MOORE STEPHENS LLP
CHARTERED ACCOUNTANTS OF SINGAPORE

The MS Newsletter

September/October 2017

Adding Value to Your Business

In This Issue

Key Economic Developments

JULY - SEPTEMBER/OCTOBER 2017

1. In July 2017, Parliament passed the Monetary Authority of Singapore (Amendment) Bill 2017, which strengthens the powers of the regulator to resolve distressed financial institutions in an orderly manner. The Bill introduces powers to MAS to require financial institutions to prepare recovery plans and submit such information to the authority for resolution planning. The Bill also introduces legal provisions for MAS to temporarily block counterparties' rights to terminate contracts with an FI in resolution.

2. In July 2017, Google parent company Alphabet Inc reported a 27.7 per cent decline in its second quarter profit after booking a record-breaking US$2.74 billion fine levied against Google by the European Union (EU). The EU antitrust regulators ruled that Google had abused its dominance in web search to give illegal advantage to its own shopping service in its results. The drop was the biggest fall in the internet group's results in the last nine years.

3. In August 2017, Toshiba Corp secured a "qualified" sign-off by its auditor, PricewaterhouseCoopers Aarata LLC, for its financial results, avoiding an immediate threat of delisting from the Tokyo Stock Exchange. In September 2017, Toshiba announced that it had formally signed a US$18 billion deal to sell its memory chip business to a group led by US investor Bain Capital, overcoming another key hurdle to avoid a delisting. In October 2017, Toshiba was removed from the exchange's watchlist for delisting after seeing better internal controls and efforts to improve corporate governance.

4. In August 2017, the Singapore Business Federation (SBF) and China Enterprises Association (CEA) jointly announced the launch of BRI (Belt and Road Initiative) Connect at this year's Singapore Regional Business Forum. According to SBF, the platform will allow local companies to offer expertise, in areas such as accounting, financing and consultancy, to other firms who want to participate in Belt and Road projects in Singapore, China and countries along the Belt and Road.

5. In August 2017, the Monetary Authority of Singapore (MAS) released a public consultation document on its proposal to enhance the Deposit Insurance (DI) Scheme, with a key proposal to raise coverage from S$50,000 to S$75,000 per depositor. The new limit of $75,000 "will restore the percentage of fully insured depositors to more than 90 per cent, in line with international norms", MAS said.

6. In August 2017, some of the big companies affected by the NotPetya ransomware attack in late June have reported huge monetary losses due to the cyberattack. Mondelez International Inc reported a 5 per cent decrease in net revenues, primarily driven by the malware incident. Merck & Co., Reckitt Benckiser PLC, and FedEx Corp also confirmed NotPetya has disrupted worldwide operations.

7. In August 2017, Qatar Airways reversed its earlier decision to buy a 10 per cent stake in American Airlines, saying that the investment "no longer meets our objectives". In its securities filing in June, Qatar Airways had disclosed its plan to buy at least US$808 million in American Airlines shares.

Key Economic Developments (Cont.)

8. In August 2017, Global investment firm Blackstone, Singapore Sovereign Fund GIC and Massachusetts Mutual Life Insurance Company (MassMutual) have agreed to buy out Goldman Sachs' 32.7% stake in British- based pensions provider Rothesay Life for an undisclosed sum. GIC and Blackstone will become Rothesay's biggest shareholder while MassMutual will increase its stake substantially in the pension provider.

9. In August 2017, United Overseas Bank (UOB) announced the approval of its merger with its wholly-owned subsidiary Far Eastern Bank Limited (FEB). The merger will integrate FEB's operations and businesses into UOB.

10. In September 2017, the Monetary Authority of Singapore (MAS) created a Cyber Security Advisory Panel (CSAP) that will advise MAS on strategies to enhance the cyber resilience of Singapore's financial sector. The newly formed panel is comprised of leaders from financial institutions and firms.

11. In September 2017, according to data released by the US Department of Commerce, Singapore hosted US$258.9b of US multinational companies' direct investments, more that the totals in Japan (US$144.7b) and China (US$92.5b) combined. The Survey of Business reported that the book value of US investments in the Asia-Pacific region increased from US$43.4b in 2015 to a cumulative US$846.7b in 2016.

12. In September 2017, a report showed the amount raised in initial public offerings (IPOs) in Singapore so far this year is the largest in six years. Telecoms company NetLink NBN Trust's S$2.3 billion IPO in July 2017 was the largest in Singapore since 2011, the biggest in the Asia-Pacific in the third quarter and the second-largest in the world in the quarter. There have been 14 new listings of companies and business trusts on the Singapore Exchange (SGX) this year compared with 15 in the same period last year and 16 for all of 2016.

13. In September 2017, the Singapore Exchange (SGX) said it is still reviewing their stance on allowing companies with dual-class share (DCS) structures to hold a secondary listing in Singapore. The SGX has held public consultation on this proposal earlier this year, and has met with strong opinions on both sides of the debate.

14. In October 2017, according to advance estimates by the Ministry of Trade and Industry (MTI), the Singapore economy grew by 4.6 per cent year-on-year in the third quarter from a year ago. It is the highest gross domestic product (GDP) growth in more than three years, owing to a strong performance by the manufacturing sector which expanded by 15.5 per cent year-on-year in the third quarter.

