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Capital Market Development Authority	
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## Independent auditor's 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 of 31 December 2009 and the income and expenditure statement, statement of changes in equity and cash flow statement for the year then ended 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 and with the disclosure requirements prescribed in Section 10 of the Maldives Securities Act No. 02/2006, of the Republic of Maldives. 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.

### Auditor's 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 in 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 accompanying financial statements give a true and fair view of the financial position of Capital Market Development Authority as of 31 December 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the disclosure requirements prescribed in Section 10 of the Maldives Securities Act No. 02/2006, of the Republic of Maldives.

26 APRIL 2010  
MALE'


*Arlette H. L. L.*  
CHARTERED ACCOUNTANTS

**Capital Market Development Authority****31 December 2009****Balance sheet**

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	As at 31 December			
		2009	2009	2008	2008
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	327,880		314,522	
Intangible assets	6	<u>133,523</u>		<u>207,683</u>	
			461,403		522,205
<b>Current assets</b>					
Receivables	7	184,688		221,205	
Investments held to maturity	8	8,527,587		6,162,566	
Cash and cash equivalents	9	<u>1,102,532</u>		<u>3,594,654</u>	
			9,814,807		9,978,425
<b>Total assets</b>			<u>10,276,210</u>		<u>10,500,630</u>
<b>EQUITY</b>					
<b>Capital and Reserves</b>					
Capital contributed by Government	10	<u>3,000,000</u>		<u>3,000,000</u>	
			3,000,000		3,000,000
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Payables	11	<u>7,276,210</u>		<u>7,500,630</u>	
<b>Total liabilities</b>			<u>7,276,210</u>		<u>7,500,630</u>
<b>Total equity and liabilities</b>			<u>10,276,210</u>		<u>10,500,630</u>

These financial statements were approved by the Board on 25th April 2010



Mariyam Hussain Didi

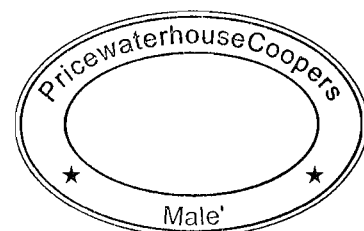
Chairperson

The notes on pages 7 to 15 are an integral part of these financial statements.



Fathimath Shafeega

Chief Executive Officer



**Income and expenditure statement**

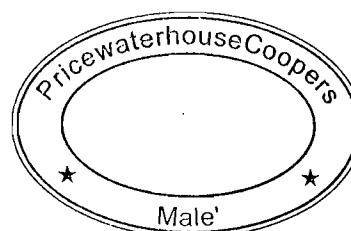
(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	Year ended 31 December	
		2009	2008
Operating income	12	1,164,404	4,406,723
Operating expenses	13	(8,234,805)	(8,460,863)
Operating deficit for the year		(7,070,401)	(4,054,140)
Amount transferred from government budget received to offset the operating deficit		7,070,401	4,054,140
<b>Net operating profit for the year</b>		<b>-</b>	<b>-</b>

**Details on government budget received :**

Amount payable to Ministry of Finance and Treasury at the end of 2008, but not paid	11	5,843,065	-
Add: Amount received from government budget during the year		7,500,000	9,977,622
Total amount available from government budget - A		13,343,065	9,977,622
Less : Amount proposed in budget for 2009 / (2008) - B		(12,933,823)	(9,977,622)
Excess amount returned to Ministry of Finance and Treasury (A - B)		409,242	-

The notes on pages 7 to 15 are an integral part of these financial statements.



