

THE COMPANIES ACT OF THE REPUBLIC OF MALDIVES

LAW NO: 10/96

Introduction and name

1. (a) This is the law governing the formation, registration and regulation of companies in the Republic of Maldives.

(b) This law shall be cited as the “The Companies Act of the Republic of Maldives”.

Formation of companies

2. Companies in the Maldives shall be formed and managed in the manner prescribed in this Act.

Private Companies and Public Companies

3. a) Any two (2) or more persons may as prescribed in this Act, having the liability of its members limited, form a private company. A private company is a company whose memorandum and articles of association states that it is a private company, and that shares may only be transferred in accordance with its articles of association and the number of members of the company is limited to fifty (50) and the sale of shares to the public is prohibited by the articles of association.

b) Any ten (10) or more persons may in accordance with this Act having the liability of its members limited, form a public company. A public company is a company whose memorandum and articles of association states that it is a public company and can sell shares to the public in accordance with this Act.

Memorandum and Articles of Association

4. Every company shall have a memorandum and articles of association which shall contain the names of the persons forming the company and shall be signed by them in the presence of two witnesses who shall also sign the same.

Contents of memorandum

5. The memorandum of every company must state that:
 - a) the name of the company.
 - b) whether the company is a private company or a public company.
 - c) the registered office of the company.
 - d) the objects of the company.

- e) the liabilities of the members are limited.
- f) the authorized capital of the company and the manner in which it is to be procured.

Contents of the articles

- 6.
 - a) The articles of association of every company must prescribe, in accordance with this Act, how the company shall be managed.
 - b) The articles of association of every private company must state that:
 - 1. It cannot sell shares to the public.
 - 2. Shares of the company may only be transferred to a party approved by the Board of Directors in accordance with the articles.
 - 3. The number of shareholders of the company is limited to fifty.

Registration

- 7.
 - a) The persons forming a company shall submit to the Registrar of Companies the memorandum and articles of association together with the registration fee and the annual fee specified in the schedules of this Act.

The company shall be registered if the contents of the memorandum and articles of association do not contravene the Islamic principles or this Act or any other laws of the Country.

- b) Every company registered under this Act shall pay the annual fee specified in the schedule of this Act. If a company fails to pay the annual fee as stipulated in the schedule by the end of March, the Registrar of Companies reserves the right to suspend all business activities of the company until payment of the fee. If the annual fee remains unpaid by the end of May, the Registrar shall apply to the court for the winding up of the company.

Registration of private companies

- c) A private company shall be registered if the company's memorandum and articles of association states that it is a private company and if the authorized capital of the company stipulated in the memorandum and articles of the company is not less than MRF 2,000/- and the articles of association states that the company's shares may only be transferred from a member to another person in accordance with the articles of association and the memorandum and articles of association limits the membership of the company to fifty and the articles of association prohibits the sales of shares to the public.

Registration of public companies

- d) A public company shall be registered if the persons forming the company agree to buy shares of at least MRF 1,000,000/- (Maldivian Rufiyaa one million) in

value and pay the said money to the company and submit to the Registrar of Companies evidence of the payment.

- e) If a company is registered and having paid the registration fee as prescribed in subsection (a) of this section; subsequently increases the authorized capital, then the company shall pay the fee for the increase in the proportion stipulated in the schedule of this Act.

Certificate of incorporation

- 8. The Registrar of Companies shall upon registration of the company in accordance with Section 7 of this Act issue to the company a certificate that the company is incorporated.
- 9. The Registrar of Companies reserves the right to call upon changes to memorandum and articles of association of the company delivered to him, to comply with the Act.

Company names

- 10.
 - a) The name given to a company shall be a name acceptable to the Registrar of Companies. If the Registrar of Companies feels that the proposed name is unacceptable he will not register it.
 - b) The name of every private company shall end or bear as a part of the name, the words “private limited” or its abbreviation “Pvt Ltd”.
 - c) The name of every public company shall end or bear as a part of the name, the words “public limited company” or its abbreviation “PLC”.
 - d) Every company shall have its name displayed in Dhivehi outside its place of business.
 - e) The name of the company and its registration number shall appear on all documents specified by the Regulations promulgated under this Act.

Change of name

- 11. A company may, by special resolution change its name.

Calling for change of name

- 12. Where a company has been registered by a name which in the opinion of the Registrar of Companies is unacceptable, the Registrar of Companies reserves the right to direct the company to change its name. If the Registrar of Companies so directs, the company must change its name within 21 days from that date of direction.

Registration of a new name

- 13. The Registrar of Companies shall, upon being informed by a company that it has changed its name in accordance with either section 11 or 12 of this Act, and if he

finds the new name acceptable, shall issue a certificate in the new name. The change of name has effect from the date the altered certificate is issued.

Effect of change of name

14. A change of name by a company under section 11 or 12 of this Act does not effect any rights or obligations of the company or render defective any legal proceedings by or against it.

