

ACRA LEGAL DIGEST

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A WORD FROM THE EDITORIAL TEAM

Welcome to the 10th issue of our Digest.

We hope you find this issue to be a bumper crop as it merges the last issue in 2005 with our first in 2006. It contains two substantial articles on resignation of directors and financial reporting of private companies as well as a set of question and answer from the Companies (Amendment) Act 2005 which commenced operation on 30 January 2006.

The first article is a special article on the law and procedures relating to the resignation of directors. There is scant guidance on resignations whether in the legislation or in case law since the procedures are generally regulated by the articles of association of a company. The article sets out the common issues seen by the Registrar and includes a caveat for professionals who file notices of resignation for their clients.

Next, we find that although the provisions on audit exemption have been in force since 2003, we continue to receive queries about them on a regular basis. As such, this issue includes an overview of questions frequently asked on audit exemption applicable to exempt private companies and dormant companies. With this, we also kick-start a series of articles on issues of interest to small and medium enterprises.

Since the commencement of the Companies (Amendment) Act 2005, we received many questions related to the interpretation of the said Act. We have since compiled a set of answers to these questions. They are available on our homepage. The list will be updated regularly as and when new questions are added.

A regular feature of the Digest is update on the work of the Council on Corporate Governance and Disclosure (CCDG), for which ACRA is the secretariat. This issue covers new FRSs and Exposure Drafts issued and the CCDG's review of the quarterly reporting requirement.

Finally, the Digest also announces the issuance of ACRA's legislation and Practice Directions, and seminars.

We hope you will find our Digest useful.

All information contained herein is correct at the time of publication. Please do not hesitate to send us your comments or suggestions for future topics to: www.acra.gov.sg/feedback.

The Editorial Team
Accounting and Corporate Regulatory Authority
17 April 2006

1. RESIGNATION OF DIRECTORS UNDER THE COMPANIES ACT

1.1 Introduction

1.1.1 The appointment of directors of a company is a fairly formal process, with the procedures actually spelt out in the Companies Act and regulations. The legislation is virtually silent on the resignation of directors; yet, in practice, resignation raises more practical difficulties than appointment.

1.1.2 This article seeks to set out the Registrar's policy position on the resignation of directors, but nothing in this article should be taken as conclusive interpretation of the legal provisions or case law relating to this issue.

1.2 The Law Governing Resignation of Directors

1.2.1 The law requires every company to have at least one director resident in Singapore at any one time: *section 145(1)*. Aside from this requirement, the resignation of directors is generally left to the articles of association of the company. In the majority of cases, the articles of association provide that a resignation is effected by simply giving notice in writing to the company: see for example, Table A, 4th Schedule to the Companies Act.

1.2.2 In *Jimat bin Awang v Lai Wee Ngen* [1995] 3 SLR 293, the court stated that:

“A director holds office subject to the terms of any contract between him and the company and of the memorandum and articles of association of the company and subject to the provisions of the Act. The articles will usually set out the circumstances when the office of a director may become vacant and such circumstances may include resignation but I see no reason for holding that the validity of any resignation is to depend on whether it is accepted by resolution unless this is provided for in the contract or in the articles.”

1.2.3 The articles of the company may contain detailed procedures that a person resigning as a director must comply with. In addition, the director's contract of employment with the company may also specify condition precedents before the resignation is effective. Unless there are extraordinary circumstances, once a director has fulfilled the necessary conditions for resignation, the company cannot prevent him from resigning by declaring that the resignation was not approved by the other directors or the members (unless consent by these parties is a condition precedent for a valid resignation). It is however questionable whether articles or contractual clauses that resignation is effective only upon consent of the board or members are enforceable by way of specific performance, since it is trite law that equity will not enforce contracts for personal service.

1.3 Notification of Resignation

- 1.3.1 The Companies Act imposes a duty on the company to lodge any changes to its company officers or particulars of the company officers: section 173(6). Thus, when a director has validly resigned from the company, the company is obliged to lodge a notification of his resignation using the prescribed form with the Registrar.
- 1.3.2 Occasions may arise when a director has served his resignation on a company but the other officers may not be available or willing to lodge a notification. In such a situation, a director may notify the Registrar of his resignation under section 173(6A).
- 1.3.3 A notice under section 173(6A) is to be lodged with the Registrar only if the director has reasonable cause to believe that the company will not notify the Registrar of his or her resignation. The company from which he or she is resigning as a director should, at the very least, be given proper notice of the resignation. The Registrar has come across cases where the letter of resignation was sent to an address inaccessible to the other company officers. In such a case, the company cannot possibly be deemed to be duly notified of the resignation and is not in a position to file the notification.
- 1.3.4 The resigning director should, in addition, have reasonable cause to believe that despite giving the company proper notice of his resignation, the company will not lodge the notice of resignation. The resigning director, as a matter of prudent practise, should wait for a reasonable period of time after he submits his resignation to the company (not less than one month, since the Act allows a company one month to lodge changes to the officers) and then check ACRA's records for whether the company had lodged his resignation.
- 1.3.5 Even when a notice of resignation has been lodged under section 173(6A), companies are not absolved of the obligation under section 173(6) to lodge the return in the prescribed form.
- 1.3.6 Other than the self notification allowed under S 173(6A), where a person has already resigned as a director of the company, that person no longer has any authority to lodge any document on behalf of that company. Any lodgement by that person purporting to be made in his capacity as an officer of the company may be liable under section 401(2) or (2A) for lodging a false or misleading document with the Registrar.