**Capital Market Development Authority**

**31 December 2009**

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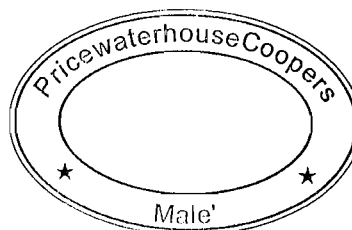
**Statement of changes in equity**

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	<b>Capital contributed by the Government</b>	<b>Accumulated deficit</b>	<b>Total</b>
<b>Balance as at 1 January 2008</b>	3,000,000	(80,417)	2,919,583
Adjustment of accumulated deficit from amount due to Ministry of Finance and Treasury	11 -	80,417	80,417
	<hr/>	<hr/>	<hr/>
<b>Balance as at 31 December 2008</b>	<b>3,000,000</b>	<b>-</b>	<b>3,000,000</b>
	<hr/>	<hr/>	<hr/>
<b>Balance as at 1 January 2009</b>	3,000,000	-	3,000,000
	<hr/>	<hr/>	<hr/>
<b>Balance as at 31 December 2009</b>	<b>3,000,000</b>	<b>-</b>	<b>3,000,000</b>

The notes on pages 7 to 15 are an integral part of these financial statements.

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**Capital Market Development Authority****31 December 2009**

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**Cash flow statement**

(all amounts in Maldivian Rufiyaa unless otherwise stated)

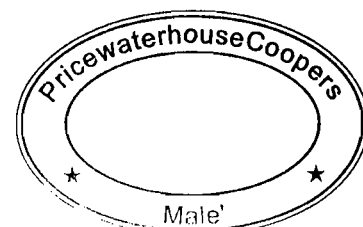
	<b>Note</b>	<b>Year ended 31 December</b>	
		<b>2009</b>	<b>2008</b>
<b>Cash flow from Operating activities</b>			
Cash generated from operations	15	<u>49,499</u>	<u>4,009,211</u>
Net cash generated from operating activities		<u>49,499</u>	<u>4,009,211</u>
<b>Cash flow from Investing activities</b>			
Purchase of property, plant and equipment	5	(170,100)	(52,231)
Purchase of Intangible assets	6	(6,500)	(88,591)
Investment in Treasury Bills & Fixed deposit	8	<u>(2,365,021)</u>	<u>(4,962,566)</u>
Net cash used in investing activities		<u>(2,541,621)</u>	<u>(5,103,388)</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(2,492,122)</b>	<b>(1,094,177)</b>
Cash and cash equivalents at beginning of the year	9	<u>3,594,654</u>	<u>4,688,831</u>
Cash and cash equivalents at end of the year	9	<u>1,102,532</u>	<u>3,594,654</u>

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The notes on pages 7 to 15 are an integral part of these financial statements.

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**Notes to the financial statements**

**1 General information**

These financial statements relate to Capital Market Development Authority (CMDA), a separate legal entity was registered on 26 th January 2006 under Maldives Securities Act No. 02/2006. The principal objective is to develop and regulate market in which securities can be issued and traded in a fair and orderly manner.

The address of its registered office is, 4 th Floor, MTCC Tower, Boduthakurufaanu Magu, Male', Republic of Maldives.

**2 Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below:

**2.1 Basis of preparation**

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards. The financial statements are prepared under the historical cost convention.

**2.2 Foreign currency translation**

*a) Functional and presentation currency*

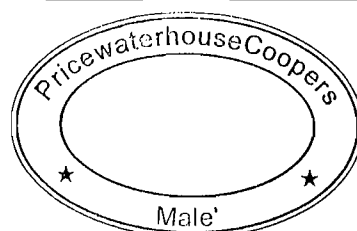
Items included in the financial statements of the Authority are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Maldivian Rufiyaa, which is the Authority's functional and presentation currency.

*b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

**2.3 Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.



**Notes to the financial statements (continued)**

**2.3 Property, plant and equipment (continued)**

Depreciation is calculated on the straight line method to write off the cost of each asset to their residual values, over their estimated useful life, commencing from the date on which the asset are purchased and no depreciation is charged in the year of disposal. as follows:

Furniture and fittings	5 years
Office equipment	5 years
Computers & computers softwares	3 years
Assets transferred from Maldives Monetary Authority	2 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

**2.4 Intangible assets**

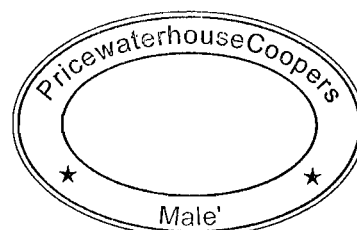
Costs associated with designing the Authority website are capitalised and amortised using the straight-line method over estimated useful life of three years. The carrying amount of intangible asset is reviewed annually and adjusted for permanent impairment where it is considered necessary.