Effect of registration

15. a) The company upon registration shall become a legal entity distinct from its members by the name contained in the memorandum of association capable of forthwith exercising all the powers and functions specified in its memorandum and articles of association and of suing and being sued and having a perpetual succession and a common seal with the power to hold movable property and immovable property as is permitted by law.
- b) The memorandum and articles of association of a company, when registered, bind the company and its members to the same extent as if they respectively had been signed by each member and contained covenants on the part of each member to observe all the provision of the memorandum and of the articles.

Register of members

16. a) Every company shall keep a register of its members and enter in it the following particulars:
- the names and addresses of the members
 - the number of shares held by each member, and
 - the amount paid on the shares of each member
- b) Every person whose name appear in the registry stated in sub-section (a) of this section shall be a member of the company

List of the members

17. Every company shall deliver to the Registrar of Companies a list of its members within thirty days (30) after its annual general meeting.

Liability of the members

18. a) A statement in the memorandum of a company stating that the liability of its members is limited shall mean that the liability of its members is limited for all purposes to the amount, if any, unpaid on the shares respectively held by them and shall when the memorandum and articles of association are registered, for all legal purposes have effect accordingly.

- b) In the event a limited liability company is wound up every member of the company shall be liable to contribute to the assets of the company only to the extent of the amount unpaid, if any, on the nominal value of his/her shares.

Alteration of memorandum and articles of association

- 19. Subject to the provisions of the Act and in accordance with the articles of association, a company may with prior approval of the Registrar of Companies, alter its memorandum and articles of association by a special resolution at a general meeting.

Private company becoming public

- 20. a) A private company may be re-registered as a public company by passing a special resolution that it should be so re-registered and an application for re-registration is delivered to the Registrar of Companies and the company is re-registered as a public company in accordance with this Act.
- b) The application for re-registration of a private company to a public company delivered to the Registrar of companies shall contain the following:
 - 1. The special resolution passed by the private company to become public.
 - 2. The special resolution passed by the company to make such alterations in the memorandum and articles as are necessary to bring them into conformity with the requirement of this Act.
 - 3. The memorandum and articles of association of the company after bringing them into conformity with the memorandum and articles of association of a public company as prescribed in this Act.
 - 4. The company prospectus.
- c) If an application to re-register a private company to a public company is delivered to the Registrar of Companies in accordance with sub-section (a) and (b) of this section, the company shall be re-registered and the certificate of incorporation shall be issued if the requirements specified in this Act for the formation and registration of a public company are fulfilled.

Public Company becoming private

- 21. a) A public company may be re-registered as a private company if a special resolution that it should be so re-registered is passed, and an application for re-registration is delivered to the Registrar of Companies and the company is re-registered as a private company in accordance with this act.
- b) The application for re-registration of a public company to a private company delivered to the Registrar of Companies shall contain the following:
 - 1. The special resolution passed by the public company to become private.

2. The special resolution passed by the company to make such alterations to the memorandum and the articles as are necessary to bring them in conformity with requirements of this Act.
 3. The memorandum and the articles of association of the company after bringing them into conformity with the memorandum and the articles of association of a private company as prescribed in this Act.
- c) If an application to re-register a public company as a private company is delivered to Registrar of Companies in accordance with sub-section (a) and (b) of this section, the company shall be re-registered and the certificate shall be issued if the requirements specified in this Act for the formation and registration of a private company are fulfilled.

Effect of change in company status

22. If a company changes its status from private to a public company or from a public to a private company in accordance with section 20 and 21 of this Act, it shall in no way effect the rights or obligation of the company nor shall it effect a proposed contract or subsisting contracts or to any legal proceedings by or against the company.

Offer of shares and debentures to the public

23. a) Companies other than those registered under this Act as public companies shall not sell shares or debentures to the public.
- b) Sale of shares and debentures to the public shall mean that the company's share and debentures may be purchased by any person of the public and that the shares and debentures of the company are freely transferable from one person to another without the approval of the company.

The articles of association of any public company shall not prohibit the sale of shares and debentures to the public or the transfer of the same. However in instances where an unpaid or a partly paid share is being transferred, the board of directors has the authority to object the transfer until payment.

Prospectus

24. Public companies shall only sell shares and debentures to the public after issuing a prospectus in accordance with this Act and Regulations promulgated under this Act and as stipulated in the prospectus.

Permission to sell shares and debentures to the public and the amount

25. Public companies shall sell shares and debentures to an amount equivalent to the amount paid up by its members for the time being for the shares and debentures of the company.

Form of the prospectus

26. The prospectus stated in section 24 of this Act shall be in the form stipulated in section 27 of this Act and in accordance with the regulations promulgated under this Act.

Contents of the prospectus

27. The prospectus stated in section 24 of this Act shall contain the following:
- a) Details of the assets, liabilities and other obligations of the company.
 - b) Financial status of the company.
 - c) Information required by investors to invest in the company and any other information generally expected by investors to be included in the prospectus.
 - d) Contain such information as may be prescribed by Regulation made under this Act.

False information in prospectus

28. a) Persons responsible for preparing a prospectus in which false information is intentionally included shall be guilty of an offense and each such person shall be liable to a fine not exceeding MRF 100,000/-.
- b) The board of Directors of the company at the time the prospectus is delivered to the Registrar of Companies for approval shall be deemed persons responsible for preparing the prospectus.

