



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

Malaysian Investment Reporting Standard 4010 (MIRS 4010)

Reporting Accountants' Report on the Cash Flow Forecast that Supports the Working Capital Sufficiency Statement Included in an Investment Circular

MALAYSIAN INVESTMENT REPORTING STANDARD 4010

(“MIRS 4010”)

REPORTING ACCOUNTANTS’ REPORT ON THE CASH FLOW FORECAST THAT SUPPORTS THE WORKING CAPITAL SUFFICIENCY STATEMENT INCLUDED IN AN INVESTMENT CIRCULAR

Foreword

The Council of the Malaysian Institute of Accountants has approved the Malaysian Investment Reporting Standard 4010: Reporting Accountants’ Report on the Cash Flow Forecast that supports the Working Capital Sufficiency Statement (WCSS) (MIRS 4010) for issuance to members for guidance.

This MIRS is issued to provide guidance on the work to be performed by the reporting accountants in connection with or on an investment circular issued in connection with an offer or invitation to a third party to subscribe for or purchase any securities of a corporation, a business trust or a real estate investment trust, including any excluded offer or excluded invitation as defined under the Capital Market and Services Act 2007.

This standard is developed by the Malaysian Institute of Accountants.

Reporting accountants are required to comply with this MIRS for reports signed after 30 September 2023. Earlier adoption is encouraged.

| Series | Date Approved by MIA Council | Effective Date |
|--------------------------|------------------------------|----------------|
| 1 st Issuance | 26 June 2023 | 1 October 2023 |

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Definitions

The definitions used in this MIRS are as follows:

- a. Applicant : An applicant is any company or other legal person any of whose equity or debt securities are the subject of an application for listing or some of whose equity or debt securities are already listed.
- b. Equity Guidelines : Equity Guidelines as issued by SC on 16 December 2021 (SC-GL/EG-2009 (R5-2021)) or its successor guidelines as stipulated under paragraph 1.3.
- c. Forecast : Means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions management expects to take as of the date the information is prepared (best-estimate assumptions).
- d. Investment circular : A document issued by an entity pursuant to statutory or regulatory requirements relating to securities on which it is intended that a third party should make an investment decision, including a prospectus, listing particulars, a circular to shareholders or similar document.
- e. Listing Requirements : Rules governing the listing of securities on Bursa Malaysia Securities Berhad.
- f. Private report : A deliverable issued by the reporting accountants under the applicable Malaysian Investment Reporting Standard ("MIRS") which is relied by parties making an investment decision who are privy or an addressee to the terms of engagement of the reporting accountants.
- g. Prospectus : Any prospectus, notice, circular, brochure, advertisement, or other document offering any shares or debentures of a company to the public for subscription or purchase for cash or other consideration; or circular to invite offers by the public to subscribe for or purchase for cash or other consideration any shares or debentures of a company.
- h. Prospectus Guidelines : Prospectus Guidelines as issued by SC on 30 June 2022 SC-GL/PG-2012 (R13-2022) or its successor guidelines as stipulated under paragraph 1.3.
- i. Public report : A deliverable issued by the reporting accountants under the applicable MIRS which is relied by parties making an investment decision who are not privy or an addressee to the terms of engagement of the reporting accountants.

- j. Reporting Accountants : Means a firm of public accountants that is a registered auditor with the Audit Oversight Board and whose registration has not been suspended.
- k. SC : Securities Commission Malaysia

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Abbreviations

List of abbreviations used in this Standard are as follows:

| | |
|-------|---|
| AOB | Audit Oversight Board |
| Bursa | Bursa Malaysia Securities Berhad |
| CMAC | Capital Market Advisory Committee of the Malaysian Institute of Accountants |
| CMSA | Capital Markets and Services Act 2007 |
| DDWG | Due Diligence Working Group |
| ISQM | International Standard on Quality Management |
| MIA | Malaysian Institute of Accountants |
| MIRS | Malaysian Investment Reporting Standard |
| SC | Securities Commission Malaysia |