Key Shipping Developments

JULY - SEPTEMBER/OCTOBER 2017

1. In June 2017, a cyberattack by ransomware NotPetya shut down IT sites across business units owned by A.P. Moller-Maersk. The company later said that it expects that the attack will cost the company as much as $300 million in lost revenue.

2. In July 2017, the Singapore Shipping Association (SSA) announced the establishment of a Marine Fuels Committee. The new committee is intended to address issues relating to bunkering operations, including preparation of Singapore's bunkering sector for the 0.5% global sulphur cap and the rise of LNG as a marine fuel.

3. In July 2017, Cosco Shipping Holdings Ltd. (Cosco) and Shanghai International Port Group Co. (SIPG) made a pre-conditional voluntary general offer to all shareholders of Orient Overseas (International) Limited. On completion of the $6.3 billion deal, Cosco will hold 90.1 percent while SIPG will hold the remaining 9.9 percent stake in OOIL.

4. In August 2017, Yangzijiang Shipbuilding Holdings made a comeback from being Singapore's worst-performing stock in 2016 to rallying 79 per cent in 2017 to lead the benchmark Straits Times Index. The Chinese shipbuilder specializing in dry-bulk carriers secured 33 new shipbuilding orders with a total of US$832 million year to date, surpassing the shipbuilding orders for 2016.

5. In August 2017, failed charter ship owner Rickmers Maritime closed the sale of 9 boxships to Navios Maritime Containers for US$ 59 million, completing the latter's takeover of the entire 14-vessel fleet. In the same month, Rickmers announced that it has completed a final distribution to its creditors and has wound up its business. Unsecured creditors were paid about 12 per cent of amounts owed, and there will be no further distributions or payments.

6. In August 2017, 14 South Korean container carriers united to form a cooperation body named Korea Shipping Partnership. The alliance aims at overcoming the downturn hurting the industry which had its reputation marred by Hanjin Shipping's collapse. Under the agreement, the lines will coordinate fleet expansions, add new shipping routes and jointly pursue an overseas terminal for operations.

7. The new accounting standard IFRS 15 coming into force from 1 January 2018 will have a limited impact on the shipping industry, but it can't be entirely ignored, according to Moore Stephens. The new accounting standard, Revenue from Contracts with Customers, excludes revenues under leasing contracts, so income from bareboat charters and the asset element of time charters will be unaffected. Rather, the effect will be on the service element of time charters and on voyage charters.

8. In August 2017, US guided missile destroyer, the USS John S McCain, collided with a Liberian-flagged tanker, Alnic MC, in Singapore's territorial waters. Ten sailors died and five crew members of the US warship were injured in the collision.

Key Shipping Developments (Cont.)

9. In August 2017, the Maritime and Port Authority of Singapore (MPA) and IBM completed the pilot trial of three Project SAFER modules to improve maritime operations. Project SAFER (Sense-making Analytics For Maritime Event Recognition) is a collaboration between the two to develop and test technology aimed at improving maritime and port operations in response to Singapore's growing vessel traffic.

10. In September 2017, the IMO's International Convention for the Control and Management of Ships' Ballast Water and Sediments (BWM Convention) entered into force. The convention is a key international measure designed to stop the spread of potentially invasive aquatic species in ships' ballast water. Ships constructed on or after September 8, 2017 are to comply with the D-2 biological standard under the BWM Convention, while existing ships must initially meet the D-1 standard. All ships will eventually have to conform to the D-2 standard.

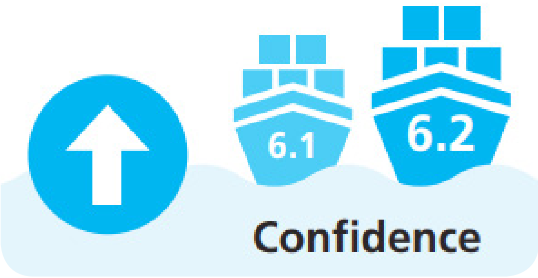
11. In September 2017, Scorpio Tankers Inc. closed the merger with Navig8 Product Tankers Inc. (NPTI). Scorpio has issued 55 million shares of its common stock to the holders of NTPI's common shares. Scorpio announced that through the merger and related transactions, Scorpio has acquired an operating fleet of 27 eco-design product tankers and an aggregate carrying capacity of approximately 2.6 million dwt. Scorpio's operating fleet now consists of 105 owned or finance leased tankers with a weighted average age of approximately 2.1 years, and 20 time or bareboat chartered-in tankers.

12. In September 2017, the Maritime and Port Authority of Singapore (MPA) formed the International Maritime Centre (IMC) 2030 Advisory Committee to chart the future directions of Singapore's IMC. The Committee, chaired by Mr Andreas Sohmen-Pao, Chairman of BW Group, laid out its vision for Singapore in the IMC 2030 Strategic Review report it submitted to the government. The Committee's vision is for Maritime Singapore to be the Global Maritime Hub for Connectivity, Innovation and Talent.