Shares

Allotment of shares

29. If a company makes an allotment of its shares, it shall within thirty (30) days of such allotment deliver to the Registrar of Companies a list of names and addresses of the allottees, the number, the nature and the value of the shares allotted.

Value of shares

30. a) The share capital of the company shall be divided into shares of equal value. The share capital of the company may be divided into different classes of shares or when the company makes an allotment of shares, it may create shares of various classes with different rights attached, as may be prescribed by Regulations made under this Act.
- b) If the share capital of a company is divided or if a company allots shares of different classes with variations of rights attached to them, the company shall as may be prescribed by Regulations made under the Act make provisions in its article of association for variation of the rights attached for different classes of shares and for revocation of such rights.

No share issued as a discount

31. No share in a company shall be issued at less than its nominal value.

Shares jointly owned

32. Two or more persons may jointly own a share, provided only one of them shall represent the share for the purpose of the company.

Financial assistance for the purchase of company shares and debentures

33. No company shall give financial assistance for the purchase or subscription of the company shares or debentures except in accordance with Regulations promulgated under this Act.

Share certificate

34. a) Every company shall issue to its members a share certificate. The share certificate is evidence of the shareholder's title to the share specified in the certificate.

b) Every share certificate shall specify the class and value of the share.

Shares and debentures issued for a consideration

35. A company may issue shares and debentures to the public for any consideration subject to the Regulation promulgated under this Act, however no shares or debentures shall be issued at less than the nominal value.

Transfer of Shares

36. The shares of any member in a company shall be movable property and is transferable in the case of private companies with the approval of the Board of Directors in accordance with the articles of association. Share in a public company shall be transferred in accordance with this Act or as may be prescribed by the Regulations made under this Act.

Transfer of shares and registration

37. If a share in a company is transferred from one person to another, the share transactions shall be registered in the company. A transfer shall be deemed to have taken place when a proper instrument of transfer is delivered to the company.

Transmission of shares

38. If a shareholder deceases, the company may in accordance with the articles of association register the shares held by the deceased member in the name of the person or persons whom the court declares as being entitled to hold the shares.

Failure to answer a call up for share payment

39. If a shareholder fails to pay for the shares he has subscribed after a call for payment has been made, the company may in accordance with its articles of association forfeit the shares.

Increase of capital

40. A company may at a general meeting pass a resolution to increase its share capital.

Reduction of share capital

41. a) A company may with prior written approval of the Registrar of Companies, and by a special resolution at a general meeting reduce its share capital if the share capital is in excess of the company's requirements provided it does not affect the rights of another.
- b) The application delivered to the Registrar of Companies as stated in sub-section (a) shall specify the nature and the extent of the share capital to be reduced.
- c) The Registrar of Companies shall, upon receiving the applications as stated in sub-section (a) and (b), make public announcement of the proposed reduction of the company's share capital.
- d) Permission for the reduction of the share capital shall be granted by the Registrar if no objection is lodged with the Registrar by a member or any other person within one month of the announcement stated in sub-section(c).
- e) If a creditor or a member of the company or any other party lodges an objections with the Registrar of Companies giving reasons for the objection, within one month from the date of the announcement, stated in section (c) and if the Registrar deems that the objection is acceptable, then sub-section (d) does not prevent the Registrar from granting the permission for the reduction of the capital, provided that payment has been made to the claimant as instructed by the Registrar and evidence of payment is shown to the Registrar or if the company deposits into an account designated by Registrar for a specified time, an amount of money equivalent to the amount to be reduced from the share capital.

Company Seal

42. a) Every company shall have a registered seal.
- b) Any contract which is required by law to be in writing, if made by a company, shall be in writing under its seal.

Commencement of business

43. a) A private company may, upon its registration as stated in section 7 of this Act, commence its business as stated in the objectives of the company and as prescribed by regulations made under this Act.

- b) A public company shall commence business after registering the company as a public company under this Act, and upon issuing a prospectus as stated in section 24 of this Act and after offering shares to the public to the amount stated in the prospectus and acceptance by the public to buy the shares and allotting the same as per the prospectus and upon receiving payment for the allotted shares and upon payment by the Directors of the company, the amount they have subscribed and having submitted evidence of payment by the Directors to the Registrar and when Registrar of Companies grants permission to commence the business only.

Management of the company

Board of Directors

- 44. Every company shall be managed by a Board of Directors.
- 45.
 - a) Every private company shall have at least two directors and every public company shall have at least five directors in the Board.
 - b) At least one member of the Board of Directors shall be a resident of the Republic of Maldives.
 - c) A director of a company shall be at least 18 years of age.
 - d) The directors of the company shall be shareholders of the company. If the shareholders are legal entities, then the directors shall be persons nominated by the respective entity.
 - e) Every company must have a Managing Director. The Managing Director shall be a member of the board of directors.
 - f) If the Managing Director of the company resigns or the Managing Director's position is vacant, a new Managing Director shall be nominated from among the existing board of directors within 14 (fourteen) days.

Acceptance letter by the incoming Managing Director has to be submitted to the Registrar of Companies immediately.