1.0 Preamble

- 1.1 The Council of the Malaysian Institute of Accountants (“MIA”) has approved this MIRS for issuance to members for adoption upon the recommendation of the Capital Markets Advisory Committee (“CMAC”).
- 1.2 As stated in Section 113.1(b) MY of Part A of MIA By-Laws, any MIRS approved and issued by the Council is considered as one of the applicable technical and professional standards to which members are expected to adhere. A breach of the MIA By-Laws will prima facie give rise to a complaint of unprofessional conduct against the member concerned. As such, members who fail to observe proper standards of ethics and professional conduct as set out in these By-laws may be required to answer a complaint before the Investigation and the Disciplinary Committees of the MIA pursuant to the Malaysian Institute of Accountants (Disciplinary) Rules 2002 [P.U.(A) 229/2002].
- 1.3 This MIRS was predicated on the following regulatory requirements:
- Equity Guidelines as issued by the SC on 16 December 2021 (SC-GL/EG-2009 (R5-2021)),
 - Prospectus Guidelines as issued by the SC on 30 June 2022 (SC-GL/PG-2012 (R13-2022)), and
 - Listing Requirements for the Main Market and ACE Market as issued by Bursa Malaysia as at 19 January 2022.
- 1.4 If the above regulatory requirements are subsequently revised, updated, amended or withdrawn, the revised, updated or amended regulations or guidelines, as the case may be, would be deemed to be applicable. However, the procedures set out in this MIRS will continue to be the recommended practice to be undertaken by the reporting accountants in performing the work prescribed under this MIRS until such time that this MIRS is revised by the Council of MIA.
- 1.5 This MIRS is issued as part of the MIA’s initiatives aimed at achieving the highest standards in reporting. It should be read in conjunction with the respective laws and regulations applicable to capital markets in Malaysia.

2.0 Introduction

- 2.1 This MIRS sets out the standard and specifies the requirements for reporting accountants when reporting on cash flow forecast prepared by the applicant’s management to support the Working Capital Sufficiency Statement (WCSS) made by the applicant’s directors in the investment circular as specified by the regulatory requirements below.

Regulatory requirements to have a working capital sufficiency statement

- 2.2 The need to have a working capital sufficiency statement is set out in paragraph 9.12 (a) (i) of Part II Division 1: Equity of the Prospectus Guidelines which stipulates that the directors of an applicant should include a statement as to whether in their opinion, the working capital available to the applicant will be sufficient for a period of 12 months from the date of issuance of the prospectus. If there is insufficient working capital for that period, how the additional working capital which is deemed to be necessary will be obtained.
- 2.3 Similarly, paragraph 5.08(a) of Part II of the SC’s Equity Guidelines, and paragraph 5.18(a) of Part II Division 5: Abridged Prospectus require an investment circular relating to a new listing of equity securities to include a statement by the directors that in their opinion the working capital available to the group is sufficient for the applicant’s requirements, for a

period of 12 months from the date of issuance of the investment circular¹, or, if not, how it is proposed to provide the additional working capital as needed.

- 2.4 Paragraph 10.3.3 of the Equity Capital Market Due Diligence Guidelines states that a working capital statement by the directors of the applicant should be included in the offering documents as may be required by the relevant SC guidelines.
- 2.5 In addition, paragraph 8.03 of the Equity Guidelines requires that where an applicant listed on ACE Market applies for a transfer of listing to the Main Market, the applicant must comply with the healthy financial position requirements in paragraph 5.08 of the Equity Guidelines.
- 2.6 In addition, Bursa has issued similar requirements as set out in item 7, Annexure GN3-A of Guidance Note 3: Criteria and Obligations of GN3 Companies of the ACE Market Listing Requirements and item 8, Annexure PN17-A of Practice Note 17: Criteria and Obligations of PN17 Issuers of the Main Market Listing Requirements which require the circular for regularisation plan to include a statement by the directors of the applicant as to whether, in their opinion, the working capital available to the GN3 Company or PN17 Issuer, as the case may be, will be sufficient for a period of 12 months from the date of the circular or, if not, how the additional working capital which is deemed to be necessary will be obtained.
- 2.7 The statements made by the directors on the sufficiency of working capital referred to in paragraphs 2.2 to 2.6 above, are referred to as the "Working Capital Sufficiency Statement".