**2.5 Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**2.6 Receivables**

Receivables are recognised initially at fair value less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement.





**Notes to the financial statements (continued)**

**2.7 Cash and cash equivalents**

Cash and cash equivalents include cash in hand and at banks.

**2.8 Investments**

Investments are classified as originated by the bank or held-to-maturity. Investment with fixed maturity as well the management has the intent and the ability to hold to maturity, are classified as investments held-to-maturity.

**2.9 Provisions**

Provisions are recognised when: the Authority has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and the risks specific to the obligations.

**2.10 Revenue recognition**

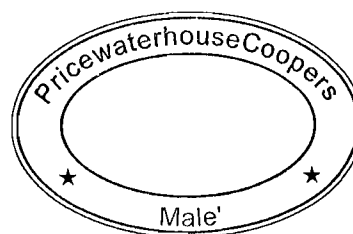
Income is recognized to the extent that is probable that the economic benefits will flow to the Authority and the income can be reliably measured. Revenue is measured at the fair value of the consideration received or receivables.

*Rendering of services*

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

*Other income*

Other income is recognized on an accrual basis.



Notes to the financial statements (continued)

**3 Financial risk management**

**3.1 Financial risk factors**

The Authority's activities expose it to a variety of financial risks : liquidity risk and cash flow risk. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Authority's financial performance.

*(a) Liquidity risk*

The Authority aims to maintain liquidity by obtaining funds from Government of Maldives.

*(b) Cash flow risk*

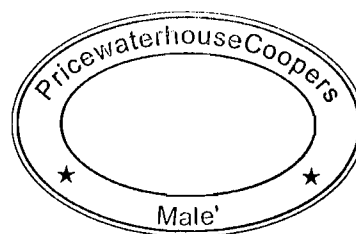
The Authority's income and operating cash flows are substantially independent of changes in market.

**3.2 Fair value estimation**

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

**4 Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

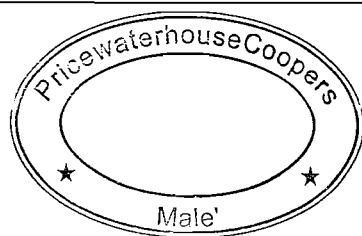


**Capital Market Development Authority****31 December 2009****Notes to the financial statements (continued)**

(all amounts in Maldivian Rufiyaa unless otherwise stated)

**5 Property, plant and equipment**

	<b>Furniture and fittings</b>	<b>Computer</b>	<b>Office equipment</b>	<b>Total</b>
<b>Year ended 31 December 2008</b>				
Opening net book amount	48,510	288,352	124,594	461,456
Additions	8,035	12,375	31,820	52,230
Transfer/disposal	(694)	-	(4,983)	(5,677)
Depreciation charge (Note 13)	(23,286)	(136,214)	(33,987)	(193,487)
Closing net book amount	<u>32,565</u>	<u>164,513</u>	<u>117,444</u>	<u>314,522</u>
<b>At 31 December 2008</b>				
Cost	163,175	435,859	188,068	787,102
Accumulated depreciation	(130,610)	(271,346)	(70,624)	(472,580)
Net book amount	<u>32,565</u>	<u>164,513</u>	<u>117,444</u>	<u>314,522</u>
<b>Year ended 31 December 2009</b>				
Opening net book amount	32,565	164,513	117,444	314,522
Additions	98,065	66,900	5,135	170,100
Depreciation charge (Note 13)	(13,238)	(109,053)	(34,451)	(156,742)
Closing net book amount	<u>117,392</u>	<u>122,360</u>	<u>88,128</u>	<u>327,880</u>
<b>At 31 December 2009</b>				
Cost	261,240	502,759	193,203	957,202
Accumulated depreciation	(143,848)	(380,399)	(105,075)	(629,322)
Net book amount	<u>117,392</u>	<u>122,360</u>	<u>88,128</u>	<u>327,880</u>