1.4 Practical Issues

- 1.4.1 Professionals, such as advocates and solicitors, public accountants and corporate secretarial firms are reminded that when taking instructions from ex-directors to file any documents on behalf of the company, the filing is in fact

done on behalf of the company. As the director had already resigned from the company, professionals cannot assume that the director has any authority to act for the company. As a precautionary step, the professionals should obtain separate confirmation from the company. Professional firms should therefore exercise great caution when lodging a notice of resignation under section 173(6). ACRA will not hesitate to take action against errant professionals who advise the business public.

2. FINANCIAL REPORTING OF PRIVATE COMPANIES

2.1 Audit Exemption for Small Companies

(a) What is the general rule?

The law requires the accounts of a company to be laid before the company at its annual general meeting. These accounts are:

- (i) a profit and loss account for the period from since the preceding account (or since incorporation for the first account); and
- (ii) a balance-sheet as at the date to which the profit and loss account is made up.

The general rule is that these accounts have to be audited before they are laid before the company at its annual general meeting, and the auditor has to report on such accounts.

(b) Are there exceptions?

Yes. The accounts do not have to be audited in the case of exempt private companies with revenue not exceeding the prescribed amount, which is:

- (i) for a financial year beginning on or after 1 June 2004, \$5 million; and
- (ii) for a financial year starting on or after 15 May 2003 but before 1 June 2004, \$2.5 million.

Where the financial year is less than 12 months, the prescribed amount is to be proportionately adjusted.

It is important to note that the exemption only applies to the audit requirement. Such a company is still required to prepare accounts. They are also required to file the accounts if they are insolvent.

(c) What is an exempt private company?

An exempt private company is a company which has not more than 20 members and in which no corporation holds any beneficial interest in its shares. The definition of “exempt private company” is contained in section 4(1) of the Companies Act. A company that meets such criteria is automatically an “exempt private company”. No application need to made or submitted to the Registrar. In addition, the Minister may also declare a private company that is wholly owned by the Government to be an exempt private company.

(d) When does the exception apply?

The exception applies to the accounts of an exempt private company for a financial year beginning on or after 15 May 2003.

(e) Must an exempt private company lodge an annual return with the Registrar?

Yes. An exempt private company must lodge an annual return with the Registrar.

(f) What other documents must the exempt private company lodge with its annual return?

Together with the Annual Return (i.e. the main return), an exempt private company must lodge with ACRA the certificate of the company referred to in regulation 38(a) of the Companies (Filing of Documents) Regulations Cap. 50, Rg 7. This certificate confirms whether the company has verified its share register and the contents in the summary of returns. Please refer to paragraph 2.1(i) below for the URL where you can download the format of these certificates.

In addition, an exempt private company must lodge the following document with ACRA:

- (i) if solvent at the date that the profit and loss account for the financial year has been made up, the exempt private company certificate referred to in regulation 38(c)(i) of the Companies (Filing of Documents) Regulations. This certificate contains a declaration of solvency from the company in question and please refer to paragraph 2.1(i) below (on page 6) for the URL where you can download the format of this certificate; or
- (ii) if insolvent at the date that the profit and loss account for the financial year has been made up, the documents referred to in regulation 38(c)(ii) of the Companies (Filing of Documents) Regulations, that is:
 - the report and statement of the directors;

- the last balance-sheet;
- the last profit and loss account; and
- the notes to the account.

Please note that the profit and loss accounts and balance-sheet (or consolidated and balance-sheet) need not be audited. The report of the auditors need not be furnished too.

(g) What does the audit exemption mean?

Where the small exempt private company is exempted from the audit requirements, then:

- the copies of the profit and loss accounts and balance-sheet, or consolidated accounts and balance-sheet, of the company to be sent to all shareholders need not be audited;
- the law under section 203 of the Companies Act, which relates to the right of members to be furnished with the accounts, continues to apply, except that the members need not be furnished of the auditor's report or a copy of the report;
- copies of an auditor's report need not be laid before the company in a general meeting; and
- the documents referred to in paragraph 2(f) above must be lodged with the Registrar together with the annual return of the company.

(h) What is the directors' statement and where can I find a sample format?

A statement by the directors is required in law and it confirms that:

- that the company is a small exempt private company from the time of its formation or since the end of the previous financial year;
- that no notice has been received from a member or members holding not less than 5% of the total number of issued shares of the company (excluding treasury shares) or not less than 5% of the total number of members of the company (excluding the company itself if it is registered as a member) requiring the company to obtain an audit of its accounts; and
- the accounting and other records required to be kept by the company under the Companies Act have been kept in accordance with section 199 of the Companies Act.