3.0 Reporting scope

- 3.1 In order to support the WCSS made by the applicant's directors in the investment circular, the applicant's management would prepare a cash flow forecast together with its supporting notes and assumptions ("cash flow forecast") as the underlying supporting basis. The cash flow forecast should be prepared together with the associated statement of profit or loss and other comprehensive income and statement of financial position. The associated statement of profit or loss and other comprehensive income and statement of financial position are essential for the preparation of the cash flow forecast as they are integral components of the cash flow forecast. The cash flow forecast should cover a reporting period of at least 12 months from the date of the investment circular. However, as the cash flow forecast prepared over a rolling period of 12 months makes it difficult to compare and/or to assess for seasonal fluctuations, it is recommended that the reporting period for the cash flow forecast should cover two financial year ends of the applicant.
- 3.2 The regulatory requirements set out in paragraphs 2.2 to 2.6 require the applicant's directors to provide an opinion on whether the applicant's working capital is sufficient for a reporting period of 12 months from the date of the investment circular. As "working capital" is not defined in the relevant regulatory requirements, for the purpose of the WCSS, "working capital" is considered to be the applicant's ability to access cash and other available fundings in order to meet its liabilities as and when they fall due. As such, in order to determine the applicant's sufficiency of working capital, the applicant's cash flow forecast must be analysed on a month-by-month basis along with the relevant assumptions and bases explaining and analysing the details underpinning the cash flow forecast.
- 3.3 In order to assist the applicant's directors in making the WCSS, reporting accountants may be engaged by the applicant to provide the necessary assistance. This MIRS sets out the requirements which are applicable to the reporting accountants.

¹ For listing of a Mineral or O&G ("MOG") as specified under paragraph 5.04A, or deemed by the SC under paragraph 5.04B, an applicant must demonstrate that it has sufficient working capital for the next 18 months from the date of the issue of the investment circular. [paragraph 5.37A(c) of Equity Guidelines.]

- 3.4 The reporting scope of such engagements would typically require the reporting accountants to provide a private report (as defined in MIRS 1000) prepared in accordance with this MIRS and ISAE 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information* ("ISAE 3000 (Revised)") to the applicant's directors on whether the cash flow forecast prepared by the applicant's management has been prepared based on the applicable criteria as set out in this MIRS.
- 3.5 Paragraph B270.1 of the MIA By-Laws prohibits member firms and professional accountants who act as reporting accountants or auditors from providing professional services and report on prospective financial information, intended for inclusion in documents for public circulation, other than as permitted by paragraph B270.2. Consequently, reporting accountants are therefore not allowed to provide a public report on the cash flow forecast supporting the WCSS. In this context, the private report by the reporting accountant is not permitted to be included in the investment circular (including similar documents for public circulation) nor any reference to it be made in the investment circular. In addition, if the cash flow forecast is included in the investment circular, the reporting accountants are not permitted to provide any report nor any professional service associated to the said cash flow forecast.
- 3.6 However, the above requirement does not preclude reporting accountants from providing a private report to the applicant's directors on the cash flow forecast prepared by the applicant's management to support the WCSS.
- 3.7 Should the principal adviser wishes to access the above-mentioned private report, this is only permitted if the principal adviser is a named party in the letter of engagement with the reporting accountants with the concurrence of the applicant who is the other party to the letter of engagement. The private report is not to be attached to the verification notes for any Due Diligence Working Group ("DDWG") as the DDWG members are not a named party to the letter of engagement with the reporting accountants.

4.0 Responsibilities of the applicant's management and directors for the cash flow forecast

- 4.1 The applicant's directors are ultimately responsible for overseeing the preparation and approving the cash flow forecast. In most instances, the responsibility for preparing the cash flow forecast in accordance with the underlying bases and assumptions may be delegated to management by the directors, who are still ultimately responsible for the cash flow forecast.
- 4.2 The directors and management of the applicant are responsible for the preparation of the cash flow forecast in accordance with the bases and assumptions applied by the applicant's directors.
- 4.3 The primary purpose of the cash flow forecast is to show the applicant's ability to access cash and other available fundings in order to meet its liabilities as and when they fall due. In order to ascertain whether there is sufficient working capital as outlined in paragraphs 2.2 to 2.6 and as specified in paragraph 3.2 above, the applicant's management should prepare month-by-month analysis to ascertain that the applicant is able to meet its obligations and liabilities as and when these fall due over the course of its business for the reporting period of 12 months from the date of the investment circular.
- 4.4 The applicant's management should prepare monthly statement of cash flows in the preparation of the cash flow forecast and similarly, monthly statement of profit or loss and other comprehensive income and monthly statement of financial position. These should be supported with appropriate notes comprising bases and assumptions explaining and