- g) Within 60 (sixty) days of coming into effect of this third amendment to the Companies Act, every company that has been registered under the Act shall submit to the Registrar, the name of the person who is appointed to be the Managing Director of the company and a letter of the appointee accepting the post.
 - h) The first directors of the company and Managing Director of the company shall be written down in the Articles of Association of the company.

Company secretary

- 46.
 - a) Every company shall have a company secretary. It is the duty of the Board of Directors to see that the person appointed as the company secretary is competent to discharge the functions of secretary of the company.

- b) Every company shall when submitting its application for registration, submit to the Registrar of Companies the name of person who shall be the company secretary and acceptance letter from the person.
- c) The duties of the company secretary shall be those prescribed by Regulations made under this Act.

Loans and guarantees to directors

- 47 a) Public companies shall not grant a loan or issue a guarantee for a loan to a member of its Board of Directors nor shall they give a guarantee to a loan obtained by a company having their shares.
- b) Sub-section (a) does not apply to companies carrying out banking functions with the permission of Maldives Monetary Authority.

Appointment and removal of directors

- 48. Members to the Board of Directors shall be elected, appointed and removed in accordance with the articles of association of the company.

Removal of directors

- 49. a) A company may by special resolution at a general meeting remove a director, if the director has committed fraud or has acted or shows an intent to act to the detriment of the company.

Fourteen (14) days prior notice shall be given for this general meeting.
- b) A private company may by a special resolution remove any director unless specified otherwise in the articles.

Meetings of the board

- 50. The Board of Directors of the company shall meet at least twice a year.

Chairman of the board

- 51. Chairman of the board shall chair the meetings of the Board of Directors. If for any reason the Chairman is unable to attend the meeting, then directors present shall elect one of their members to be the chairman.

Quorum

- 52. A majority of the Board of Directors shall constitute the quorum at a board meeting. This section does not prevent the company from increasing the quorum by its articles of association and acting upon it.

Minutes

53. Every company shall maintain the minutes of the meeting of Board of Directors. The minutes shall be signed by the Chairman of the meeting and the company secretary.

Annual general meeting

54. Every company shall in each year hold a general meeting as its annual general meeting. Not more than fifteen months shall elapse between the date of one annual general meeting of a company and that of the next.
55. The following shall be carried out at the annual general meeting.
- a) Presentation and passing of the audited balance sheet, profit and loss account and the Directors report of the company.
 - b) Election and appointment of directors, if any.
 - c) Declaration of dividends.

Extraordinary general meeting

56. a) A company may hold an extraordinary general meeting if its directors feel necessary to hold such a meeting.
- b) The Board of Directors shall hold an extraordinary general meeting if shareholders representing not less than 10% of the capital of the company request for such a meeting.
- c) Requisition made by the shareholders for the meeting stated in sub-section (b) shall be in writing and must state the objects of the meeting.

Notice for annual general meeting

57. a) Every private company shall give to the shareholders at least fourteen (14) days notice of its general meeting. The notice shall specify the objects, venue, date, agenda and time of the meeting. The director's annual report, annual account, and auditor's report shall be sent to every member along with the notice.
- b) Public companies shall give fourteen (14) days notice of its annual general meeting by a public announcement. The said announcement shall state the venue, date and time of the meeting. The Directors annual report, annual accounts and auditors report shall be published together with the announcement.
- c) Private companies shall give fourteen (14) days notice of any extraordinary general meeting to its members. The notice shall state the object, agenda, venue, date and time of the meeting.

- d) Public companies shall give to its members fourteen (14) days notice of any extraordinary general meeting by a public announcement. The announcement shall state the venue, date and time of the meeting.

Quorum for a general meeting

58. Unless otherwise stipulated in the articles of all private or public companies, the majority of members of every private company shall constitute the quorum for a general meeting.

The quorum of the general meeting of all public companies shall constitute five (5) members of the company holding not less than twenty percent (20%) of the shares of the company.

Right to attend general meetings

59. Every member or his proxy shall have the right to attend every general meeting of the company. The proxy shall be appointed in writing. The proxy shall have the right to express and vote at the meeting.

Chairman of the general meeting

60. The Chairman of the Board of Directors shall chair every general meeting. If the Chairman is unable to attend the meeting then the members present shall elect one of their members to the chair.

Minutes

61. Every company shall maintain minutes of its general meetings.

Voting

62. a) Voting at all meetings of a company shall be by a show of hands unless a poll is demanded by members representing not less than 10% of the share of the company.
- b) On a vote taken by a show of hands every member present shall have one vote.
- c) On a poll each shareholders shall have one vote for each share he holds.
- d) A decision taken by a poll cannot be changed.
- e) This section does not prevent, the Articles of Association of the company from stipulating in accordance with Regulations made under this Act, the manner in which the holders of shares having different classes with variations of rights as stated in section 30 of this Act, votes in the general meetings for the declaration of dividends or for the winding up resolution.