A sample format of this statement is available at www.acra.gov.sg under “Guide to BizFile”. Select “Attachments to Bizfile Transactions”. A sample format is at item 12 (“Statement by an exempt private company exempt from audit requirements”) in Table 1 (“Suggested formats for documents to be submitted as attachments to BizFile transactions”).

(i) Where can I find a sample format of the company certificate and EPC certificate?

Please refer to our website at www.acra.gov.sg under “Guide to BizFile”. Select “Attachments to Bizfile Transactions”. Item 1 of Table 2 shows a sample format of the company certificate. Items 2 and 3 of Table 2 are samples of the “Certificate By an Exempt Private Company under section 197 (1)”.

(j) Can the Authority request for the accounts to be audited?

The Registrar may require the company to lodge its audited accounts and the auditor’s report with the Authority if:

- he is satisfied that there has been a breach of certain provisions of the Companies Act; or
- it is otherwise in the public interest to do so.

2.2 Audit Exemption for Dormant Companies

(a) What is the general rule?

The law requires the accounts of the company to be laid before the company at its annual general meeting. These accounts are:

- (i) a profit and loss account for the period from since the preceding account (or since incorporation for the first account); and
- (ii) a balance-sheet as at the date to which the profit and loss account is made up.

The general rule is that these accounts have to be audited before they are laid before the company at its annual general meeting, and the auditor has to report on such accounts.

(b) Are there exceptions for dormant companies?

Yes. The accounts of dormant companies do not have to be audited.

(c) What is a dormant company?

A company is considered dormant during a period in which no accounting transaction occurs. The following transactions will not affect the dormancy status of the company:

- the taking of shares in the company by a subscriber to the memorandum in pursuance of an undertaking of his in the memorandum;
- the appointment of a secretary of the company;
- the appointment of an auditor;
- the maintenance of a registered office;
- the keeping of registers and books;
- the payment of fees to the Registrar or an amount of any fine or default penalty paid to the Registrar.

(d) When does the exception apply?

The exception applies to the accounts of dormant companies for any financial year beginning on or after 15 May 2003.

(e) Must a dormant company lodge an annual return with the Registrar?

Yes. A dormant company must lodge an annual return with the Registrar.

(f) What documents must the dormant company lodge with its annual return?

Together with the Annual Return (i.e. the main return), a dormant company must lodge with ACRA:

- (i) the certificate of the company referred to in regulation 38(a) of the Companies (Filing of Documents) Regulations Cap. 50, Rg 7;
- (ii) all the documents required to be lodged by an active company, that is:
 - the report and statement of the directors;
 - the balance-sheet;
 - the profit and loss account; and
 - the notes to the account;

Please note that the profit and loss accounts and balance-sheet (or consolidated and balance-sheet) need not be audited. The report of the auditors need not be furnished too; and

- (iii) a statement by the directors:
 - that the company is a dormant company from the time of its formation or since the end of the previous financial year;

- that no notice has been received from a member or members holding not less than 5% in the total number of issued shares of the company, excluding treasury shares (or in the case of a company with no share capital, from not less than 5% of the number of members of the company, excluding the company itself if it is registered as a member) requiring the company to obtain an audit of its accounts; and
- as to whether the accounting and other records required to be kept by the company under the Companies Act have been kept in accordance with section 199 of the Companies Act.

(g) What is the requirement applicable to a dormant company that is also an exempted company that is not required to audit its accounts?

Please note that a dormant company that is an exempt private company may also be exempted from the audit requirements under the provision relating to audit exemption for exempt private companies. In such a case, the dormant exempt private company has a choice of being exempted under the “dormant company” provisions or the “exempt private company” provisions. The company can choose between the two sets of provisions, subject of course to filing the documents required under the chosen option.

(h) What does the audit exemption mean?

Where the dormant company is exempt from the audit requirements, then:

- the copies of the profit and loss accounts and balance-sheet, or consolidated accounts and balance-sheet, of the company to be sent to all shareholders need not be audited;
- the law under section 203 of the Companies Act, which relates to the right of members to be furnished with the accounts, continues to apply, except that the members need not be furnished of the auditor’s report or a copy of the report;
- copies of an auditor’s report need not be laid before the company in a general meeting; and
- the documents referred to in paragraph (f) must be lodged with the Registrar together with the annual return of the company.

(i) Where can I find a sample format of the director’s statement?

Please refer to our website at www.acra.gov.sg under “Guide to BizFile”. Select “Attachments to Bizfile Transactions”. A sample format is at item 13 in

Table 1 (“Suggested formats for documents to be submitted as attachments to BizFile transactions”).

(j) Can the Authority request for the accounts to be audited?

The Registrar may require the company to lodge its audited accounts and the auditor’s report with the Authority, if:

- he is satisfied that there has been a breach of the relevant provision of the Companies Act; or
- it is otherwise in the public interest to do so.