analysing the details underpinning the cash flow forecast. These assumptions must be consistently applied by the applicant's management on the cash flow forecast and should be reflective of the applicant's financial position and performance as at the relevant point in time. This includes the proper application of the applicant's accounting policies.

- 4.5 The applicant's directors and management are expected to exercise proper care and due diligence in determining appropriate procedures in preparing the cash flow forecast. Typical procedures which are expected to be undertaken by the applicant's directors and management in preparing such cash flow forecast include, *inter alia*:
- (a) ensuring that the cash flow forecast is reflective of the existing strategies, businesses and future plans of the applicant;
 - (b) carefully assessing the cash flow forecast against external credible evidence and the applicant's past performance to ascertain the likelihood that the forecast may not be able to achieve its targeted performance;
 - (c) comparing the financing and utilisation of cash resources in the cash flow forecast with the applicant's existing financing facilities and cash resources, or that are to become available to the applicant (which include the proceeds to be raised from the [IPO/description of the proposal]);
 - (d) evaluating whether there is sufficient headroom to cover a reasonable scenario by providing a sensitivity analysis on those key assumptions which are deemed by the applicant's directors and management to be the most critical to the cash flow forecast and assess the extent of the resultant variances; and
 - (e) considering all applicable regulatory and listing requirements when establishing the assumptions for the cash flow forecast.

The applicant's directors are responsible to review and approve the cash flow forecast.

- 4.6 Guidance 3 in the SC's Equity Guidelines also states that in assessing whether the applicant has sufficient level of working capital from the date of the investment circular, the cash flow position of the applicant should be reviewed, taking into consideration, amongst others, the following: (a) capital structure including the level of indebtedness; (b) future plans including projected levels of capital expenditure and other investment plans; and (c) any intention for the declaration or payment of dividends.

5.0 Reporting on the cash flow forecast by the reporting accountants

- 5.1 The reporting accountants should carefully plan and perform the work according to this MIRS and ISAE 3000 (Revised) when reporting on the cash flow forecast covering a reporting period of at least 12 months from the investment circular (which is prepared by the applicant's management and approved by the applicant's directors) supporting the WCSS made by the applicant's directors.
- 5.2 The extent of work required to be undertaken by the reporting accountants will be substantially driven by the robustness of the applicant's past forecasts compared to the actual results and the level of headroom over the estimated cash flow requirements. The reporting accountants should determine an overall materiality as well as planning materiality

when reporting on the cash flow forecast. The approach to such an assignment typically may include the procedures and considerations set out in paragraphs 4.5 and 4.6 above and those of the following:

- (a) assess the overall strategy, operational plan and risks as well as the annual budget against supporting documentation for these items and ascertain whether these are consistent with the reporting accountants' understanding and analysis of the business, and with information generated within the applicant as well as with external industry sources, benchmarks and statistics;
- (b) review the applicant's recent past financial performance and compare with the overall nature of the applicant's business and products, its main markets, customers, suppliers, organisation structure, management, staff resources, operation and business locations, industry trends and key economic indicators;
- (c) analyse the applicant's business covering the profit and loss, cash flows of the business as well as the commercial terms and considerations associated with the applicant's financing and other funding arrangements;
- (d) obtain direct independent confirmation from the appropriate third party on the extent of financing facilities and resources available to the applicant. The extent of amounts confirmed is discussed in greater detail in paragraph 5.6 below. Where the requested confirmations have not been returned, the reporting accountants should evaluate the reasons (for example, whether there is doubt over the availability of such financing) and should seek to obtain suitable alternative evidence;
- (e) consider adjustments for items such as capital expenditure and prepayments which do not impact on the profit forecast but may significantly impact the working capital level of the applicant;
- (f) consider the sources and assumptions on which the cash flow forecast, including the associated statement of profit or loss and other comprehensive income and statement of financial position have been based on and determine whether these have been completely and accurately extracted and whether the cash flow forecast, in all material respects, has been properly prepared in accordance with the bases and the assumptions applied by the directors;
- (g) consider management's sensitivity analysis on key assumptions and assess the extent of the resultant variances;
- (h) evaluate whether the accounting policies as adopted by the applicant in its published financial statements (including accounting standards which will be effective) have been consistently applied in preparing the cash flow forecast;
- (i) read the minutes of the Board, Board committees and key management meetings to ascertain whether there are material facts that may affect the cash flow forecast;
- (j) checking the arithmetical accuracy of the cash flow forecast;
- (k) consider the relevant guidance issued by the SC (including as stated in paragraph 4.6 above) and Bursa Malaysia to ascertain these have been properly reflected in the assumptions impacting the cash flow forecast; and
- (l) check consistency of subsequent events disclosed in the latest published financial statements with the cash flow forecast.

- 5.3 In addition to checking that the cash flow forecast, in all material respects, is properly prepared on the basis of the stated assumptions, the reporting accountants will also need to consider the assumptions being applied.
- 5.4 Whilst the reporting accountants consider the key assumptions made in preparing the cash flow forecast as stated in paragraphs 5.3, this should not be construed as the reporting accountant providing separate assurance on the validity and/or the overall reasonableness of the assumptions underpinning the cash flow forecast.
- 5.5 The applicant's management should ordinarily set out in the notes to the cash flow forecast, the financing facilities and resources available to the applicant as of a specified date and, where applicable, those expected to be available to the applicant at future dates during the forecast period. The applicant's management should identify in the cash flow forecast which financing facilities and resources are required to satisfy the sufficiency of the applicant's working capital.
- 5.6 The reporting accountants should seek to verify the amount of existing financing facilities and resources as of the specified date to the extent that they are identified by the applicant's management as needed for the sufficiency of the applicant's working capital by reviewing the corresponding bank letters. The reporting accountants may consider getting confirmations from the banks on the remaining financing facilities and resources that existed as of the specified date taking appropriate account of sensitivity analyses and the level of headroom available in the cash flow forecast.

Example:

If an applicant requires financing facilities of RM100 million as part of its cash flow forecast and has separately identified such facilities in the cash flow forecast, but facilities of say RM300 million are available as of the specified date, the reporting accountants may determine only to obtain confirmation of the existence of those facilities amounting to RM100 million. The reporting accountants may obtain confirmation of the remaining facilities of RM200 million, in whole or in part, for the purpose of expressing an opinion on the cash flow forecast taking into account the sensitivity analyses and the level of headroom available in the cash flow forecast.

- 5.7 The reporting accountants ordinarily are not in a position to obtain direct confirmation from the appropriate third party in respect of financing facilities and resources that are expected to be available to the applicant only at future dates. The reporting accountants should consider the assumptions as to the availability of such future facilities and resources as part of their procedures as described in paragraph 5.6 above.
- 5.8 Where there may be significant assumptions being made, the reporting accountants should evaluate whether adequate emphasis has been drawn in the accompanying notes to the cash flow forecast.
- 5.9 The cash flow forecast should be approved via a board resolution and recorded in the board minutes. A letter of management representation confirming the bases and the assumptions applied to prepare the cash flow forecast should be authorised according to the applicant's limits of authority. Once authorised, this letter of management representation should be provided to the reporting accountants prior to issuance of the report on the cash flow forecast.

