
**SINGAPORE FINANCIAL REPORTING STANDARDS
(INTERNATIONAL)**

**SFRS(I) INT 5
Rights to Interests arising from Decommissioning,
Restoration and Environmental Rehabilitation Funds**

This Interpretation is applicable for annual reporting period beginning on
1 January 2023.

CONTENTS

from paragraph

SFRS(I) INTERPRETATION 5

RIGHTS TO INTERESTS ARISING FROM DECOMMISSIONING, RESTORATION AND ENVIRONMENTAL REHABILITATION FUNDS

REFERENCES

BACKGROUND	1
SCOPE	4
ISSUES	6
CONSENSUS	7
Accounting for an interest in a fund	7
Accounting for obligations to make additional contributions	10
Disclosure	11
EFFECTIVE DATE	14
TRANSITION	15
APPENDIX	
Amendment to other standards	

SFRS(I) INT 5

SFRS(I) Interpretation 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* (SFRS(I) INT 5) is set out in paragraphs 1–15 and the Appendix. SFRS(I) INT 5 should be read in the context of the Basis for Conclusions on International Financial Reporting Standards. The scope and authority of Interpretations are set out in the *Preface to Singapore Financial Reporting Standards (International)*.

Preface

Singapore Financial Reporting Standards (International) (SFRS(I)s) are available for entities to apply for annual reporting periods beginning on or after 1 January 2018.

The first volume of SFRS(I)s contains the equivalent of the consolidated text of International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual reporting period beginning on 1 January 2018.

In this Interpretation, paragraphs with a prefix 'IFRS' refer to effective date, transition provisions and/or other text that are extracted from IFRSs. An entity that is not a first-time adopter shall apply those requirements, if applicable¹. Paragraphs that are specific to SFRS(I)s are indicated with a prefix 'SG'.

Notwithstanding the effective date and transition provisions in this Interpretation, an entity that is a first-time adopter of SFRS(I)s² shall:

- (A) Initially apply this Interpretation in the first annual period in which it adopts SFRS(I)s; and
- (B) Apply SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* in its first SFRS(I) financial statements. The entity shall also apply SFRS(I) 1 in each interim financial report that it presents in accordance with SFRS(I) 1-34 *Interim Financial Reporting* for any part of the period covered by its first SFRS(I) financial statements.

SFRS(I) INT 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* is equivalent to IFRIC 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*. An entity that complies with SFRS(I) INT 5 can simultaneously comply with IFRIC 5.

1 For example, SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* specifies that the transitional provisions in SFRS(I)s apply to a transitioning entity's transition to SFRS(I)s. SFRS(I) 1 defines a 'transitioning entity' as an entity that presents its first SFRS(I) financial statements, and that presented its annual financial statements in the most recent previous year that contained an explicit and unreserved statement of compliance with IFRSs.

2 SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* defines a 'first-time adopter' as an entity that presents its first SFRS(I) financial statements. A first-time adopter excludes a transitioning entity.

SFRS(I) Interpretation 5

Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

References

- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 10 *Consolidated Financial Statements*
- SFRS(I) 11 *Joint Arrangements*
- SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- SFRS(I) 1-28 *Investments in Associates and Joint Ventures*
- SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*

Background

- 1 The purpose of decommissioning, restoration and environmental rehabilitation funds, hereafter referred to as 'decommissioning funds' or 'funds', is to segregate assets to fund some or all of the costs of decommissioning plant (such as a nuclear plant) or certain equipment (such as cars), or in undertaking environmental rehabilitation (such as rectifying pollution of water or restoring mined land), together referred to as 'decommissioning'.
- 2 Contributions to these funds may be voluntary or required by regulation or law. The funds may have one of the following structures:
 - (a) funds that are established by a single contributor to fund its own decommissioning obligations, whether for a particular site, or for a number of geographically dispersed sites.
 - (b) funds that are established with multiple contributors to fund their individual or joint decommissioning obligations, when contributors are entitled to reimbursement for decommissioning expenses to the extent of their contributions plus any actual earnings on those contributions less their share of the costs of administering the fund. Contributors may have an obligation to make additional contributions, for example, in the event of the bankruptcy of another contributor.
 - (c) funds that are established with multiple contributors to fund their individual or joint decommissioning obligations when the required level of contributions is based on the current activity of a contributor and the benefit obtained by that contributor is based on its past activity. In such cases there is a potential mismatch in the amount of contributions made by a contributor (based on current activity) and the value realisable from the fund (based on past activity).
- 3 Such funds generally have the following features:
 - (a) the fund is separately administered by independent trustees.
 - (b) entities (contributors) make contributions to the fund, which are invested in a range of assets that may include both debt and equity investments, and are available to help pay the contributors' decommissioning costs. The trustees determine how contributions are invested, within the constraints set by the fund's governing documents and any applicable legislation or other regulations.