2.3 Other issues

(a) What are the components of unaudited accounts?

The components of “unaudited accounts” and “audited accounts” are the same. The accounts must comprise:

- (i) a profit and loss account for the period from since the preceding account (or since incorporation for the first account). This must comply with the requirements of the Accounting Standards and give a true and fair view of the profit and loss of the company for the period of accounting shown in the accounting and other records of the company; and
- (ii) a balance-sheet as at the date to which the profit and loss account is made up. This must comply with the Accounting Standards and give a true and fair view of the state of affairs of the company as at the end of the period to which the balance-sheet relates.

Please note that the Accounting Standards are set out in the Companies (Accounting Standards) Regulations Cap. 50, Rg 6 and are known as the “Financial Reporting Standards”. They are also available at www.ccdg.gov.sg. In addition, other documents such as the report and statement of the directors, report of the auditors and notes to the accounts must be prepared in accordance with the requirements of the Companies Act.

2.4 Please seek professional advice if you are unsure about the legal duties and liabilities of the company and its officers. Our officers are not in a position to provide such advice.

2.3 Tabled Information Outlining Annual Reporting For Private Companies Under Section 197 of the Companies Act

Annual reporting under section 197 of the Companies Act for private companies ¹								
Non Exempt Private Companies			Exempt Private Companies ² (“EPC”)					
Active		Dormant ³	Normal EPC ⁴			Small EPC ⁵		
Solvent		Insolvent	Dormant	Solvent		Insolvent	Dormant	
Reporting Requirements								
1. The summary of return ⁶	✓	✓	✓	✓	✓	✓	✓	✓
2. Main return ⁷	✓	✓	✓	✓	✓	✓	✓	✓
3. Certificate by company having a share capital ⁸	✓	✓	✓	✓	✓	✓	✓	✓
4. Report by directors ⁹	✓	✓		✓	✓		✓	✓
5. Statement by directors ¹⁰		✓			✓	✓	✓	✓
6. Un-audited or audited balance sheet ¹¹		✓			✓		✓	✓
7. The last audited balance sheet	✓			✓				
8. Report of the auditors	✓			✓				
9. Un-audited or audited profit and loss account ¹¹ and notes to the account		✓			✓		✓	✓
10. The last audited profit and loss accounts and notes to the account	✓			✓				
11. Exempt Private Company Certificate ¹²			✓			✓		

Notes

1. Private companies are companies that have no more than 50 shareholders and its shares are not publicly issued.
2. Exempt private companies are companies that have no more than 20 shareholders and its shares are not held by another company. Exempt private companies can also be those that the Minister has gazetted to be such.
3. Dormant companies are companies that do not have any accounting transactions (no business activities) for the financial year in question or have not commenced business since incorporation. "Accounting transactions" do not include the costs involved in the subscription of shares, the appointment of secretary or auditor, the maintenance of the registered office or the payment of fines or fees to the Registrar of Companies under the Companies Act ("CA").
4. "Normal EPCs" are exempt private companies with revenue more than \$5 million.
5. Small exempt private companies are exempt private companies (explained under note 2 above) whose annual revenue does not exceed \$5 million. This applies to the company's financial year starting on or after 1 June 2004. (The revenue threshold was S\$ 2.5 million for financial year starting on or after 15 May 2003.)
6. Companies are required to lodge Annual Returns ("AR") yearly. The AR consists of the:
 - (a) Summary of Return ("SR") and
 - (b) Main Return ("MR").

The SR and MR are lodged as electronic transaction forms at www.bizfile.gov.sg. Companies have to submit both forms within the prescribed timelines after holding their Annual General Meetings ("AGMs") or their written resolution if no AGM is held.

7. The MR has to be lodged with certain supporting documents such as the Certificate by all companies having a share capital (please refer to note 8 below), and exempt private company certificate (please refer to note 12 below), etc.
8. This is one of the documents that a company limited by shares has to attach to the main return. The certificate confirms whether the company officer has verified the share register and the contents in the Summary Returns. A sample certificate is available at:

<http://www.acra.gov.sg/company/attachmentbizfile.html>

9. The directors' report will report on the profit and loss of the company and state the affairs of the company as at the end of the financial year. The accounts of a company must be accompanied by a directors' report.
10. If the company in question is a dormant or small exempt private company that is exempted from audit, the directors are required to give an additional statement to confirm that :
 - (a) The company is dormant or a small exempt private company;
 - (b) No notice from the members has been received to require an audit to be done; and
 - (c) The accounting and other records have been kept by the company in accordance with the CA.

A sample statement is available at:

<http://www.acra.gov.sg/company/attachmentbizfile.html>.