6.0 Reporting accountants' report on the cash flow forecast

6.1 The report by the reporting accountants on the cash flow forecast should be addressed to the directors of the applicant and to the principal advisers (only if they are a party to the terms of engagement) and shall include, at a minimum, the following basic elements:

- a) a title that clearly indicates that the report is an independent reasonable assurance report;
- b) specifically refers to the cash flow forecast and related notes containing the assumptions applied;
- c) a statement outlining the responsibilities of the party preparing the cash flow forecast which would be the applicant's directors and/or management;
- d) a statement outlining the responsibilities of the reporting accountants;
- e) a statement that the engagement was performed in accordance with ISAE 3000 (Revised) and this MIRS;
- f) a statement that the reporting accountants applies ISQM 1², or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQM 1;
- g) a statement that the reporting accountants comply with the independence and other ethical requirements of the MIA By-Laws (on Professional Ethics, Conduct and Practice) and the IESBA Code, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding as Parts 4A and 4B of the IESBA Code related to assurance engagements; and
- h) identify the applicable criteria applied by the reporting accountants in carrying out the scope of work in arriving at their opinion, which comprise the bases and assumptions applied set out in the accompanying notes;
- l) a description of inherent limitations associated in preparing the cash flow forecast;
- j) the reporting accountants' opinion which is a reasonable assurance shall be expressed in a positive form and should be clearly separated from information or explanations that are not intended to affect the reporting accountants' opinion, including any emphasis of matter, other matter, findings related to particular aspects of the engagements, recommendations or additional information included in the report. The wording used shall make it clear that an emphasis of matter, other matter, findings, recommendations or additional information is not intended to detract from the reporting accountants' opinion.
- k) when the reporting accountants express a qualified opinion, the report should contain:
 - a section that provides a description of the matter(s) giving rise to the modification; and
 - a section that contains the reporting accountants' qualified opinion.

The report should be qualified if the reporting accountants:

² ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*. The reporting accountants' report refers to ISQM 1 for engagements beginning on or after December 15, 2022.

- (i) noted material exceptions or departures in the application of the applicant's accounting policies;
 - (ii) there are material inconsistencies between the accounting policies and calculations with the stated basis of assumptions which are associated with the cash flow forecast;
 - (iii) faced a scope limitation whereby not all information considered necessary by the reporting accountants to opine on the cash flow forecast have been obtained; or
 - (iv) are of the opinion that any of the assumptions under the reporting accountants' area of expertise appears to them to be unrealistic and which are material, or if any assumption had been omitted which appears to the reporting accountants to be material and key to the cash flow forecast.
- l) the reporting accountants' signature (firm);
- m) the date of the report, which shall be dated no earlier than the date on which the reporting accountants have obtained the evidence on which the reporting accountants' opinion is based, including evidence that the management and the directors of the applicant have asserted that they have taken responsibility for the cash flow forecast and the accompanying notes;
- n) the location in the jurisdiction where the reporting accountants practise.

6.2 An illustrative report on a cash flow forecast is set out in Example 1 of Appendix I to this MIRS.

APPENDIX I

Example 1: Report on the cash flow forecast that supports the Working Capital Sufficiency Statement (WCSS) made by the applicant's directors

The following illustrative report is provided for illustrative purposes only. It is intended to be used only as a guide to the possible form and content of a report that reporting accountants may wish to provide, and is not intended to suggest standard wording to be used in any particular set of circumstances.

(letterhead of reporting accountants)

[The Board of Directors of the applicant]
[XYZ Berhad – name of applicant]
[Address of the applicant]

[Other recipients' – list down their names addresses³]

Date

[Name of applicant] (“the Company”)

Independent Reasonable Assurance Report on the cash flow forecast that supports the Working Capital Sufficiency Statement in the [Investment Circular] of the [Name of Applicant]

To the directors of [name of applicant]

We have been engaged to provide an independent reasonable assurance report on the cash flow forecast of the Company and its subsidiaries (collectively referred to as the “Group”) for the financial years ending on [day month 20X1] and [day month 20X2] (“cash flow forecast”). The cash flow forecast is prepared using the bases and assumptions as set out in the accompanying notes to the cash flow forecast. A copy of the cash flow forecast and the accompanying notes are attached hereto and stamped by us solely for the purpose of identification.

The cash flow forecast supports the statement made by the directors of the Company in connection with the sufficiency of working capital of the Group which will be available for the 12 month period from [state the applicable date] intended to be included in paragraph [paragraph reference] under the section headed [Working Capital Statement] in the [investment circular] for [purpose] (“Investment Circular”) to be dated [date], therein after referred to as “Working Capital Sufficiency Statement”.

