



**SURUHANJAYA SYARIKAT MALAYSIA**  
**COMPANIES COMMISSION OF MALAYSIA**

**COMPANIES ACT 1965: SSM'S PRACTICE NOTE NO 2/2008**

**RE: CHANGE OF FINANCIAL YEAR**

1. This Practice Note serves to inform on the relevant actions to be taken following a change in the financial year of a company.

**Financial year of a company**

2. Section 4 of the Companies Act 1965 (CA 1965) defines "*financial year*" in relation to any corporation as the period in respect of which any profit and loss account of the company, laid before it at a general meeting is made up, whether that period is a year or otherwise.

3. As the CA 1965 does not specify the date in which a financial year shall commence or end, the decision to determine the financial year, including any changes thereof, is entirely at the discretion of the company.

4. Commonly, a company changes its financial year due to the following reasons:

- (i) to coincide with the financial year of its holding company pursuant to section 168 of the CA 1965; or
- (ii) pursuant to a change of its internal operations or policy.

## **Change of Financial Year Pursuant to Section 168 of the CA 1965**

5. Section 168 of the CA 1965 generally provides that the financial year of a subsidiary company must coincide with its holding company. A holding company that is not a foreign company shall take the necessary steps to ensure that within two (2) years after any corporation becomes a subsidiary of the holding company, the financial year of that corporation coincides with its financial year pursuant to section 168(1)(b) of the CA 1965. Notwithstanding, a holding company may apply in writing to the Registrar under section 168(3) of the CA 1965 if there is good reason for the subsidiary to continue having a different financial year.

6. To synchronize the financial year of the subsidiary with its holding company, the approval from the Registrar is not necessary. However the holding company or any of its subsidiaries shall not, without the consent of the Registrar, alter the financial year of any of the entities that would result in the financial years not coinciding.

7. A situation where the Registrar may make an order granting the application under section 168(3) of the CA 1965 is when a subsidiary company acquired is incorporated outside Malaysia.

### **Consequences of a Change in Financial Year**

8. If a company elects to change its financial year, it is still required to strictly observe the requirements relating to the

holding of the Annual General Meeting (AGM) [section 143 of the CA 1965] and laying of a profit and loss account [section 169 of the CA 1965]. Principally, the crux of the two (2) provisions are as follows:

- (i) A company is required to hold an AGM in every calendar year;
- (ii) The AGM must be held not more than 15 months after the holding of the last preceding AGM;
- (iii) A company must lay its audited profit and loss account and balance sheet (audited accounts) during the AGM where the audited accounts is made up to a date not more than six (6) months before the date of the AGM; and
- (iv) The audited accounts must be laid at an interval of not more than 15 months.

### **Appropriate Actions Following a Change in Financial Year**

9. When a company changes its financial year, proper planning must be exercised to ensure that the relevant provisions of the CA 1965 are complied with. In some circumstances, the change in the financial year may result in the inability to lay the financial statements at the AGM during the calendar year.

10. The following are potential scenarios of changes of a company's financial year and the proposed course of action to be taken in furtherance to such changes:

**Example I:**

In the case of a change of financial year from 30 June to 31 December, it is advised that the company prepares a 6 month accounts (1 July – 31 December) to be tabled at the AGM of the next calendar year following the change of the financial year and a 12 month accounts (1 January – 31 December) to be tabled at the subsequent calendar years.

**Illustration:**

X Sdn Bhd has changed its financial year end from 30 June 2006 to 31 December 2006. Its last AGM was held in December 2006. Under these circumstances, X Sdn Bhd is advised to take the following actions:

- To prepare the accounts for six (6) months from 1 July 2006 to 31 December 2006 and table it at the AGM for calendar year 2007;
- Subsequently, to prepare the accounts from 1 January 2007 to 31 December 2007 and table it at the AGM for calendar year 2008.

**Example II:**

In the case of a change of financial year from 31 December to 30 June, it is advised that the company prepares an 18 months accounts and to be tabled at the next calendar year following the change of the financial year.

**Illustration:**

Y Sdn Bhd changed its financial year from 31 December 2005 to 30 June 2006. Its last AGM was

held in June 2006. Under these circumstances, Y Sdn Bhd is advised to take the following actions:

- To prepare the account for 18 months from 1 January 2006 to 30 June 2007 and table it at the AGM for calendar year 2007;
- To apply for an extension of time under sections 143(2) and 169(2) of the CA 1965 to enable the company to table the accounts that exceeds the interval of 15 months.

### **Application for Extension of Time to Hold an AGM Beyond the Calendar Year**

11. Following a company's decision to change a financial year, SSM noted that an application for an extension of time under sections 143(2) and 169(2) of the CA 1965 may result in the AGM to be held beyond the calendar year. Section 143(1) of the CA 1965 however only allows for one (1) AGM to be held in any particular calendar year. As such, the approval given under section 143(2) may result in a company having to convene two AGMs in the following calendar year.

#### **Illustration:**

Z Sdn Bhd changed its financial year from 30 June 2006 to 31 December 2006. The company held its last AGM on 15 November 2006.

Due to the company's internal operations and policy, its next set of audited accounts was drawn up for a period of 18 months from 1 July 2006 to 31 December 2007. The

company was due to hold its AGM in November 2007. However, since the audited accounts were not ready, the company applied for an extension of time under sections 143(2) and 169(2) of the CA 1965 to hold its AGM beyond the calendar year and to table the audited accounts ending December 2007.

An extension of time was granted by the Registrar under sections 143(2) and 169(2) until 28 February 2008 for the AGM to be convened for the calendar year 2007.

As a result of the approval of extension of time until 28 February 2008, Z Sdn Bhd faces predicament as it still needs to comply with the requirement under section 143(1) for calendar year 2008.

12. To address this legal anomaly, an AGM convened following an approved application under section 143(2) of the CA 1965 resulting in it being held beyond the calendar year **shall be deemed** to have fulfilled the requirement of section 143(1) of the CA 1965 for the calendar year it was supposedly held. This is because compliance of section 143(1) of the CA 1965 is still required.

**Illustration:**

Following an approval for an extension of time under sections 143(2) and 169(2) until 28 February 2008 for the AGM for calendar year 2007, Z Sdn. Bhd. held its AGM on 20 February 2008. This AGM shall be deemed to be held for the calendar year 2007.

In calendar year 2008, Z Sdn Bhd is required to convene an AGM pursuant to section 143(1) but no audited accounts need to be tabled as the audited accounts for the relevant financial year has been duly tabled.

13. If and only if, by operations of the provisions under sections 143(1) and 143(2) of the CA 1965 has resulted in a situation where there is no audited accounts to be laid before the AGM, the annual return of the company shall be accepted without the inclusion of a copy of the audited accounts. However, the company must substantiate the lodgement of the annual return with a copy of the approval of the extension of time. It must be noted that this practice shall be applicable **only** to *bona fide* cases.

14. This Practice Note serves to reiterate SSM's stance that although a company has the prerogative to decide its financial year, a company intending to change its financial year must strictly adhere to the provisions of sections 143 and 169 of the CA 1965.

**REGISTRAR OF COMPANIES**  
**COMPANIES COMMISSION OF MALAYSIA**  
**31 DECEMBER 2008**