11. There is no requirement in the Companies Act to lodge an audited balance sheet, and profit and loss account. However, companies may lodge an audited balance sheet, and profit and loss account if they wish to.
12. The certificate by an exempt private company is an attachment to the MR. One key purpose of this certificate is to require the company to disclose whether it is solvent, meaning whether it can meet its debts when they fall due. If the exempt private company is not solvent, it has to lodge a full set of financial statements. The financial statements have to be audited unless the exempt private company is a small exempt private company meaning that its revenue threshold is below \$5 million and is solvent. The said certificate must contain the auditor's signature unless the company is a small exempt private company.

A sample statement is available at:

<http://www.acra.gov.sg/company/attachmentbizfile.html>.

3. FREQUENTLY ASKED QUESTIONS ON THE COMPANIES (AMENDMENT) ACT 2005

The Companies (Amendment) Act 2005 commenced operation on 30 January 2006. We received questions related to the said Act. We have since compiled a set of FAQ on the Companies (Amendment) Act 2005 and they are available at <http://appiqs.acra.gov.sg/ops/news/news04.asp?id=276>. You may also refer to our legal digest issues 5, 7 and 9 at

<http://www.acra.gov.sg/legislation/index.html#1> for more articles and FAQ on the said Act. We will be expanding the FAQ as and when new questions are added. The replies represent our current thinking but we may be persuaded otherwise and we welcome alternate views. Our views should not be treated as legal advice and we disclaim and exclude any and all liability if you rely or act on it.

4. UPDATE ON THE WORK OF THE COUNCIL ON CORPORATE DISCLOSURE AND GOVERNANCE (CCDG)

4.1 Issuance of Financial Reporting Standards (FRSs)

4.1.1 CCDG issued the following new and revised accounting standards in August 2005 and January 2006, arising from recent pronouncements issued by the International Accounting Standards Board (IASB). Please refer to the table below for the list of new and revised accounting standards. The standards are available at <http://www.ccdg.gov.sg/frs/index2004.htm>.

Item	Description	Effective for annual periods beginning on or after
Amendments to FRS 39 <i>Financial Instruments: Recognition and Measurement</i> relating to cash flow hedge accounting of forecast intragroup transactions	FRS 39 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The amendments to FRS 39 allow foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in consolidated financial statements.	1 January 2006
FRS 106 <i>Exploration for and Evaluation of Mineral Resources</i>	FRS 106 provides, for the first time, guidance on accounting for exploration and evaluation expenditure, including the recognition of exploration and evaluation assets.	1 January 2006
INT FRS 106 <i>Liabilities arising from</i>	INT FRS 106 provides guidance on accounting for liabilities for waste management costs.	1 December 2005

Item	Description	Effective for annual periods beginning on or after
<i>Participating in Specific Markets – Waste Electrical and Electronic Equipment</i>		
Amendment to FRS 101 <i>First-time Adoption of Financial Reporting Standards</i> (arising from FRS 106)	The amendment to FRS 101 clarifies the initial intention to provide a wider exemption – not only to exempt such entities from providing comparative disclosures, but also to exempt them from the recognition and measurement requirements of FRS 106 for the comparative period.	1 January 2006
Amendments to FRS 39 and FRS 104 <i>Insurance Contracts</i> relating to financial guarantee contracts	The amendments seek to ensure that issuers of financial guarantee contracts include the resulting liabilities in their balance sheet (i.e. liabilities for financial guarantee contracts are not omitted from financial statements).	1 January 2006
Amendments to FRS 39 relating to fair value option	The fair value option in FRS 39 allows entities to designate irrevocably on initial recognition, any financial instruments as ones to be measured at fair value with gains and losses recognised in profit or loss. The amendments seek to revise the fair value option by limiting its use to those financial instruments that meet certain conditions, following concerns raised by constituents.	1 January 2006
FRS 107 <i>Financial Instruments: Disclosures</i>	FRS 107 requires disclosures about the significance of financial instruments for an entity's financial position and performance. These disclosures incorporate many of the requirements previously in FRS 32 <i>Financial Instruments: Disclosure and Presentation</i> .	1 January 2007 (listed companies) 1 January 2008 (other entities)

Item	Description	Effective for annual periods beginning on or after
Amendments to FRS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> relating to net investment in a foreign operation	FRS 21 prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency. The amendments to FRS 21 clarify the requirements with regard to an entity's investment in foreign operations and will therefore help the financial reporting of entities that invest in businesses operating in a currency different from that used by the entity.	1 January 2006
INT FRS 107 <i>Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies</i>	INT FRS 107 clarifies the requirements under FRS 29 <i>Financial Reporting in Hyperinflationary Economies</i> on two issues: (i) How comparative amounts in financial statements should be restated when an entity identifies existence of hyperinflation in the economy of the functional currency in which its financial statements are measured; and (ii) How deferred tax items in the opening balance sheet should be restated.	1 March 2006
Revisions to FRS 104 Implementation Guidance (arising from FRS 107)	The revisions to FRS 104 Implementation Guidance reflect consequential changes made by FRS 107. The revisions only update the disclosure section of the FRS 104 IG.	1 January 2007 (listed companies) 1 January 2008 (other entities)

4.2 Issuance of Exposure Drafts and Invitations to Comment

4.2.1 CCDG issued a number of Exposure Drafts (ED) from Aug 05 to Mar 06 for public comment. The EDs are closely based on the relevant EDs draft Interpretations issued by IASB and International Financial Reporting Interpretations Committee (IFRIC) respectively for public comment. The EDs and relevant comment letters are available at <http://www.ccdg.gov.sg/draft.htm>.