Accounting and audit

Duty to keep accounting records

63. a) Every company shall keep clear and sufficient accounting records of the following:
1. Day to day sums of money received and expended by the company.
 2. A record of assets, liabilities and obligations of the company.
- b) If a company fails to comply with any provisions of this section, every director who is charged by the company to fulfill the requirement of this section shall be guilty of an offence.
- c) The person guilty of an offence under sub-section (b) shall be liable to a fine of between MRF. 10,000/- and MRF. 500,000/- or to six months to two years house arrest or imprisonment or to banishment.

Where and the period for keeping records

64. a) A company's accounting records shall be kept at its registered office and shall be at all times available for inspection by the directors if they so request. If the registered address is changed, the records shall be available at the new address.
- b) Every private company shall keep its accounting records for three years from the date on which they are made, and;
- c) Every Public company shall keep its accounting records for six years from the date on which they are made.

Passing of accounts

65. Every company shall prepare the accounts stated in section 66 of this Act and pass the accounts by the Board of Directors in accordance with the article of association. The accounts shall be signed by the Board of Directors.

Annual accounts and annual report

66. a) The Board of Directors shall, cause the preparation of accounts to be submitted to the annual general meeting, showing the income and expenses, profit and loss, the annual balance sheet and annual report.
- b) The annual report prepared by the Board of Directors stated in sub-section(a) shall include the following:
1. A review of the business and other activities of the company during the past year.
 2. The amount which the Board of Directors recommend should be paid as dividend and amount they propose to set aside as reserves.
 3. Names of the directors of the company and details of the members of the company in the past year.

4. The main activities carried out by the company in the past year.
- c) In case of any failure to comply with sub-section (a) and (b) of this section as to the preparation of the Directors annual report and the annual accounts, every director of the company who is charged to cause the preparation of and have failed to take necessary steps for their preparation will be guilty and is liable to a fine between MRF.5000/- and MRF.100,000/-.

Contents of the accounts

67. Every company shall, in the accounts stated in subsection (a) of section 66. specify the share capital of the company, the paid up capital, the assets, liabilities and information generally expected to be disclosed in relation to the assets and liabilities of the company and the manner in which all immovable properties of the company are valued.

Laying of the accounts and reports before the general meeting

68. a) Every company shall lay before the annual general meeting, the annual accounts and the director's report stated in section 66 after passing them by the Board of Directors signed by at least two directors of the company.
- b) Every company shall when laying before the annual general meeting the annual accounts and director's report, shall also lay the auditor's report stated in section 71 of the Act.

Accounts and reports to be delivered to the Registrar

69. a) The directors of the company shall deliver to the Registrar of Companies, the annual accounts and directors report stated in section 66 of this Act and the auditors report stated in section 71 of the Act within fifteen days of the annual general meeting.
- b) In case of failure to comply with sub-clause (a) of this clause, to submit the auditors report, company accounts and director's annual report to the Registrar, the Managing Director must bear the responsibility and shall be liable to a fine of RF. 10,000.00, if it is a private company and RF. 30,000.00, if it is a public company.
- c) If any document(s) submitted to the Registrar is not in accordance with this Act or is not complete or has false and inaccurate information or has an error or is illegible, the Registrar reserves the right to reject the said document(s) and even after accepting the document(s) order the said document(s) to be amended or re-submitted.
- d) The Registrar has the authority to order from the company, submission of any other document in addition to the document(s) stated in the sub clause (a) of this clause in order for the Registrar of Companies to arrive at a decision or conclusion as to the validity of the document(s) submitted under sub clause (a) of this clause.

- e) The Registrar of Companies or any person working under his direction shall not be liable under this Act if the person had acted in good faith. However, if any investigation reveals otherwise, the person cannot invoke this clause.

Appointment of auditor

- 70. a) Every company shall appoint an auditor or auditors to audit the company. Every public company and companies whose share capital is more than MRF.1,000,000/- shall appoint chartered accountants or certified public accountants approved by the Auditor General, to act as their auditors.
- b) Auditors of the company shall be appointed and removed at the annual general meeting of the company.
- c) The remuneration of auditors appointed under sub-section (a) of this section shall be fixed by the company at member's annual general meeting.

Auditor's report

- 71. a) The auditors of the company shall prepare the auditor's report to be laid before the annual general meeting of the company along with accounts prepared in accordance with section 66 of this Act.
- b) The auditors report stated in sub-section (a) shall include the following:
 - 1. Whether or not the auditors received the required information and detail to discharge their responsibilities.
 - 2. Whether or not the accounts prepared as stated in section 66 of this Act are true and show an accurate status of the company and whether or not the accounts reflect the real financial status of the company as seen from the books of the company.

Power of the Registrar of Companies to convene a general meeting of the company

- 72. a) If for any reason a general meeting of the company be duly convened or cannot proceed in accordance with the company's articles or as prescribed in this Act, then every member of the company reserves the right to apply to the Registrar of Companies requesting to convene a general meeting of the company and if the company fails to convene a meeting as instructed by the Registrar, the Registrar reserves the right to convene a general meeting of the company. The meeting convened by the Registrar shall be chaired by the Registrar of Companies or any other person appointed by the Registrar.
- b) A meeting convened by the Registrar of Companies as stipulated in sub-section (a) of this section may proceed even if one shareholder or a proxy attends it.

