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## **DRAFT REPORT OF AUDITORS ON SOLVENCY**

As per Section 133 of Private Company Regulation No  
2024/R-99

**Draft Report of Auditors on Solvency - As per Section 133 of Private Company  
Regulation No 2024/R-99**

As per Section 133 (b) of **Private Company Regulation no 2024/R-99**, private companies to pay dividends, they have been required to obtain an assessment from the auditors.

CA Maldives, taking this initiative, has developed the following formats:

1. Draft Report of the Auditors - refer Annex A
2. Draft Statement of Solvency, to be prepared by directors - refer Annex B

## REPORT OF AUDITORS ON THE DIRECTORS' STATEMENT OF SOLVENCY AS PER SECTION 133 (B) OF THE PRIVATE COMPANY REGULATION NO 2024/R-99

### Requirements as per Private Company Regulation No 2024/R-99

#### Section 89 Dividends

- (a) A dividend is the amount decided to be distributed to the company's members from the company's profits, as specified in the company's constitution.
- (b) Dividends must be distributed only from profits earned through the company's business operations.
- (c) The following matters related to dividend distribution to members must be stated in the articles of association:
  - (i) The period or time for profit distribution;
  - (ii) Whether the profit will be distributed as cash, shares, options, or transferable assets.
  - (iii) Matters related to interim dividend distribution;
  - (iv) The procedure for dividend distribution and the company's course of action if dividends are not collected as scheduled.
- (d) No interest can be added to dividends.

#### Section 133 Solvency Test and Assessment

- (a) For the purpose of these regulations, a company is considered solvent in a solvency test if it is able to pay its debts as they become due in the normal course of business without selling assets outside the ordinary course of business, restructuring its debts, altering its normal business operations, or taking any other such measures.
- (b) For the purpose of subsection (a), the company's auditor must prepare a solvency assessment to determine whether the company is solvent or not.

**Procedures to be generally adopted by auditors for final dividends.**

1. Obtain most recent financial statements
  - Financial statements mean –
    - (a) statement of financial position of the company as at the reporting date; and
    - (b) In the case of –
      - i. A company trading for profit, comprehensive income statement for the company in relation to the accounting period ending at the reporting date; and
      - ii. A company not trading for profit, an income & expenditure statement for the company in relation to the accounting period ending at the reporting date.
  - (C) statement of changes in equity
  - (d) Cash flow statement
  - (e) Notes giving information relating to comprehensive income statement, statement of financial position, statement of changes in equity, cash flow statement.
  - (f) Transactions conducted with associated companies

"An auditor is expected to perform procedures designed to obtain sufficient appropriate audit evidence that all events up to the date of the Auditors Report (This means the Statutory Audit Report) that may require adjustment of, or disclosure in, the financial statements have been identified. (ISA 560 Subsequent Events). In providing the Report of Auditors on the Directors' Statement of Solvency and auditor is expected to perform this procedure up to the date of authorisation of the recommendation of dividends by the Board. This is to ensure that the Company has adequate net assets to issue / pay dividends after taking into account any significant impairment to assets, which were disclosed as at reporting date and have occurred since reporting date upto the date of authorisation of the recommended dividends.

2. Review cash and credit lines that may be used to pay out dividends.

This is to ensure that the Company is able to pay its debts as they become due in the normal course of business.

**Procedures to be generally adopted by auditors for Interim dividends**

The directors should prepare the Directors Statement based on the latest financial statements prepared in accordance with section 133 (a) as per Private Company Regulation No 2024/R-99.

If the period between the reporting date and date of recommending the dividends is more than 6 months, the auditor shall obtain interim financial statements and perform at least a review engagement on such financial statement, prior to issuing the Auditor's Report on the Director's Statement of Solvency.

If the period between the reporting date and date of recommending the dividends is within 6 months, the auditor needs to perform the procedures set out above for final dividends.

#### **Report of Auditors and Opinion**

Considering the fact that the auditor does not assume significant additional risks and after considering the nature of the work to be performed, it is concluded that **ISA 805 Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement** opinion shall Audit be provided.

## Annexure A

### Independent Auditor's Report

#### To the Board of Directors of [ABC Limited]

#### Opinion

We have audited the accompanying Statement of Solvency ("Statement") of [ ABC Limited] as at [XXX] prepared by the Board of Directors for the purpose of Section 133(a) of the Private Company Regulation No 2024/R-99 ("Regulation") which has been derived from the Audited Financial Statements of the Company for the year/period ended (date of the most recent audited/Reviewed financial statements prepared in accordance with section 183 of the Companies Act no 97 of 2023).