13. In September 2017, FueLNG, the joint venture between a unit of Keppel Offshore & Marine (Keppel O&M) and Shell Eastern Petroleum completed the first commercial Liquefied Natural Gas (LNG) bunker transfer in Singapore. The two companies behind the joint venture were awarded one of two LNG bunkering licences by the Maritime and Port Authority of Singapore (MPA) in January 2016.

14. In October 2017, alternative capital provider Fleetscape Capital Holdings closed its first investment capital raise with US$ 400m to be deployed to shipping and offshore vessel owners. The capital was raised from funds backed by private equity's Oaktree Capital Management.

Shipping confidence continues to rise, reaches three-year high



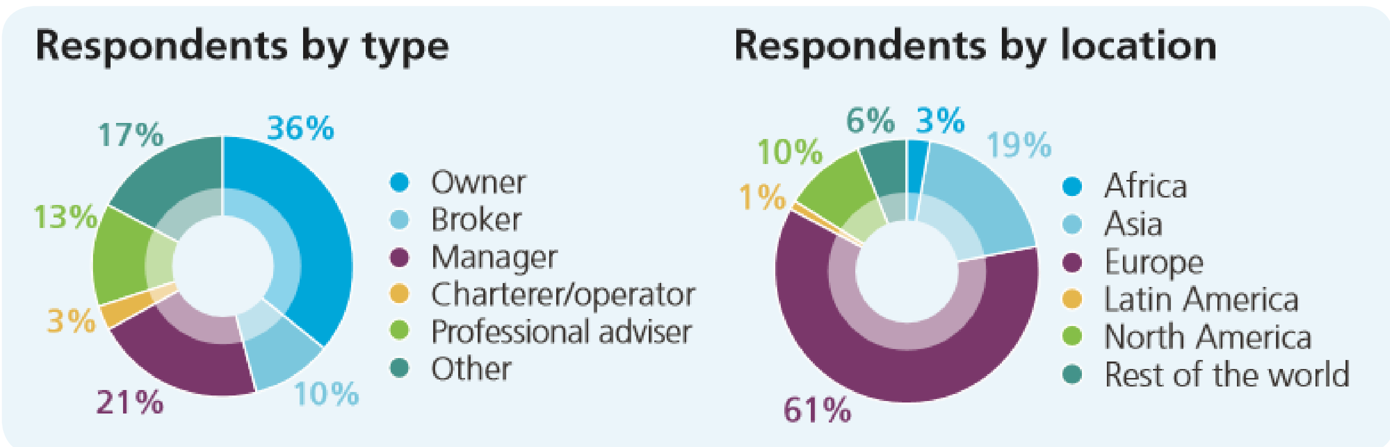
The recent Shipping Confidence Survey from Moore Stephens found that confidence has been steadily increasing over the past 15 months, and has reached its highest rating during the three months ending August 2017.

The overall confidence level rating rose to a three-year high of 6.2, a small improvement from the 6.1 recorded in the previous survey in May 2017. The increase was attributable mainly to increased confidence on the part of owners, up from 6.1 to 6.5. Confidence levels dropped for the other main categories of respondents to the survey, notably on the part of managers and charterers – from 6.2 to 5.8 and from 6.4 to 4.7 respectively, the lowest levels in both segments since May 2016. Confidence levels on the part of the brokers also fell from 6.4 to 6.3.

Geographically, confidence levels were up in Asia, recording their highest since May 2014 at 6.4. Confidence was also up in Europe from 6.2 to 6.3, but down in North America, from 6.4 to 5.8.

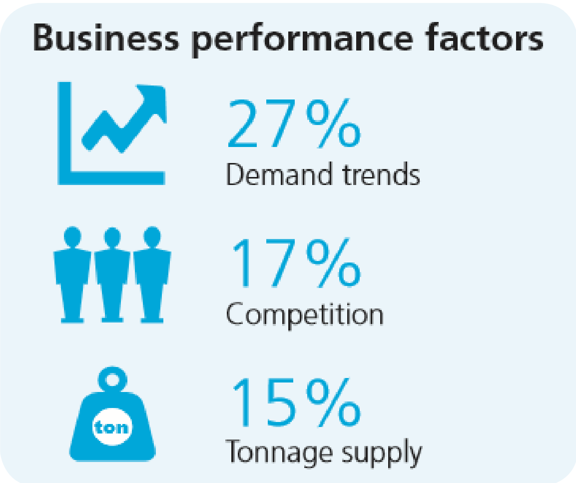
Despite continuing concerns about overtonnaging in many trades and uncertainty over Brexit, several respondents saw reasons for optimism over the coming 12 months. This helped to maintain expectations of respondents making a major investment or significant development over the next 12 months at a rating of 5.4 out of 10.0. This represents the highest level achieved since August 2014, and this despite a slight fall this time (from 5.9 to 5.8) in the expectations of owners, and a much larger one (from 6.3 to 4.0) by charterers. The expectations of respondents in Asia were up, from 5.1 to 5.9, but down in Europe, from 5.4 to 5.2.

The number or respondents who expected finance costs to increase over the coming year was unchanged from the previous survey at 50%. Owners' expectations remained at 48%, while that of managers and charterers increased from 57% to 62% and 57% to 67%, respectively. Brokers' expectation fell from 63% to 42% expecting finance costs to go down.