- (c) the contributors retain the obligation to pay decommissioning costs. However, contributors are able to obtain reimbursement of decommissioning costs from the fund up to the lower of the decommissioning costs incurred and the contributor's share of assets of the fund.
- (d) the contributors may have restricted access or no access to any surplus of assets of the fund over those used to meet eligible decommissioning costs.

Scope

- 4 This Interpretation applies to accounting in the financial statements of a contributor for interests arising from decommissioning funds that have both of the following features:
- (a) the assets are administered separately (either by being held in a separate legal entity or as segregated assets within another entity); and
 - (b) a contributor's right to access the assets is restricted.
- 5 A residual interest in a fund that extends beyond a right to reimbursement, such as a contractual right to distributions once all the decommissioning has been completed or on winding up the fund, may be an equity instrument within the scope of SFRS(I) 9 and is not within the scope of this Interpretation.

Issues

- 6 The issues addressed in this Interpretation are:
- (a) how should a contributor account for its interest in a fund?
 - (b) when a contributor has an obligation to make additional contributions, for example, in the event of the bankruptcy of another contributor, how should that obligation be accounted for?

Consensus

Accounting for an interest in a fund

- 7 The contributor shall recognise its obligation to pay decommissioning costs as a liability and recognise its interest in the fund separately unless the contributor is not liable to pay decommissioning costs even if the fund fails to pay.
- 8 The contributor shall determine whether it has control or joint control of, or significant influence over, the fund by reference to SFRS(I) 10, SFRS(I) 11 and SFRS(I) 1-28. If it does, the contributor shall account for its interest in the fund in accordance with those Standards.
- 9 If a contributor does not have control or joint control of, or significant influence over, the fund, the contributor shall recognise the right to receive reimbursement from the fund as a reimbursement in accordance with SFRS(I) 1-37. This reimbursement shall be measured at the lower of:
- (a) the amount of the decommissioning obligation recognised; and
 - (b) the contributor's share of the fair value of the net assets of the fund attributable to contributors.

Changes in the carrying value of the right to receive reimbursement other than contributions to and payments from the fund shall be recognised in profit or loss in the period in which these changes occur.

Accounting for obligations to make additional contributions

- 10 When a contributor has an obligation to make potential additional contributions, for example, in the event of the bankruptcy of another contributor or if the value of the investment assets held by the fund decreases to an extent that they are insufficient to fulfil the fund's reimbursement obligations, this obligation is a contingent liability that is within the scope of SFRS(I) 1-37. The contributor shall recognise a liability only if it is probable that additional contributions will be made.

Disclosure

- 11 A contributor shall disclose the nature of its interest in a fund and any restrictions on access to the assets in the fund.
- 12 When a contributor has an obligation to make potential additional contributions that is not recognised as a liability (see paragraph 10), it shall make the disclosures required by paragraph 86 of SFRS(I) 1-37.
- 13 When a contributor accounts for its interest in the fund in accordance with paragraph 9, it shall make the disclosures required by paragraph 85(c) of SFRS(I) 1-37.

Effective date

IFRS. 14 An entity shall apply [IFRIC 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* (issued by IASB in December 2004)] for annual periods beginning on or after 1 January 2006. Earlier application is encouraged. If an entity applies this Interpretation to a period beginning before 1 January 2006, it shall disclose that fact.

IFRS. 14A [Deleted]

IFRS. 14B IFRS 10 and IFRS 11, issued in May 2011, amended paragraphs 8 and 9. An entity shall apply those amendments when it applies IFRS 10 and IFRS 11.

IFRS. 14C [Deleted]

IFRS. 14D IFRS 9, as issued in July 2014, amended paragraph 5 and deleted paragraphs 14A and 14C. An entity shall apply those amendments when it applies IFRS 9.

Transition

IFRS. 15 Changes in accounting policies shall be accounted for in accordance with the requirements of IAS 8.

Appendix

Amendment to other standards

IFRS. The amendment in this appendix shall be applied for annual periods beginning on or after 1 January 2006. If an entity applies [IFRIC 5] for an earlier period, the amendment shall be applied for that earlier period.

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The amendment contained in this appendix was incorporated into the relevant SFRS(I)s.