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FINANCIAL REPORTING UPDATES

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This is your quarterly update on all things relating to international financial reporting standards or Singapore Financial Reporting Standards. We will bring you up to speed on topical issues, provide our comments and view points on any significant developments.

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IASB extends support for lessees accounting for Covid-19-Related Rent Concessions

On 31 March 2021, the International Accounting Standards Board (IASB) has extended by one year the application period of the practical expedient in IFRS 16 *Leases* to help lessees accounting for Covid-19-related rent concessions.

In response to calls from stakeholders and because the Covid-19 pandemic is still at its height, IASB has extended the relief by one year to cover rent concessions that reduce only lease payments due on or before 30 June 2022.

The original amendment was issued in May 2020 to make it easier for lessees to account for Covid-19-related rent concessions, such as rent holidays and temporary rent reductions, while continuing to provide useful information about their leases to investors.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021.

IASB issues amendments to IFRS / IAS Standards

Amendment to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

On 7 May 2021, IASB has issued targeted amendments to IAS 12, the IFRS Standard on income taxes, to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations.

IAS 12 *Income Taxes* specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future.

In specified circumstances, companies are exempted from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations — transactions for which companies recognise both an asset and a liability.

The amendments clarify that the **exemption does not apply** and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are **effective for annual reporting periods beginning on or after 1 January 2023**, with early application permitted.

ASC issues amendments to SFRS(I) / FRS Standards

Amendment to SFRS(I) 16 / FRS 116: Covid-19-Related Rent Concessions beyond 30 June 2021

On the same date as IASB extends support for lessees accounting for Covid-19-Related Rent Concessions (i.e. 31 March 2021), the Accounting Standards Council Singapore (ASC) has issued Amendment to SFRS(I) 16: *Covid-19-Related Rent Concessions beyond 30 June 2021* and Amendment to FRS 116: *Covid-19-Related Rent Concessions beyond 30 June 2021*, effective for annual reporting periods beginning on or after 1 April 2021. An entity may early apply the amendments in financial statements not authorised for issue at 31 March 2021.

Preparation of Interim Financial Statements under SFRS(I) 1-34 / IAS 34 *Interim Financial Reporting* (in accordance with the amended SGX Listing Rule 705(3A))

On 12 January 2021, SGX amended Listing Rule 705(3A) to clarify that issuers are to prepare their financial statements ("FS"), including interim FS, in accordance with prescribed accounting standards.

The Listing Rule amendments on accounting standards for interim financial statements will take effect for issuers' financial statements for any interim financial period (i.e., the first, second or third quarters of the financial year) ending on or after 30 June 2021. Issuers can early apply SFRS(I) 1-34 / IAS 34 in their interim reports for the period ended 31 March 2021 if they wish to do so.

With the above clarification, issuers (who prepare their financial statements in accordance with SFRS(I)s or IFRS) are required to prepare their interim financial statements in accordance with SFRS(I) 1-34 or IAS 34 *Interim Financial Reporting*. Accordingly, when an issuer announces its interim financial results, it should comprise a complete or condensed set of interim financial statements in compliance with the requirements of both SFRS(I) 1-34 / IAS 34 and Listing Rule Appendix 7.2. This might **require** some **issuers to change their interim reporting practice**.

On 3 May 2021, ISCA issued [FRG 3 Preparation of Interim Financial Statements under SFRS\(I\) 1-34 Interim Financial Reporting \(in accordance with the amended SGX Listing Rule 705\(3A\)\)](#), together with the [Accompanying Guide to ISCA Financial Reporting Guidance 3 \(FRG 3\): Illustrative Condensed Interim Financial Statements](#).

FRG 3 helps to aid issuers in understanding the implications of the amended Listing Rule 705(3A) to their interim financial statements and to highlight the key areas to take note of when preparing a set of interim financial statements under SFRS(I) 1-34.

FRG 3 should be read in conjunction with the SFRS(I) 1-34 and other relevant SFRS(I)s, in which issuers need to read, understand and apply the requirements in SFRS(I) 1-34 when preparing a set of interim financial statements.

Basis of preparation for a set of interim financial statements is SFRS(I) 1-34 or IAS 34. This fact shall be disclosed in that set of interim financial statements. A set of interim financial statements shall not be described as complying with SFRS(I) or IFRS unless it complies with all the requirements of SFRS(I) or IFRS.