- (a) CCDG welcomes comments on the following EDs and draft Interpretations:

- (i) ED FRS *Operating Segments* – The proposed FRS ED seeks to replace FRS 14 *Segment Reporting* and align with the US requirements. The ED seeks to improve financial reporting by requiring an entity to adopt the ‘management approach’ to reporting on the financial performance of its operating segments. Comments to the CCDG are welcome before 19 Apr 06;
 - (ii) ED of Proposed Amendments to FRS 102 *Share-based Payment: Vesting Conditions and Cancellations*: The proposed amendments proposes that: (i) vesting conditions (i.e. conditions that an individual or organisation must satisfy to receive an entity’s shares under a share-based payment arrangement) should be restricted to service conditions and performance conditions; and (ii) all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Comments to the CCDG are welcome before 2 May 2006; and
 - (iii) ED of Proposed Amendments to FRS 1 *Presentation of Financial Statements: A Revised Presentation* – The ED is based on an ED issued by IASB as the first stage of its project on performance reporting to bring IAS 1 *Presentation of Financial Statements* largely in line with the equivalent US standard. The proposed amendments are aimed at enabling entities to present financial information more clearly, in particular income and expenses. Under the proposed amendments, an entity will have a choice of presenting income and expenses in a single or two statements. An entity will also be required to include in its set of financial statements, a statement showing its financial position (balance sheet) at the beginning of the previous period.
- (b) CCDG has reviewed comments received and submitted its responses to IASB for the following EDs:
- (i) ED of Proposed Amendments to FRS 103 *Business Combinations*;
 - (ii) ED of Proposed Amendments to FRS 27 *Consolidated and Separate Financial Statements*;
 - (iii) ED of Proposed Amendments to FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and FRS 19 *Employee Benefits*; and
 - (iv) Draft Technical Corrections (DTC) to FRS 21.
- (c) CCDG will be reviewing comments received and responses to IASB/IFRIC for the draft Interpretation ED INT FRS *Interim Financial Reporting and Impairment*.

4.2.2 CCDG issued Invitations to Comment from November 2005 to March 2006.

- (a) CCDG welcomes comments on the following Invitations to Comment:
- (i) IASB Discussion Paper on ‘Measurement Bases for Financial Accounting – Measurement on Initial Recognition’ – The Discussion Paper analyses possible bases for measuring assets and liabilities on initial recognition. These include historical cost, current cost, fair value, net realisable value and value in use. The Discussion Paper also considers deprival value, which combines several measurement bases in a single model. The Invitation to Comment is available at http://www.ccdg.gov.sg/news/media_release_18.htm. Comments to the CCDG are welcome before 19 April 2006; and
 - (ii) IASB staff questionnaire on financial instruments – The staff questionnaire was issued as part of IASB's and US Financial Accounting Standards Board's (FASB) convergence project on the financial instruments to seek inputs from users of financial statements about information on financial instruments that is useful to those making investment or credit decisions or advising others on investment or credit decisions. The questionnaire seeks inputs on five main areas, including current use of fair value information about financial instruments and relative importance of different types of information.
- (b) CCDG will be reviewing comments received and responses to IASB for the IASB Discussion Paper on ‘Management Commentary’.

4.3 Review of the Quarterly Reporting Requirement

4.3.1 The Ministry of Finance has requested the CCDG to review the quarterly reporting requirement and make recommendations to the Government. The review covers the following:

- (a) To review recent international trends and experiences related to quarterly reporting;
- (b) To assess the benefits or otherwise experienced by listed companies since quarterly reporting was introduced in 2003, and recommend changes if any; and
- (c) To evaluate the desirability and feasibility of extending the quarterly reporting requirement to smaller listed companies (i.e. companies with market capitalisation of less than \$75 million).

4.3.2 The CCDG conducted a public consultation from 13 January 2006 to 28 February 2006. A copy of the consultation paper is available at the CCDG website (<http://www.ccdg.gov.sg/news/consultation.htm>). The CCDG is currently reviewing the feedback received.

5. PRACTICE DIRECTION NO. 1 OF 2006 – COMPANIES (AMENDMENT) ACT 2005

5.1 ACRA issued Practice Direction No. 1 on 12 January 2006. The practice direction informs the public of the commencement of the Companies (Amendment) Act 2005, the consequential changes to BizFile forms, the introduction of new forms in BizFile and related matters. A copy of the Practice Direction is available at:
http://www.acra.gov.sg/legislation/pdf/PD1_of_2006.pdf.

