



Questions and answers relating to consolidated and company level financial statements prepared under Part 9 of the new CO (Cap. 622)

Topic 2 Contents of consolidated financial statements

Question 2.1: Signing of company level statement of financial position in consolidated financial statements

Does section 387 of the CO (“Statement of financial position to be approved and signed”) apply to company level statement of financial position of the holding company included in the notes to its consolidated financial statements in accordance with Schedule 4 to the CO?

Answer: The Companies Registry’s FAQ confirms that the answer is yes. Section 387 of the CO states that the directors must sign a statement of financial position that “forms part of any financial statements”. As Schedule 4 to the CO requires the company level statement of financial position of the holding company to be included in the notes to its consolidated financial statements, it follows that this is a statement of financial position that falls under the scope of section 387. It must therefore be approved by the directors and signed on their behalf by 2 directors, or in the case of a company having only one director, by that director, despite the fact that the directors have already approved the entire set of consolidated financial statements (which includes notes to the consolidated financial statements) by signing on the consolidated statement of financial position.

Question 2.2: Location of the company level statement of financial position of the holding company in its consolidated financial statements

Can the company level statement of financial position of the holding company continue to be shown as a primary statement in its consolidated financial statements?

Answer: No, Schedule 4 to the CO requires the company level statement of financial position of the holding company to be included in the notes to its consolidated financial statements.

Note: Schedule 4 is not explicit as to where in the notes the company level statement of financial position should be placed. If the directors wish to draw attention to the company level statement of financial position of the holding company and yet comply with a literal interpretation of Schedule 4, they would be advised to include the statement as note 1 or otherwise in a prominent position in the notes to the consolidated financial statements.

Question 2.3: Meaning of “company” in the Companies (Disclosure of Information about Benefits of Directors) Regulation (C(DIBD)R or Cap. 622G)

When preparing consolidated financial statements, what is the meaning of “the company” in the C(DIBD)R? Is it just the holding company or does it also include the subsidiary undertakings?

Answer: The reference to “the company” in the C(DIBD)R refers to the company preparing the financial statements. For example, section 15 of the C(DIBD)R refers to financing transactions (i.e. loans, quasi-loans, credit transactions etc) “entered into by a subsidiary undertaking **of the company** for a person who was at any time during the



year a director **of the company**” (emphasis added). In this requirement, the reference is to transactions benefiting a person who is a director of the company that is preparing the financial statements. It is not referring to directors of that company’s subsidiary undertaking, even if the company is preparing consolidated financial statements.

There is therefore no need to extend the requirements in the C(DIBD)R to transactions involving subsidiary undertakings of the company or their directors unless explicitly required to do so by the C(DIBD)R.

Question 2.4: Meaning of “director” in the Companies (Disclosure of Information about Benefits of Directors) Regulation (C(DIBD)R or Cap. 622G)

When preparing consolidated financial statements, what is the meaning of “director” in the C(DIBD)R? Is it just the directors of the holding company or does it also include the directors of subsidiary undertakings?

Answer: The C(DIBD)R sets out explicit disclosure requirements relating to directors’ benefits which should be interpreted literally. For example, Part 2 of the C(DIBD)R refers to a person’s services as a director of the company or, while a director of the company, as a director of a subsidiary undertaking. In these requirements the reference to “the company” refers to the company preparing the financial statements and references to “director” should be construed as a references to a director of that company only. There is no requirement to extend these disclosures to directors of subsidiary undertakings of the company unless explicitly required to do so by the C(DIBD)R, even if the company is preparing consolidated financial statements.

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Please refer to our [cover page](#) for background information on the Q&As