Members applying for a court order

- 73. a) A member of the company or members of the company may apply for a court order if a right of a member or members is adversely affected or if there is a prejudice to the harmony of the members or the affairs of the company or the

company is managed in a manner detrimental to right of a member or members or part of the members.

- b) If in the opinion of the court a right of the applicant under sub-section (a) of this section is adversely affected the court has the power to issue any of the following order or orders;
1. An order directing the affairs of the company affecting the right complained.
 2. An order restraining or requiring the rectification of the affairs of the company affecting the right complained.
 3. An order requiring alteration of the memorandum and articles of association of the company.

Abuse of corporate entity status

74. Notwithstanding the distinct legal entity status acquired by a company as stated in section 15 of this Act, the court reserves the right to issue an order holding liable, personally, the directors of the company who have used the corporate entity status to commit the following acts in the name of the company.
- a) Using the corporate entity status to carry out an illegal activity.
 - b) Using the corporate entity status to commit fraud.
 - c) Using the corporate entity status to defraud or mislead the creditors or past or present clients of the company.
 - d) In addition to those specified in sub-section (a), (b) and (c) by the operation of a law.

Winding up of a company

75. a) A company registered under this Act shall only be dissolved in the following three ways.
1. The company decides to dissolve itself.
 2. By order of the court.
 3. By the decision of the Registrar of Companies to dissolve the company.
- b)
1. The Registrar shall decide to dissolve a company if a company fails to commence business within a year of its incorporation, or fails to carry out the business objectives of the company for a period of two years.
 2. If the Registrar decides to dissolve the company under section 75(a) (3) above, the Registrar shall make an announcement to ascertain whether there are any liabilities or claims against the company. If there are no liabilities or claims made against the company within the period

prescribed in the announcement, the Registrar may cancel the registration of the company and dissolve it.

3. When the Registrar decides to dissolve a company under subsection (a) (3) of this section and upon making the announcement there are liabilities and claims lodged with the Registrar against the company, the Registrar shall apply to the court to dissolve the company.

Voluntary dissolution

76. a) A company shall be wound up as stated in section 75 (a) (1) of the Act when a resolution has been passed by the Board of Directors of the company to wind up the company and this resolution has been confirmed by a special resolution of a general meeting.
- b) The general meeting of the company passing the winding up resolution shall appoint a person or persons to undertake the winding up process as well as fix their remuneration and make available to the person or persons the balance sheet of the company, details of the assets, liabilities, other obligations of the company, the names and addresses of the creditors and if a creditor's credit is secured by a mortgage, details of any such mortgage.
- c) The person or persons appointed to wind up the company shall within seven days of their appointments inform the Registrar of their appointment and give notice of it by a public announcement and shall commence the winding up process in accordance with this Act and Regulation made under this Act.
- d) If the person or person's appointment to wind up the process is unable to discharge their duties due to permanent disability or by death or resignation, the company shall convene general meeting of the company to appoint a replacement.

Cessation of business on commencement of the winding up

77. The company shall from the passing of the resolution to wind up the company in accordance with subsection (a) of section (76) of this Act, cease to carry on its business, except so far as may be required for its beneficial winding up.

General meeting to dissolve the company

78. a) As soon as the company affairs are fully wound up in accordance with this Act and Regulations made under this Act the person or persons appointed as stated in subsection (c) of section 76 shall convene a general meeting of the company.
- b) Notice given to the members to attend the general meeting stated in sub-section (a) shall be by a public announcement.
- c) The person or persons appointed by the company to wind it shall make up an account of the winding up showing how it has been conducted and the manner in which the properties, liabilities and other obligations of the company have been disposed and shall present the account to the general meeting stated in sub-section(a) of this section.

Removal of the person appointed to wind up the company

79. If a creditor or a member of the company lodges a complaint with the Registrar of Companies regarding the action of the person or persons appointed to liquidate the company and if after a due investigation the Registrar forms the opinion that the actions of the person or persons appointed to wind up the company are unacceptable the Registrar of Companies reserves the right to remove the person or persons appointed by the company and direct the company to apply to the court for the winding up.

Winding up by the court

80. a) The court may order the winding up of a company as stated in section 75 (a) (2) under the following circumstances.
1. The company at a general meeting resolves by special resolution to wind it up by the court.
 2. If the annual fee remains unpaid by the end of May.
 3. The company is unable to pay its debts.
 4. It is proved that the company has repeatedly failed to perform an obligation required by law.
 5. It is proved to the court that the business carried out by a company is illegal.
 6. The directors of the company are conducting the business of the company for their personal benefit rather than for the benefit of the company's members.
 7. The court is of the opinion that it is just and equitable that the company should be wound up.
- b) For the purpose of sub-section (a) (3) above the court shall deem that the company is unable to pay its debts if a creditor to whom the company is indebted in a sum exceeding MRF. 5,000/- (Maldivian Rufiyaa five thousand) has served on the company a written demand requiring the company to pay the sum so due and the company has for 15 days thereafter neglected to pay the sum or a court has issued a judgment debt against the company and the company has failed to comply in whole or in a part to the judgment.