5.2 The Companies (Amendment) Act came into effect on 30 January 2006 and the amendments to the Act include:

- (a) removal of the concept of par value and authorised capital;
- (b) reforms in the capital maintenance regime;
- (c) introduction of treasury shares; and
- (d) amalgamation.

5.3 ACRA has also prepared a list of frequently asked questions on the Companies (Amendment) Act 2005. The list is available at:
<http://appiqs.acra.gov.sg/ops/reg/reg01a.asp?id=276>.

6. PRACTICE DIRECTION NO. 2 OF 2006 – COMPANIES (AMENDMENT) ACT 2005 – SUBSIDIARY LEGISLATION

ACRA issued Practice Direction No. 2 on 26 January 2006. The practice direction informs the public of amendments to the subsidiary legislation:

- (a) Introduction of new fees payable to the Registrar of Companies under the Second Schedule of the Companies Act by the Companies (Amendment of Second Schedule) Notification 2006;
- (b) Introduction of new regulations in the Companies (Filing of Documents) Regulations and an amendment to clarify when a company is an exempt private company by the Companies (Filing of Documents) (Amendment) Regulations 2006;
- (c) Introduction of the publicity requirements for proposed reduction of share capital by the Companies (Amendment) Regulations 2006; and

- (d) Amendments of the Eighth Schedule of the Companies Act by the Companies Act (Amendment of Eighth Schedule) Notification 2006

A copy of the Practice Direction is available at:
http://www.acra.gov.sg/legislation/pdf/PD2_of_2006.pdf.

7. PRACTICE DIRECTION NO. 3 OF 2006 – ACRA LAUNCHES NEW FUNCTIONS IN PA ONLINE

- 7.1 ACRA issued Practice Direction No. 3 of 2006 on 3 March 2006. This PD gave an introduction to the launch of Phase 2A of PA Online on 16 March 2006. PA Online is a web-based system for public accountants (and applicants who wish to become public accountants) to e-file transactions pertaining to their registration with ACRA. PA Online is available on the Bizfile website (<http://www.bizfile.gov.sg>).
- 7.2 The PD sets out the transactions which can be performed in PA Online-Phase 2A, namely:
- (a) Application for registration as a public accountant;
 - (b) Notification of change in particulars of public accountants;
 - (c) Application for cancellation of registration as a public accountant; and
 - (d) Application for reinstatement as a public accountant.
- 7.3 With the launch of the four new functions, paper forms pertaining the respective functions will no longer be accepted. ACRA also published 8 sets of user guides (for the individuals as well as professional firms) which provided step-by-step “walkthroughs” of the various functions made available via Phase 2A. These user guides are available at:
<http://appiqs.acra.gov.sg/ops/reg/reg01a.asp?id=286>.

8. ADDENDUM TO PRACTICE DIRECTION NO. 4 OF 2005 – APPLICATIONS FOR EXEMPTIONS UNDER SECTION 201 AND 202 OF THE COMPANIES ACT

- 8.1 Following the issue of Practice Direction 4 No. of 2005 on 30 April 2005, ACRA received feedback from companies and their professional advisers that companies which have foreign parent corporations that are not required to disclose directors’ interest in their countries of origin, have difficulties in complying with Section 201(6)(g) of the Companies Act (“the Act”).
- 8.2 ACRA acknowledges the concerns raised and will conduct a comprehensive review on the issue of disclosure of directors’ interest and other relevant

disclosure requirements in the Act. As an interim measure, ACRA has issued an addendum to Practice Direction 4 on 10 March 2006 to state that ACRA is willing to consider to granting exemption to a wholly owned subsidiary that seeks exemption under section 202 of the Act, for its directors to disclose their shareholdings in the company itself, the parent company and any other entities envisaged in section 201(6)(g) of the Act, if it can be shown that such non-disclosure will not prejudice the rights of shareholders or affect their ability to make decisions.

9. ACRA SEMINARS

9.1 Essentials for Public Accountants Seminar on 16 March 2006

ACRA and the Institute of Certified Public Accountants of Singapore (ICPAS) organised a seminar on “Essentials for Public Accountants” on 16 March 2006. The seminar covered topics such as the registration requirements for public accountants, Continuing Professional Education, lessons from corporate scandals, and the revised Practice Monitoring Programme. The presentation slides are available at:

<http://appiqs.acra.gov.sg/ops/reg/reg01a.asp?id=288>.

9.2 Essentials for Business Seminar on 26 April 2006

ACRA will be co-organising a one-day seminar on “Essentials for Business” with Enterprise Promotions Centre Pte Ltd on 26 April 2006. The seminar will be held at Raffles City Convention Centre. Representatives from various government agencies will be brought together to share and discuss matters relating to businesses. The seminar will cover an update of issues and challenges that businesses face in the competitive business environment in Singapore. It will also clarify issues on regulations for setting up a business, taxation matters, employment, funding schemes, cash flow management & more. Details on the seminar will be published on ACRA website at www.acra.gov.sg. In the meantime, please contact Ms Anita Ghani at anitah_ghani@acra.gov.sg if you have any queries.

