December 2007</i>
Rental Deposits	21,619	46,331
Other Receivables	1,750	11,456
	23,369	57,787

## 6 INVESTMENTS

Fixed Deposit	200,000	1,200,000
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The Authority has invested in fixed deposits of Bank of Maldives Limited for a period of one year from 20 December 2006. The above deposit carry an interest rate of 2.875% per annum.

**7 PAYABLES**

	<i>31 Dec 2006</i> <i>Rufiyaa</i>	<i>31 Dec 2007</i> <i>Rufiyaa</i>
Liquidity Margin	200,000	200,000
Dealer's Deposits (Clearing Shortage Accounts)	100,000	100,000
Accruals and Other Payables (7.1)	48,856	3,363,976
	<b>348,856</b>	<b>3,663,976</b>

**7.1 Accruals and Other Payables**

	<i>31 Dec 2006</i> <i>Rufiyaa</i>	<i>31 Dec 2007</i> <i>Rufiyaa</i>
Sales Proceeds Received in Advance for:		
<i>Maldives Securities Depository System</i>		
Software and Documentation	-	1,612,090
Securities Trading Floor System and Documentation	-	1,041,000
Licenses Fees Received in Advance	-	500,000
Accruals and Other Payables	48,856	210,886
	<b>48,856</b>	<b>3,363,976</b>

**8 CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT**

	<i>31 Dec 2006</i> <i>Rufiyaa</i>	<i>31 Dec 2007</i> <i>Rufiyaa</i>
Cash at Bank	961,047	4,688,360
Cash at Hand	48	471
	<b>961,095</b>	<b>4,688,831</b>

**9 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

9

The Authority had no significant capital commitments or contingent liabilities as at 31 December 2006.

**10 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

10

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the Financial Statements.

Capital Market Development Authority

MTCC Tower 4th Floor

Male' Maldives

Phone: 3336619/ 3336618

Fax: 3336624

Email: [mail@cmda.gov.mv](mailto:mail@cmda.gov.mv)

Website: [www.cmda.gov.mv](http://www.cmda.gov.mv)





**CMDA**

Capital Market Development Authority