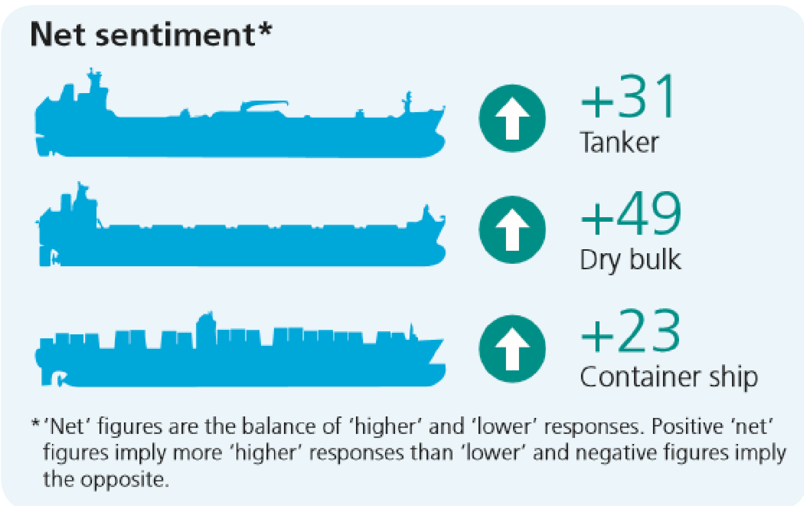
Shipping confidence continues to rise, reaches three-year high (Cont.)

Demand trends, cited by 27% of respondents, continued to be the factor expected to influence performance most significantly over the next 12 months, followed by competition (17%) and tonnage supply (15%), displacing finance costs at third place.



The number of respondents expecting higher freight rates over the next 12 months increased from the previous survey, reporting a positive overall net sentiment in all sectors. 45% of respondents in the tanker market expected improved rates, up from 32%, while the number anticipating lower tanker rates fell from 16% to 14%. Meanwhile, there was a 2 percentage-point drop, to 56%, in the numbers anticipating higher rates in the dry bulk sector, the second-highest figure in three and a half years. In the container ship sector, the numbers expecting higher rates fell from 46% to 40%, while there was a five percentage-point increase, to 17%, in those anticipating lower rates.

Separately, when asked to rank in order of priority what they consider to be the most significant new sources of finance for shipping over the next 12 months, 27% of the respondents ranked bank finance as their first choice, followed by private equity (18%) and lease finance (14%).



The Moore Stephens survey showed a steady rise in confidence over the past 15 months, more confidence for industry players to make a major investment over the coming year, and a positive net sentiment in all major sectors. Richard Greiner, Moore Stephens partner, said: "This welcome boost in confidence comes at a difficult time for the industry, beset by overtonnaging in many trades, the current and impending cost of regulatory compliance, and more widely by geo-political pressures. Clearly, shipping still has a lot to offer existing and new investors alike, both traditional and external."

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Vessel Running Costs fall for the 5th year in a row

Moore Stephens has recently published its OpCost 2017 Report, a benchmarking study of vessel running costs. The data comprised 3,300 vessels across 23 vessel types in three main categories – Bulkers, Tankers and Containerships.

Changes in total costs

Vessel running costs have fallen for the 5th year in a row, by an average of 1.1%. All categories of expenditure have fallen, in particular insurance costs and stores. The average level of decrease varies across sectors:

- Bulkers - 1.9%
- Tankers - 1.4%
- Containerships - 0.5%

In terms of individual cost categories the reductions vary quite a bit:

- Crew costs - 0.4%
- Stores - 2.9%
- Repairs & maintenance - 0.8%
- Insurance - 3.0%

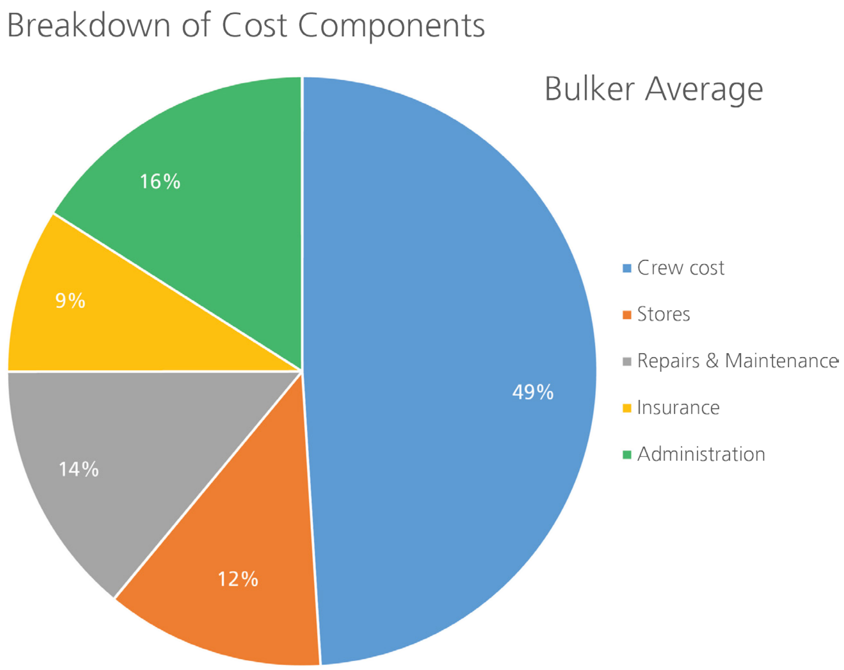
Vessel Operating Costs

Year	Change (%)
2011	2.1%
2012	-1.8%
2013	-0.3%
2014	-0.8%
2015	-2.4%
2016	-1.1%

If we look at the individual market segments there are some significant variations.