Persons who may petition for a winding-up order

81. a) A member of the company, or a creditor of the company or the Registrar of Companies may petition to the court for the winding up of the company as stated in section 80 of this Act.
- b) If a petition is made to the court by a person stated in sub-section (a) of this section, the court shall examine the petition and if in the opinion of the court the company should be wound up, it shall appoint a person or persons to wound up the company and shall order the company to provide to the person or persons so appointed, the balance sheet, details of the assets, liabilities and other

obligations of the company, names and addresses of the creditors of the company and if a creditor's credit is secured by mortgage over the assets of the company, details of any such mortgage.

Notification of the person appointed to the Registrar of Companies

82. The court shall notify the Registrar of Companies details of the person or persons appointed to wind up the company within seven days of the appointment.

Notice of the winding up of the company

83. Upon commencement of the winding up process by the person or persons appointed by the court as stated in section 81(b) of this Act, notice of it shall be given by a public announcement.

Result of the commencement of the winding up process

84. Business of the company except those required for the beneficial winding up of the company shall be ceased from the appointment of a person or persons by the court as stated in section 81 (b) of the Act for the winding up of the company.

Duties of the person or persons appointed to windup the company

85. The person or person appointed to wind up the company shall, upon their appointment as stated in section 76 (b) and 81 (b) of this Act carry out the following.
- a) Prepare an account of the assets and liabilities of the company and take possession and control of assets of the company and recover all debts due to the company,
 - b) Represent or appoint a legal counsel to represent the company in legal proceeding by or against the company.
 - c) Settle all debts of the company from the reserves of the company, revenue being received by the company and from the proceeds of the sale of assets of the company.
 - d) Distribution of the assets and reserves of the company among the members in proportion to their respective share holdings after the settlement of all debts of the company.
 - e) To do all other acts this Act or Regulations made under this Act may prescribe.

Qualification of the person or persons appointed to wind up the company

86. The person or persons appointed as stated in sections 76 (b) and 81 (b) shall have the following qualifications.
- a) Shall be competent to carry out the winding up process.
 - b) Shall not be indebted to the company nor shall the company be indebted to them.
 - c) Shall not be an employee or employees of the company.

- d) Shall not be an employee of a member of the company nor shall be a business partner to a member of the company.
- e) Shall not be a person who was found guilty of theft, fraud, extortion, or other such felonies.
- f) Shall not be an un discharged bankrupt.

Transfer of shares after the commencement of winding up process

87. Any transfer of shares, not being a transfer made with the sanction of the person or persons appointed as stated in section 76(b) and 81(b) to wind up the company after the commencement of the winding up is void.

All money to be secured in a bank account

88. Upon commencement of the winding up process by the persons appointed to carry out the winding up as stated in section 76 (b) and 81(b), the money received by the company shall be deposited in a bank account in the Republic of Maldives designated for the purpose.

Maintenance of accounts

89. The person or persons appointed to wind up the company shall maintain accounts of all the income and expenditure of the company in an acceptable manner.

Decision of the court

90. If the person or persons carrying out the winding up is faced with a matter they could not settle, the matter shall be referred to the court for a decision.

Order of settling company's debt

91. The assets of the company in a winding up process under section 76 and 80 of this Act shall be applied, after deducting the expenses incurred for the winding up and the remuneration of the person or persons appointed to wind up the company, in the following order.
- a) Money due to the government or to government bodies.
 - b) Wages due to the employees of the company except directors for three months from the date the court issued the winding up order or the company passed the special resolution to wind up the company.
 - c) The balance, if any, after settling the payments stated in (a) and (b) if not sufficient to discharge all debts of the company shall be applied in satisfaction of the company's liabilities pari passu.

The final account

92. a) As soon as the company's affairs are fully wound up, the person or persons appointed to wind up the company under section 76 of the Act shall make up an account of the winding up to lay before general meeting of the company stated in

section 78 and shall give details of the winding up to the members of the company.

- b) As soon as the company's affairs are fully wound up, the person or persons appointed to wind up the company under section 81 of this Act shall make up an account of the winding and shall deliver the account to the court and shall give details of the winding up to the court.

End of winding up

93. a) The Registrar of Companies shall dissolve the company within 14 days of the application to dissolve the company submitted by the person or persons appointed to wind up the company under section 76 of this Act having completed the requirements stated in section 92(a) of the Act.
- b) The person or persons appointed to wind up the company under section 81 of this Act having completed the winding up process as stipulated in section 92 (b) of this Act and upon submission of the windup process to the court, the court shall submit to the Registrar to windup the company, the Registrar of Companies shall dissolve the company within 14 days from the date the court submits to the Registrar to dissolve the company.