Key Requirements in SFRS(I) 1-34 / IAS 34

The key requirements in SFRS(1) 1-34 or IAS 34 that have potential implications for issuers include:

- Interim FS shall provide an update on the latest annual FS, and focuses on new activities, events and circumstances and does not duplicate information previously reported. (SFRS(1) 1-34 or IAS 34, paragraph 6)

- Additional line items or notes shall be included if their omission would make the condensed interim FS misleading. (SFRS(1) 1-34 or IAS 34, paragraph 10)
- Interim FS shall explain events and transactions significant to understanding the changes in financial position and performance since the last financial year-end. (SFRS(1) 1-34 or IAS 34, paragraph 15)
 - SFRS(1) 1-34 or IAS 34, paragraph 15B(i) shows a non-exhaustive list of events and transactions for which disclosures would be required if they are significant
- Notes to the interim FS shall include the following information:
 - a statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change. (SFRS(1) 1-34 or IAS 34, paragraph 16A(a))
 - explanatory comments about the seasonality or cyclicity of interim operations. (SFRS(1) 1-34 or IAS 34, paragraph 16A(b))
 - nature and amounts of items that are unusual because of their nature, size or incidence. (SFRS(1) 1-34 or IAS 34, paragraph 16A(c))
 - dividends paid (aggregate or per share) separately for ordinary shares and other shares. (SFRS(1) 1-34 or IAS 34, paragraph 16A(f))
 - segment information if the disclosure requirements in SFRS(I) 8 / IFRS 8 Operating Segments are applicable for the annual FS. (SFRS(1) 1-34 or IAS 34, paragraph 16A(g))
- An entity shall apply the same accounting policies in its interim FS as are applied in its annual FS, except for accounting policy changes made after the latest annual FS. (SFRS(1) 1-34 or IAS 34, paragraph 28)
- Interim FS shall follow measurement procedures designed to ensure that the resulting information is reliable and that all material financial information relevant to understanding financial position or performance is appropriately disclosed. (SFRS(1) 1-34 or IAS 34, paragraph 41)

Financial statements are typically prepared on a going concern basis assuming the continuation in operation for the foreseeable future (i.e. at least, but not limited to, 12 months from the end of the reporting period).

Issuers are required to assess whether the going concern assumption is still appropriate in light of events and circumstances which may have taken place since the end of the last annual reporting period. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the issuer's ability to continue as a going concern, the issuer shall disclose those uncertainties in that set of interim financial statements.

Complying with the requirements of SFRS(I) 1-34 and Listing Rule Appendix 7.2

SFRS(I) 1-34 requires more holistic disclosures than that prescribed in Listing Rule Appendix 7.2.

Such additional requirements include disclosures of key judgements/estimates and explanations for significant changes from the last audited annual financial report. This enables users to have a better understanding of what has happened to the issuer from the last audited annual financial report and to understand the key judgements/estimates applied.

Therefore, a set of interim financial statements that is prepared in compliance with SFRS(I) 1-34 should concurrently meet the requirements of Listing Rule Appendix 7.2 if it provides certain additional disclosures prescribed by Listing Rule Appendix 7.2. These additional disclosures are summarised in the table below.

(para 1(b)(i)) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.	B
(para 1(b)(ii)) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures at the end of the immediately preceding financial year:- (A) the amount repayable in one year or less, or on demand; (B) the amount repayable after one year;	B

(C) whether the amounts are secured or unsecured; and (D) details of any collateral	
(para 1(d)(i)) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.	B
(para 1(d)(ii)) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.	B
(para 1(d)(iii)) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.	B
(para 1(d)(iv)) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.	B
(para 1(d)(v)) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.	B
(para 2) Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.	A
(para 3) Where the figures have been audited or reviewed, the auditor's report (including any modifications or emphasis of a matter).	A
(para 3A) Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion: (a) Updates on the efforts taken to resolve each outstanding audit issue. (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed. This is not required for any audit issue that is a material uncertainty relating to going concern.	C
(para 7) Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the: (a) current financial period reported on; and (b) immediately preceding financial year.	B
(para 8) A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.	C
(para 17) <i>[For announcement of the last quarter financial results or the second half-year financial results]</i> In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.	C
(para 18) <i>[For announcement of the last quarter financial results or the second half-year</i>	B

financial results]

A breakdown of sales as follows:

	Latest Financial Year \$'000	Previous Financial Year \$'000	% increase / (decrease)
	Group	Group	Group
(a) Sales reported for first half year			
(b) Operating profit/loss after tax before deducting non-controlling interests reported for first half year			
(c) Sales reported for second half year			
(d) Operating profit/loss after tax before deducting non-controlling interests reported for second half year			

(para 9) Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

C

(para 10) A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

C

(para 11) If a decision regarding dividend has been made:—

- (a) Whether an interim (final) ordinary dividend has been declared (recommended); and
- (b) (i) Amount per share cents
- (b) (ii) Previous corresponding period cents
- (c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).
- (d) The date the dividend is payable.
- (e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

D

(para 12) If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

D

(para 19) *[For announcement of the last quarter financial results or the second half-year financial results]*

A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:—

- (a) Ordinary
- (b) Preference
- (c) Total

D

(para 13) If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

C

(para 14) Negative confirmation pursuant to Rule 705(5). (Not required for announcement on full year results)	C										
(para 15) Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).	C										
(para 20) <i>For announcement of the last quarter financial results or the second half-year financial results]</i> Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.	C										
<table border="1"> <thead> <tr> <th>Name</th> <th>Age</th> <th>Family relationship with any director and/or substantial shareholder</th> <th>Current position and duties, and the year the position was held</th> <th>Details of changes in duties and position held, if any, during the year</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year						
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A - If a set of interim financial statements has been reviewed or audited, this fact is to be stated and the auditor's report is to be included in the set of interim financial statements.

B - As these items are accounting information, they could be included in the disclosure notes in the interim financial statements.