**Capital Market Development Authority**

**31 December 2009**

**Notes to the financial statements (continued)**

(all amounts in Maldivian Rufiyaa unless otherwise stated)

**5 Property, plant and equipment (continued)**

(a) The Authority operates from premises owned by a third party for which a sum of Rf 1,171,615 (2008 : Rf 637,190) has been included as annual operating lease rental.

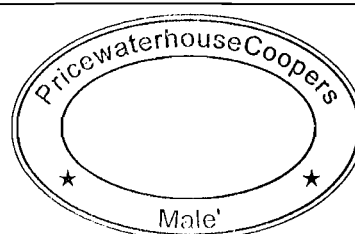
(b) Property, plant and equipment amounting to Rf 322,125 (2008: Rf 159,715 ) were fully depreciated as at the balance sheet date.

**6 Intangible assets**

	<b>Software and website</b>	<b>Work - in - progress</b>	<b>Total</b>
<b>Year ended 31 December 2008</b>			
Opening net book amount	18,056	157,429	175,485
Additions	164,020	54,100	218,120
Transfer / Disposal	-	(129,529)	(129,529)
Amortisation charge (Note 13)	(56,394)	-	(56,394)
	<u>125,682</u>	<u>82,000</u>	<u>207,682</u>
<b>At 31 December 2008</b>			
Cost	196,520	82,000	278,520
Accumulated amortisation	(70,838)	-	(70,838)
Net book amount	<u>125,682</u>	<u>82,000</u>	<u>207,682</u>
<b>Year ended 31 December 2009</b>			
Opening net book amount	125,682	82,000	207,682
Additions	6,500	-	6,500
Transferred from W-I-P	82,000	(82,000)	-
Amortisation charge (Note 13)	(80,659)	-	(80,659)
	<u>133,523</u>	<u>-</u>	<u>133,523</u>
<b>At 31 December 2009</b>			
Cost	285,020	-	285,020
Accumulated amortisation	(151,497)	-	(151,497)
Net book amount	<u>133,523</u>	<u>-</u>	<u>133,523</u>

**7 Receivables**

	<b>2009</b>	<b>2008</b>
Rent deposits	46,331	46,331
Receivable from Maldives Stock Exchange	70,716	142,874
Other receivables	67,641	32,000
	<u>184,688</u>	<u>221,205</u>



**Capital Market Development Authority****31 December 2009****Notes to the financial statements (continued)****8 Investments held to Maturity**

	<b>2009</b>	<b>2008</b>
Treasury bills	8,377,587	5,962,566
Fixed deposit	150,000	200,000
	<u>8,527,587</u>	<u>6,162,566</u>

**9 Cash and cash equivalents**

For the purpose of cash flow statement, the year-end cash and cash equivalents comprise the following :

	<b>2009</b>	<b>2008</b>
Cash in hand	455	20
Cash at bank	1,102,077	3,594,634
	<u>1,102,532</u>	<u>3,594,654</u>

**10 Capital and Reserves**

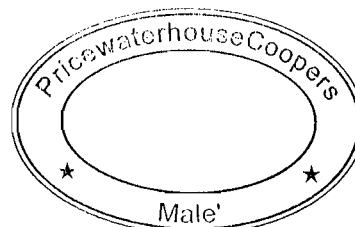
	<b>2009</b>	<b>2008</b>
Capital contributed by Government	<u>3,000,000</u>	<u>3,000,000</u>