Bulkers

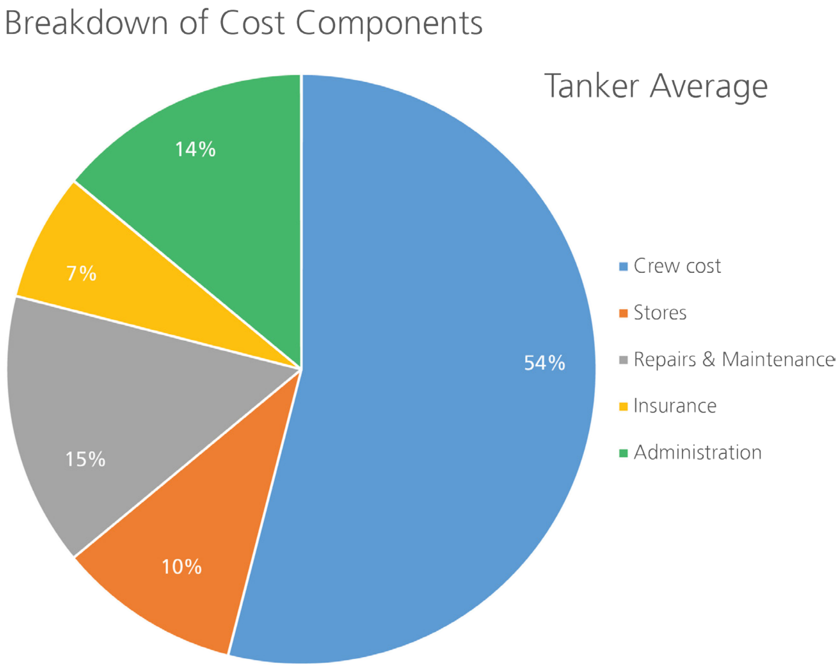
All of the four main cost categories experienced a decline with insurance costs leading the way at 5%, which followed on from last year's fall of 4.2%. Stores fell by some 4.2% compared to a fall of 7.7% in the previous year. Repairs and maintenance were down by 2.2% compared to a decline of 4.9% in 2015. Crew costs, the largest cost component, fell by 0.6% compared to last year's decline of 1.1%.



Vessel Running Costs fall for the 5th year in a row (Cont.)

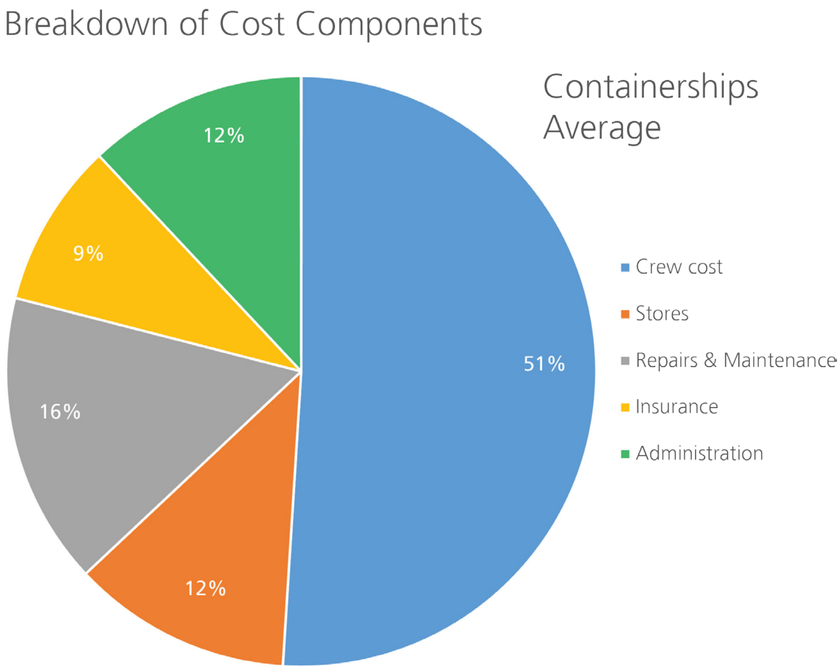
Tankers

Repairs & maintenance of tankers fell by 1.7% in 2016, compared to a decline of 4.7% in the previous year. Insurance costs fell by 2.6% compared to the fall of 3.2% in 2015. Meanwhile stores and crew costs fell by 2.2% and 1.8% respectively compared to the 4.3% and 1.3% decline in 2015.