9.3 SME Seminar on Opening New Doors for Government Projects on 18 May 2006

ACRA will be co-organising a half-day SME seminar on “Opening New Doors for Government Projects” with DP Bureau on 18 May 2006. The seminar will be held at HDB Hub Auditorium. Representatives from ACRA, DP Bureau, DP Information Group, Ministry of Finance and SPRING Singapore will speak at the seminar. Details on the seminar will be published on ACRA website nearer the event.

9.4 Conference on Company Law Update on 20 July 2006

ACRA will be speaking on the Companies (Amendment) Act 2005 at the Conference on Company Law Update on 20 July 2006. The conference is jointly organised by Lexis-Nexis and the Law Society of Singapore. Details on the conference will be published on ACRA website nearer the event.

10. ACRA LEGISLATION AND PRACTICE DIRECTIONS UPDATE (1 MAY 2005 TO 15 APRIL 2006)

Legislation Published

S/n	Act	Act No.	Date Passed in Parliament	Operative Date
1	Accountants (Amendment) Act	9/2006	14 February 2006	To be advised by notification in the Gazette

Subsidiary Legislation Published

S/n	Subsidiary Legislation	G.N. No.	Date Published	Operative Date
Accountants Act (Cap 2)				
1	Accountants (Public Accountants) (Amendment) Rules 2006	S197/2006	30 March 2006	3 April 2006
Companies Act (Cap 50)				
2	Companies (Accounting Standards) (Amendment No. 2) Regulations 2005	S326/2005	25 May 2005	1 June 2005
3	Companies (Accounting Standards) (Amendment No. 3) Regulations 2005	S546/2005	8 August 2005	1 September 2005
4	Companies (Accounting Standards) (Amendment) Regulations 2006	S2/2006	3 January 2006	30 January 2006
5	Companies (Accounting Standards) (Amendment No. 2) Regulations 2006	S45/2006	23 January 2006	1 February 2006
6	Companies Act (Amendment of Second Schedule) Notification 2006	S880/2005	21 December 2005	30 January 2006
7	Companies (Amendment) Regulations	S53/2006	27 January 2006	30 January 2006

S/n	Subsidiary Legislation	G.N. No.	Date Published	Operative Date
8	Companies (Filing of Documents) (Amendment) Regulations	S54/2006	27 January 2006	30 January 2006
9	Companies Act (Amendment of Second Schedule) Notification 2006	S55/2006	27 January 2006	30 January 2006
10	Companies (Central Depository System) (Amendment) Regulations 2006	S164/2006	17 March 2006	17 March 2006
11	Companies (Amendment) Act (Commencement) Notification 2005	878/2005	21 December 2005	30 January 2006
12	Companies (Amendment of Second Schedule) (No 2) Notification 2005	880/2005	21 December 2005	30 January 2006
13	Companies (Amendment of Second Schedule) Notification 2005	57/2005	25 January 2006	1 February 2006
14	Companies Act (Amendment of Eight Schedule) Notification 2006	S56/2006	27 January 2006	30 January 2006
15	Companies (Amendment) Regulations 2005	S861/2005	27 December 2005	Date of commencement of item (9) in the First Schedule to the Statutes (Miscellaneous Amendments) (No. 2) Act 2005 (Act 42 of 2005)
16	Companies (Filing of Documents) (Amendment) Regulations 2005	S862/2005	27 December 2005	
Limited Liability Partnerships Act				
17	Limited Liability Partnerships (Amendment) Regulations 2005	S551/2005	18 August 2005	22 August 2005
18	Limited Liability (Amendment) (No 2) Regulations 2005	S881/2005	21 December 2005	30 January 2006

S/n	Subsidiary Legislation	G.N. No.	Date Published	Operative Date
Business Registration Act				
19	Business Registration (Amendment) Regulations 2005	S879/2005	21 December 2005	30 January 2006

Practice Directions Issued

S/n	Practice Direction	Date Issued
1	No. 5 of 2005 Application to be an Approved Liquidator under Companies Act – Requirements as to “Experience” and “Capacity”	30 May 2005
2	No. 6 of 2005 Launch of Remaining Phase of Electronic Filing Module for Limited Liability Partnerships (“LLPs”)	16 August 2005
3	No. 7 of 2005 Online Renewal of Certificate of Registration as Public Accountants for the Year 2006	10 November 2005
4	No. 8 of 2005 Revocation of PD 4 of 2004	10 November 2005
5	No. 9 of 2005 Interpretation of Sections 201(3A) and 201(3BA) of the Companies Act	24 November 2005
6	No. 1 of 2006 Companies (Amendment) Act 2005	12 January 2006
7	No. 2 of 2006 Companies (Amendment) Act 2005 – Subsidiary Legislation	26 January 2006
8	No. 3 of 2006 ACRA Launches New Functions in PA Online	3 March 2006
9	Addendum to Practice Direction No. 4 of 2005 – Applications for Exemptions under Section 201 and 202 of the Companies Act	10 March 2006



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