Companies registered outside Republic of Maldives

94. a) Companies registered outside the Republic of Maldives shall before commencing any business in Maldives, obtain the necessary permits under the Laws and Regulation of the Republic of Maldives and shall submit to the Registrar, the following documents to register the company in the Ministry of Trade and Industries as a foreign company doing business in the Maldives.
1. Copy of the permit issued to the company to conduct business in the Republic of Maldives.
 2. Copy of the memorandum and articles of association of the company. If the company is formed by a charter or a Law, a copy of the document.
 3. Names and addresses of the Board of Directors.
 4. Names and addressed of a person or person who is resident in Maldives, who shall represent the company in the event of any legal proceedings against the company.
 5. Registered address of the company.
 6. Address of the place of business in the Maldives.
- b) If there is a change to any of the information or documents submitted to the Registrar in accordance with subsection (a) of this section the change shall be notified and the documents submitted to the Registrar within 15 days of the change.
- c) Every company conducting business in the Maldives under sub-section (a) of this section shall deliver to the Registrar a copy of its annual accounts. Any such

accounts shall be the accounts prepared to be submitted to the annual general meeting of the company.

Government companies

95. Companies whose shares are held solely by the government or a body of the government shall be formed by a Law or by a Decree of the President of the Republic.
96. The Law or Decree as stated in section 95 of this Act shall contain the name of the company, its objects, the authorized capital and the articles of association of the company.
97. The Liability of the company formed as stated in section 95 of this Act is limited to the amount, if any, unpaid on the shares held by the Government as stipulated in the decree or Law forming the company or to any other extent stipulated in the decree or Law forming the company.

Legal Personality

98. As soon as the Law stated in section 95 of this Act forming the company is passed or the Decree come into force the company formed by any such law or Decree shall be legal entity distinct from its members by the name stated in the law or Decree capable of forthwith exercising all the powers and functions specified in the Law or Decree as being and being sued and having perpetual succession and a common seal with power to hold movable and immovable property.

Transfers of shares of a government company

99. A company formed as stated in section 95 of this Act may transfer or sell its shares to a party other than the government only after registering the company under this Act and the assets liabilities and other obligations of the company is transferred by a Law or Presidential Decree to the company registered under this Act.

Other matters

Companies existing at the time this Act came into force.

100. a) Companies registered in the Ministry of Trade and Industries at the time this Act comes into force will be deemed to registered under this Act.
b) An amendment if any is required to the memorandum or articles of association of companies registered in the Ministry of Trade and Industries prior to the passing of this Act, such amendments shall be made and registered with the Registrar of Companies within six months from the date this Act comes into force.

Regulations

101. Ministry of Trade and Industries shall make and implement Regulations under this Act.

Definitions

102. In this Act unless the context requires otherwise.
- “Special resolution” means a resolution passed by at least three fourth majority of those eligible to vote in a companies general meetings.
- “Nominal Value” means the value of a share of the company when the authorized share capital is divided by the number of shares of the company and the value of the share specified in the share certificate.
- “Registrar of Companies” means the authority to which the functions of the Registrar have been assigned by the President.
- “Person or persons” shall include juridical persons.
- “Pubic announcement” shall mean publishing in a daily newspaper in the Maldives and broadcasting over the radio and television as may be prescribed by Regulations under this Act.

Meaning

A debenture is any written document issued as evidence by the company to the lender upon payment of money to the company by the lender upon the mortgage of the company assets or not.

Debentures shall not include the following:

1. Bill of exchange
 2. Promissory note
 3. Letter of credit
 4. Any document or debt instrument that arise due to the day to day general business activities of the company, between the company and the customers.
 5. Insurance policies.
 6. Any document issued by a bank upon opening a savings or current account in the bank, a deposit certificate, pass book or any similar documents.
103. This Act shall come into force on 1st July 1997.
104. Law No: 23/72 the Law Governing the formation of Public Companies and Law No: 25/82 the Law Governing the Registration of Companies and Agencies, shall be repealed from the date this Act comes into force.

Schedule

1. The company registration fee stated in section7 of this Act shall be paid in the following manner:

- a) If the authorized capital of the company is MRF 10,000/- or less than MRF 10,000/- the fee shall be MRF 1,000/-.
 - b) If the authorized capital of the company is more than MRF 10,000/- then in addition to the MRF 1,000/- stated in subsection (a) above, a fee calculated on the following basis on the authorized capital of the company shall be paid.
 1. For every MRF 4000/- or part thereof of the authorized capital between MRF 10,000/- and MRF 500,000/- a fee of MRF 10/- shall be paid.
 2. For every MRF 4000/- or part thereof of the authorized capital between MRF 500,000/- and MRF 4,000,000/- a fee of MRF 4/- shall be paid.
 3. For every MRF 4000/- or part thereof of the authorized capital between MRF 4,000,000/- and MRF 8,000,000/- a fee of MRF 2/- shall be paid.
 4. For every MRF 4000/- or part thereof of the authorized capital above MRF 8,000,000/-, a fee of MRF 1/- shall be paid.
2. The Annual company fee stated in section 7 of this Act shall be paid in the following manner:
- a) Public companies shall pay MRF 10,000/- before the end of March every year.
 - b) Private companies shall pay MRF 2000/- before the end of March every year.
 - c) If a private or a public company fails to pay the annual fee by the end of March, the fee shall be accepted in April together with a fine of MRF 1000/- and if fee is not paid by the end of April, the fee shall be accepted up to the end of May together with a fine of MRF 2500/-.
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