In our opinion, the financial information in the Statement of Solvency of the Company as at [Date] is prepared, in all material respects, in accordance with the requirements of Section 133(a) of the Private Company Regulation No 2024/R-99.

#### Basis for Opinion

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

#### Emphasis of Matter - Basis of Accounting and Restriction on Distribution

We draw attention to Note [XX] of the Statement, which describes the basis of accounting. The Statement is prepared to assist the Company to meet the requirements of Section 133(a) of the Private Company Regulation No 2024/R-99. As a result, the Statement may not be suitable for another purpose. Our report is intended solely for the Company and should not be distributed to any other party. Our opinion is not modified in respect of this matter.

#### Responsibilities of Management and those charged with Governance for the Statement

Management is responsible for the preparation of the Statement in accordance with Section 133 (a) of the Private Company Regulation No 2024/R-99, and for such internal control as management determines is necessary to enable the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditors Responsibilities for the Audit of the Statement**

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

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

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



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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

[Signature in the name of the audit firm]

[Audit Firm address]

[Date]

**Annexure B**

**(To be printed on the Client's letter head)**

**(Addressed to the Audit Partner/ Firm)**

**(Date)**

**Dear Sirs,**

**Directors' Statement of Solvency**

**(Final/Interim) Dividend of (MVR,USD) ..... /- per share amounting to (MVR,USD) ..... /-**

**Solvency Test in accordance with Section 133 (a) of the Private Company Regulation 2024/R-99**

We acknowledge our responsibility for the assessment of solvency of the Company, immediately after the distribution of dividends is made, based on the audited financial statements for the year/ period ended.

We have made appropriate inquiries of directors and officers of the Company with the relevant knowledge and experience and have tested for solvency accordance with Section 133(a) of the Private Company Regulation 2024/R-99.

**1) Ability to pay debts in the normal course of business.**

The Company considers that a positive net current asset position /adequate cash and cash equivalents or borrowing arrangements with financial institutions for which offer letters are available with us, would determine the Company's ability to pay its debt becoming due in the normal course of business.

**a) Net Current Asset/ Liability position as at ... (the date of the audited accounts)**

	<b>(USD/MVR)</b>
Current Assets	
XXX	XXX
XXX	XXX
XXX	XXX
Total Current Assets	xxxxx
Current Liabilities	
	XXX
	XXX
	XXX

Total Current Liabilities	
Net Current Assets/Liabilities	XXX

**b) Funding the dividends payments**

The directors need to demonstrate the capacity of the Company to pay the dividends by comparing the cash and cash equivalents available within the Company and if there are any deficits, the necessary borrowing arrangements with the financial institutions.

Proposed dividends XXXX

Less: Cand cash equivalents (XXX)

Provide method of financing proposed dividends are less than the available cash and cash equivalents balance.

**2) Value of Company's Assets less liabilities, Capital and proposed dividends**

	(USD/MVR)
<b>Non - Current Assets</b>	
XXX	XXX
XXX	XXX
<b>Total Non - Current Assets</b>	<b>XXXX</b>
<b>Current Assets</b>	
XXX	XXX
XXX	XXX
<b>Total Current Assets</b>	<b>XXXX</b>
<b>Total Assets</b>	<b>XXXX</b>
<b>Non - Current Liabilities</b>	
XXX	(XXX)
XXX	(XXX)
<b>Total Non - Current Liabilities</b>	<b>(XXXX)</b>
<b>Current Liabilities</b>	
XXX	(XXX)
XXX	(XXX)

<b>Total Current Liabilities</b>	(XXXX)
<b>Total liabilities</b>	(XXXX)
Share Capital	(XXX)
Share Premium	(XXX)
Revaluation reserve	(XXX)
Other reserves (which are not set aside from profits)	(XXX)
<b>Distributable profits</b>	XXXX
<b>Proposed distribution</b>	(XXX)
<b>Surplus/deficit</b>	XXXX

### 3) Solvency test

Based on the above assessments and after considering the value of the circumstances which could affect Company's assets and liabilities as at this date, our knowledge we confirm, to the best of and belief, that the Company will satisfy the solvency as per the Section 133 (a) of the Private Company Regulation 2024/R-99 , immediately after the test required by the distribution of the proposed interim/final dividends of MVR/USD .....

**Yours Faithfully**

*To be signed by the Board of directors*