Containerships

Overall, Containerships showed the smallest drop in operating costs amongst the three main sectors of just 0.6%. Three categories of costs recorded significant falls: stores down by 5.2%, insurance down by 4.9% and repairs & maintenance down by 1.6%. The odd one out was crew costs which have increased by 1.1% compared to last year's fall of 3.3%.



Vessel Running Costs fall for the 5th year in a row (Cont.)

What does it all mean?

The shipping industry has been in a trough since the heady days of 2008, when you may recall the Baltic Dry Index rose as high as 11,793. On 10 February, 2016 it reached an all-time low of 290 and has since recovered to a modest 1,400. The industry has gone through enormous structural changes in this period. Just one aspect of this is the challenge to drive costs down – as we have seen over the last 5 years. If we take crew costs, which is by far the largest cost component, the OpCost study has recorded an average increase of more than 20% over the years. The fall in the current year is marginal but is representative of the drive for efficiency, with smaller crews manning ships. Indeed the future of autonomous ships may be just around the corner, with the crewless vessel, Yara Birkeland, due to launch in 2018 before becoming fully self-guided by 2020. Its developers, Yara International, suggest that annual operating costs may be cut by up to 90%.

As we all know the shipping industry is a cyclical one, and there is a current sense of optimism (see earlier article on shipping confidence) with expected investment on the increase in the near term. Cost pressures will come – compliance with the Ballast Water Management Convention and the new global limit on SOx emissions from 2020 to name just a couple. The reduction in costs over the past 5 years reflect industry-wide efforts to streamline and be more efficient. Cost effectiveness via constant cost benchmarking and improvement can be the critical differentiator between profitable companies and corporate failures in challenging times. In the cyclical shipping industry, it is not a question of whether such downturns will come, but when.

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Key Legislative Amendments

The Companies (Amendment) Bill and Limited Liability Partnerships (Amendment) Bill 2017 were passed by the Singapore Parliament on 10 March 2017. The Accounting and Corporate Regulatory Authority ("ACRA") subsequently released that the changes to the Companies Act would be implemented in three phases. The first phase was implemented on 31 March 2017, and the remaining two phases would take effect in late 2017 and early 2018 respectively. The objectives for the latest key legislative amendments are aiming to improve the transparency of ownership and control of companies, reduce their regulatory burden and compliance costs and introduce an inward redomiciliation regime. This is intended to bring Singapore in line with international standards and boost Singapore's on-going efforts to maintain its strong reputation as a trusted and clean financial hub.

A summary of the key legislative amendments effective 31 March 2017 are set out below:-

- **Maintaining a register of registrable controllers (beneficial owners) information and register of nominee director/s**

All companies, foreign companies and Limited Liability Partnerships ("LLPs") (unless exempted by legislation) are required to maintain a register of registrable controllers. Companies are also required to maintain a register of nominee directors. Existing eligible entities are required to comply with the new requirement within 60 days after 31 March 2017. For eligible entities incorporated/registered on or after 31 March 2017, they are required to set up the required registers within 30 days after the date of incorporation.

A Controller is defined as an individual or a legal entity that has a "**significant interest**" in or "**significant control**" over the company. A controller based on "significant interest" or "significant control" may include the following:

Controller based on significant interest	Controller based on significant control
Interest in more than 25% of the shares	Holds the right to appoint or remove directors who hold a majority of the voting rights at directors' meetings
Shares with more than 25% of total voting power in the company	Holds more than 25% of the rights to vote on matters that are to be decided upon by a vote of the members of the company
Right to share in more than 25% of the capital or profits of the company (for companies without share capital)	Exercises or has the right to exercise significant influence or control over the company

A nominee director must disclose his nominee status and nominator's particulars to the companies where he is a director.

Key Legislative Amendments (Cont.)

Both registers relating to controllers and nominee directors will be kept only by the corporate entity and will not be made available to the public. They can be maintained at the corporate entity's registered office or the registered office of the registered filing agent. The registers are only subject to inspection by ACRA and other public agencies upon request. Companies, foreign companies and LLPs must declare to ACRA the location of these registers when filing the annual returns.

For more information, please refer to https://www.acra.gov.sg/Register_of_controllers_resources/ for more details.

- **Maintaining public register of members for foreign companies**

Foreign companies are required to maintain a public register of members which is similar to the current requirement for public companies to maintain their register of members. A similar transitional period of 30/60 days applies.

- **Removal of legal requirement for companies and LLPs to use the common seal**

Companies and LLPs are given the option not to use the common seal. Companies and LLPs can choose to retain the use of a common seal based on business needs.

- **Records Retention for wound up and struck off entities**

Liquidators of wound up companies and LLPs must retain all books and papers of the company and of the liquidator that are relevant to the affairs of the company at or subsequent to the commencement of the winding up of the company shall, as between the contributories of the company for a period of 5 years from the date of dissolution. The option for early destruction of documents is removed.

Officers of struck off companies and LLPs must ensure that books and papers of the companies and LLPs are retained for a period of at least 5 years after the date on which the company was struck off.

Key Legislative Amendments (Cont.)