Responsibilities of Management and Directors for the Cash Flow Forecast

Management is responsible⁴ for the preparation of the cash flow forecast in accordance with the bases and assumptions as set out in the accompanying notes to the cash flow forecast.

The Directors of the Company are responsible for overseeing the preparation and approving the cash flow forecast. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of cash flow forecast in accordance with the bases and assumptions as set out in the accompanying notes.

³ Should additional recipients be added, the paragraph on Restricted Distribution and Use should be extended to include these recipients on the proviso that these recipients agreed to the terms of engagement agreed between the reporting accountants and the applicant

⁴ In accordance with paragraph 27 and 28 of ISAE 3000 (Revised), this section of the report clarifies the responsibilities between the Management and the Directors of the Company. However, whilst the Directors of the Company may delegate the preparation of the cash flow forecast to Management, the Directors are still ultimately responsible for the cash flow forecast as stipulated in the Companies Act 2016. In some instances, where the intended users of this report are the Directors, the responsible party preparing the cash flow forecast would therefore be Management.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *By-Laws (On Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Malaysian Approved Standard on Quality Management 1, ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion as to the proper preparation of the cash flow forecast in accordance with the bases and assumptions as set out on pages [] to [] in the accompanying notes to the cash flow forecast.

We conducted our reasonable assurance engagement in accordance with the Malaysian Investment Reporting Standard 4010, *Reporting Accountants' Report on the Cash Flow Forecast that Supports the Working Capital Sufficiency Statement included in an Investment Circular* and Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*.

The nature, timing and extent of procedures selected in an ISAE 3000 (Revised) engagement depend on the practitioner's judgement, having regard to the practitioner's understanding of the nature of the Group and other relevant engagement circumstances. Our procedures included evaluating the basis of preparation of the cash flow forecast and considering whether it has been properly prepared based on the bases and assumptions set out in the accompanying notes to the cash flow forecast. We planned and performed our work so as to obtain the information and explanations we considered necessary to provide us with reasonable assurance that the cash flow forecast has been prepared on the basis stated.

We also considered the overall presentation of the cash flow forecast, including the disclosure of the assumptions on which it is based.

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

Inherent limitations

The cash flow forecast has been prepared for the purpose of supporting the Working Capital Sufficiency Statement made by the directors in the Investment Circular. Because of the inherent uncertainties involved in forecasting the cash flows of the Group, the cash flow forecast has been prepared using a set of assumptions that relate to the future and therefore be affected by unforeseen events. As such actual results are likely to be different from the cash flow forecast since anticipated events frequently do not occur as expected and the variation may be material. In addition, the cash flow forecast may include assumptions about future events and management's actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Consequently, we express no opinion on the validity of the assumptions on which the cash flow forecast is based or on how closely the results actually achieved will compared with the cash flow forecast.

Even if the events anticipated under the assumptions described above occur, actual results are still likely to be different from the cash flow forecast since anticipated events frequently do not occur as expected or with the same magnitude and the variation may be material. Further, we emphasise that the cash flow forecast is not intended to, and does not, provide all the information and disclosures necessary to give a fair presentation of the results of the cash flow forecast of the Group in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Opinion

In our opinion, the cash flow forecast, in all material respects, has been properly prepared in accordance with the bases and assumptions as set out on pages [] to [] in the accompanying notes to the cash flow forecast.

Restriction on distribution and use

The report is addressed to the Board of Directors of the Company⁵ in connection with the [Listing⁶] in accordance with the scope of work as set out in our engagement letter dated [], and should not be used or relied upon for any other purposes. Our report is not to be distributed to any third party in whole or in part. Accordingly, we will not accept any liability or responsibility to any other party to whom our report is shown or into whose hands it may come.

[Signature in the name of the reporting accountants' firm]

[Name of the reporting accountants' firm and number e.g.AF:XXXX]

Chartered Accountants

[Location of the reporting accountants' firm]

⁵ Should additional recipients be added, the paragraph on Restricted Distribution and Use should be extended to include these recipients on the proviso that these recipients agreed to the terms of engagement agreed between the reporting accountants and the applicant.

⁶ Or state other purpose where appropriate.