C - As these items are non-accounting information, a good practice is to show them separately from the interim financial statements (e.g. in the Management Discussion & Analysis) in the same announcement.

D - These are additional disclosures of dividend information in addition to SFRS(I) 1-34 requirements. A good practice is to show them separately from the interim financial statements in the same announcement.

Key areas to take note of

When preparing the interim financial report, an issuer should consider focusing on the following areas (note: this is not an exhaustive list):

(A) Appropriateness of significant judgements and estimates made

Potential areas where changes in judgements and estimates could have taken place:

(i) Are the fair values of the issuer's investment properties overstated?

Fair values of investment properties determined as at the end of the last reporting period may no longer be appropriate for reporting during the current period. The issuer should consider whether expert advice is needed in the assessment, or if an updated valuation exercise is required.

As significant judgement is likely to be required, the issuer should ensure that appropriate disclosures of the judgements and assumptions are included in the interim financial statements.

(ii) Are the issuer's non-financial assets (carried at cost) overstated and impairment required?

SFRS(I) 1-36 or IAS 36 *Impairment of Assets* requires an entity to assess at the end of each reporting period whether there is any indication that an asset may be impaired:

- Goodwill and other intangible assets with indefinite useful lives – to be tested for impairment at least annually or more frequently if impairment indicators exist
- Other assets (e.g. property, plant & equipment, investment properties carried at cost, investments in associates and joint ventures) – to be tested for impairment only when impairment indicators exist

During the current financial reporting period, there could be indicators that assets may be impaired (e.g. shut-down of manufacturing facilities, falling demand and reduced selling prices of goods and services) for both the financial year-end reporting and/or interim reporting.

The recoverable amount of an asset is the higher of its value in use and its fair value less costs of disposal.

When determining the recoverable amount, future cash flows are estimated based on management's best estimates of the economic conditions that will exist over the remaining useful life of the asset.

The issuer should:

- ensure that the assumptions used should be reasonable and supportable, and reflect conditions existing at the financial reporting date.
- consider whether expert advice is needed in the assessment.

(iii) Are the issuer's estimates of expected credit losses (ECL) appropriate in light of the current uncertain situation?

IFRS 9 (and SFRS(I) 9) does not provide bright lines nor a mechanistic approach in accounting for ECL. Accordingly, companies may need to adjust their approaches to determining ECL based on the best available information about past events, current conditions and forecast scenarios of future conditions (since the ECL model is forward-looking).

Previous assumptions and designs of ECL models may need to be revisited, reassessed, and updated.

(iv) Have any of the issuer's contracts become onerous?

With disruptions to economic activities, contracts should be reviewed to determine if any has become onerous. For instance, an issuer may be unable to fulfil a customer's order due to the shut-down of its manufacturing facilities.

(B) Non-reversal of impairment loss on goodwill recognised in an interim period

If the issuer has recognised an impairment loss on goodwill in an interim period, SFRS(I) INT 10 or IFRIC 10 *Interim Financial Reporting and Impairment* clarifies that the issuer shall not reverse the recognised impairment loss even if no loss or a smaller loss would have been recognised if the impairment assessment had been made only at the end of a subsequent reporting period.

(C) Estimation of weighted average annual income tax rate expected for the full year

Income tax expense recognised in each interim period is based on the best estimate of the weighted-average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

SGX RegCo expands range of enforcement powers

On 24 June 2021, Singapore Exchange Regulation (SGX RegCo) announced that it is expanding its range of enforcement powers and requiring issuers to have a whistleblowing policy.

This follows a public consultation on changes to the Listing Rules that market participants broadly supported. The changes pave the way towards swifter enforcement outcomes. This will reinforce confidence in Singapore's capital markets, act as a greater deterrent against malfeasance, and enhance the protection of investors.

SGX RegCo will, from 1 August 2021, have the powers to:

- Issue a public reprimand and require an issuer to comply with specified conditions. These actions are non-appealable.
- Prohibit an issuer from accessing the facilities of the market for a specified period or until fulfilment of specified conditions, prohibit any issuer from appointing or reappointing a director or an executive officer for up to 3 years, and require a director or an executive officer to resign. Such powers are exercisable in situations where the director or executive officer is being investigated or is the subject of proceedings for contraventions of any relevant laws, regulations and rules (including those of any professional or regulatory bodies) relating to fraud, dishonesty, the securities or futures industry, corruption or breaches of fiduciary duties. These are appealable before the Listings Appeals Committee.

More severe sanctions, such as fines, will continue to be reserved for the independent Listings Disciplinary Committee.

SGX RegCo will also mandate all issuers to establish and maintain a whistleblowing policy where the identity of the whistleblower is kept confidential and the individual is protected from reprisal. Issuers will be required to state in their annual reports that such a policy is in place for **financial years commencing from 1 January 2021**, as well as an explanation of how they have complied with key requirements such as independent oversight of the policy and commitment to protection of the identity of the whistleblower. This requirement will **take effect from 1 January 2022** and apply to annual reports published from this date.

Contact us

If you need assistance or advice on the above, we are here to assist you.



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