- **Introduction of Inward re-domiciliation for foreign entities Regime**

The Companies (Amendment) Act 2017 has introduced an inward re-domiciliation system in Singapore which permits a foreign corporation to transfer its registration from its original jurisdiction to Singapore (i.e. foreign corporate entities that may want to relocate their regional and worldwide headquarters to Singapore and still retain their corporate history and branding) instead of incorporating a new legal entity in Singapore. This amendment will take effect from 11 October 2017.

A re-domiciled company will become a Singapore company and will be required to comply with the Companies Act like any other Singapore company. Re-domiciliation will not affect the obligations, liabilities, properties or rights of the foreign corporate entities.

A summary of the key legislative amendments targeted for implementation in early 2018 are set out below:-

- **Alignment of timelines for holding Annual General Meetings ("AGM") and filing Annual Returns to the Financial Year End ("FYE")**

  1. **Subject to specific safeguards, all private companies will be exempted from holding AGMs.**
     a) For Listed companies, AGMs are required to be held within 4 months after the end of their FYE.
     b) For Non-listed companies, AGMs are required to be held within 6 months after their FYE.

  2. **Filing of Annual Returns**
     a) For companies with a share capital and keep a branch register outside Singapore, they are required to file annual returns within 6 months (for listed companies) or 8 months (for non-listed companies) after their FYE.
     b) For other companies, they are required to file annual return within 5 months (for listed companies) or 7 months (for non-listed companies) after their FYE.

  3. **Introduce laws to regulate the financial year of companies**

     Safeguards will be put in place to prevent companies from arbitrarily changing their FYE.

ACRA will notify all companies closer to the implementation date (first half of 2018) of these legislative changes.

Budgeting & Forecasting : Put an End to Inefficient Planning Cycles

You want full business partner participation in planning, budgeting, and forecasting but you struggle to engage other departments in the process. Does this sound familiar?

We thought so. But don't fret. Here are five tips to ignite cross-functional engagement and build confidence in the financial planning process.

1. Define your strategy—and then align your financial plan

In this Harvard Business Review article, "The Big Lie of Strategic Planning," well-known business strategist Roger Martin argues that putting the words "strategic" and "plan" together only leads to both being ineffective. Rather, he says strategy should focus solely on how to most effectively generate revenue or achieve the company's highest priorities. Once a clear strategy is established, then the annual financial planning process takes on the now-relevant role of assessing the costs and resources required to best achieve those goals.

Not only does this approach provide more clarity, but it also ultimately aligns budgeting and planning with the revenue-generating or high-priority goals of the organization. Finance can take a step toward this culture shift by playing a leadership role in encouraging development of a coherent strategy so financial planning becomes more relevant and connected to top priorities. This sets up finance for more productive conversations with business leaders as functional plans align to the corporate strategy.

2. Take a rolling approach

Why put time and effort into an "annual plan" that will largely be outdated and irrelevant by the end of the first quarter? That's the thinking of many business line leaders. The reality is that the pace of change today is such that locking in a plan for an entire year often only assures cynicism from those enlisted to help create it.

There is a better way. Rolling forecasts occur on a regular cadence instead of being once-a-year exercises. Unlike budgets bogged down with hundreds of line items, rolling budgets focus on key business drivers. Rolling forecasts are forward-looking and can act as an early warning system when you've drifted off course, so you can quickly adjust the levers that drive performance.

Budgeting & Forecasting : Put an End to Inefficient Planning Cycles (Cont.)