**11 Payables**

	<b>2009</b>	<b>2008</b>
Amount due to Ministry of Finance and Treasury	5,863,422	5,843,065
Accrued expenses	262,788	457,565
Liquidity margin from dealing companies	150,000	200,000
Deposit from Maldives Stock Exchange	1,000,000	1,000,000
	<u>7,276,210</u>	<u>7,500,630</u>

**Note :****Amount due to Ministry of Finance and Treasury at the end of the year :**

	<b>2009</b>	<b>2008</b>
Budget amount available with CMDA for the year	12,933,823	9,977,622
Less : Amount transferred from government budget received to offset the operating deficit	(7,070,401)	(4,054,140)
Less: Adjustment of accumulated deficit upto 2006	-	(80,417)
Net amount due to Ministry of finance and treasury	<u>5,863,422</u>	<u>5,843,065</u>



Notes to the financial statements (continued)

**12 Operating income**

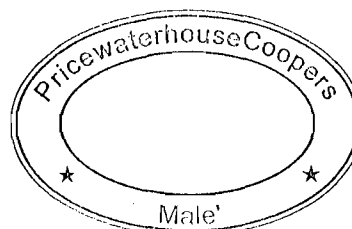
	<b>2009</b>	<b>2008</b>
Sale of Maldives Stock Exchange and Maldives Securities Depository	-	3,039,690
Annual Licensing fees	112,908	129,692
Application fee	50	1,550
Trade processing fee from Maldives Stock Exchange	4,546	43,724
Fees from training programmes	483,300	377,355
Donations	-	396,128
Treasury bills and fixed deposit interest	495,165	397,893
Sundry income	68,435	20,691
	<u>1,164,404</u>	<u>4,406,723</u>

**13 Operating expenses**

	<b>2009</b>	<b>2008</b>
Staff salaries and allowances	3,351,137	3,054,856
Board expenses	581,749	376,799
Expert expenses	472,280	525,467
Travelling	76,644	170,060
Training courses and scholarship	702,007	1,335,283
Printing and stationery	96,997	136,462
Internal and external audit fees	55,127	24,287
Electricity expenses	183,649	163,705
General office expenses	51,645	51,471
Depreciation and amortization	237,401	249,881
Telephone expenses	153,781	169,009
Media related expenses	11,668	105,935
Legal & regulatory expenses	118,904	58,085
Repair & maintenance	134,887	144,192
Rent	1,171,615	637,190
Training programme expenses	390,636	653,269
Membership fees	259,274	464,939
Investor education expenses	185,404	134,296
Loss on disposal of fixed assets	-	5,677
	<u>8,234,805</u>	<u>8,460,863</u>

**14 Taxation**

There is no incidence of taxation on profits and income earned in the Republic of Maldives. Accordingly, the Authority is not liable to income tax on profits and income earned in the Republic of Maldives.



Notes to the financial statements (continued)

**15 Cash generated from operations**

Reconciliation of net surplus to cash generated from operations:

	2009	2008
Net operating profit for the year	-	-
Adjustments for:		
Depreciation (Note 5)	156,742	193,487
Amortization (Note 6)	80,659	56,394
Loss on disposal of property, plant and equipment	-	5,677
Changes in working capital:	-	
- Receivables and prepayments	36,517	(163,418)
- Payables	(224,419)	3,917,071
Cash generated from operations	<u>49,499</u>	<u>4,009,211</u>

**16 Contingencies**

*Contingent liabilities*

There were no contingent liabilities outstanding at the balance sheet date.

*Contingent assets*

There were no contingent assets recognised at the balance sheet date.

**17 Commitments**

*Capital commitments*

There were no capital commitments at the balance sheet date.

*Operating lease commitments*

There were no material operating lease commitments at the balance sheet date.

*Financial commitments*

There were no material financial commitments at the balance sheet date.

**18 Post balance sheet events**

No events have occurred since the balance sheet date which would require adjustments to, or disclosure in, the financial statements.