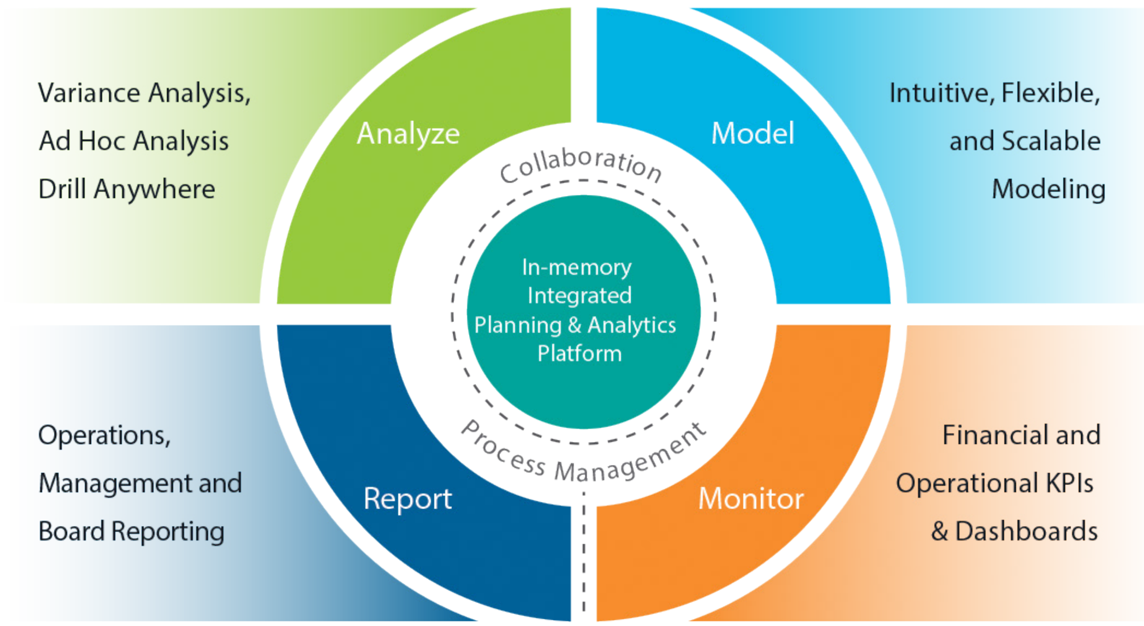
3. Increase transparency and visibility

If you only reach out to business leaders in November each year and they don't hear from you again, it's little wonder that they become skeptical and cynical about the process. Successful financial planning requires engagement throughout the year, and an essential way to encourage that is by providing greater real-time visibility into analytics, trends, and results.

Finance can leverage new technology solutions that offer a dynamic 360-degree of the business and feature dashboards that can provide a full spectrum of customized data and insights in real time. When the tired, dust-collecting budget in a binder transforms into a dynamic electronic window into the organization, your business partners are bound to become more engaged in the process in a meaningful and ongoing way.

4. Go beyond the usual suspects

Once a more dynamic rolling plan emerges, there is significant opportunity to dig deeper into the organization to more clearly identify key drivers of results and revenues—as well as issues and programs that are elevating costs. A key way to deepen engagement and get more relevant data and insights is to tap the knowledge and expertise of those who are closer to the front lines of the business or operation. Work with business leaders to identify the people on their teams who have hands-on insight into the challenges and opportunities they deal with every day.



Budgeting & Forecasting : Put an End to Inefficient Planning Cycles (Cont.)

5. Communicate early and often

As with just about any major business initiative, communication is the key to driving long-term engagement and results. Adopt an approach that ensures communication touch points throughout the year to encourage input and refine processes and workflows. As engagement deepens, more on-the-fly communications and connections should emerge. By evolving your process from a dreaded once-a-year event to an ongoing conversation about the business and how to get the best results, you will build relationships and trust that assure a more relevant plan emerges.

No doubt, these changes won't happen overnight. Yet by systematically developing a new, more dynamic, and flexible approach to annual planning, you will get deeper engagement, more timely information and insights, and better results.

Contact us @ info@msit.com.sg to find out how to transform your planning and forecasting practice.

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Singapore Reporting Standard Seminar 2017

"…based on the Draft Income Taxation Bill (Amendment) Bill 2017 and Ministry of Finance responses to the public consultation, it is probable that Singapore taxation of revenue and financial instruments will be substantially aligned with financial reporting based on both IFRS 15/ FRS 115 and IFRS 9/ FRS 109 from 2018 onwards…"

Delegates at the Moore Stephens Financial Reporting Seminar 2017

Companies need to brace up for a challenging reporting season ahead, as they grapple with both the 2017 audit and the transition to new financial reporting rules applicable in 2018, in particular, those relating to revenue and financial instruments. Additionally, listed companies reporting under Singapore Financial Reporting Standards (FRS) need to manage the process of converging with International Financial Reporting Standards (IFRS), in time for 2018 first quarter reporting. This is according to speakers at the Moore Stephens Financial Reporting Seminar 2017, held at Suntec City Convention Centre on 22 September 2017 and attended by more than 200 participants including company directors, Chief Financial Officers, and finance executives.

Applying the New Revenue Framework

The new framework for recognition of revenue in IFRS 15 (or FRS 115) Revenue from Contracts with Customers, that applies from 2018, will have wide-ranging financial effects, according to Mr. Wong Koon Min, Partner and Head of Professional Standards at Moore Stephens LLP. Leveraging on the implementation framework presented in the previous year's seminar, Mr. Wong illustrated how significant changes can arise in both the amount and timing of revenue under IFRS 15, with example analyses based on common revenue contractual terms across a broad sample of industries, including commodities, manufacturing, shipping, information technology, insurance brokerage, construction and real estate.

Singapore Reporting Reporting Standard Seminar 2017 (Cont.)

Converging with IFRS

From 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange (SGX) are required to apply a new financial reporting framework identical to the International Financial Reporting Standards (IFRS). Accordingly, companies that currently report under FRS will have to record GAAP adjustments to converge with IFRS. Although FRS is substantially similar to IFRS, Mr. Wong cautioned that GAAP differences still exist. Further, the effective dates of certain financial reporting requirements differ between FRS and IFRS, which can also create GAAP differences. Companies need to study the impact carefully to ensure that all material differences between FRS and IFRS are appropriately dealt with.

Understanding the New Framework for Financial Instruments

Thereafter, Dr Andrew Lee, Associate Professor of Accounting Practice at the Singapore Management University, took the stage to provide participants with comprehensive insight into the new accounting requirements for financial instruments in IFRS 9 (or FRS 109) Financial Instruments. Under the new requirements, companies need to re-consider the classifications of their financial investments, re-measure financial asset impairment provisions, and optionally adopt the new hedge accounting model provided by IFRS 9. The new requirements are complex and require an understanding of both the sophisticated financial products of today as well as credit structure.

Managing the New Lease Accounting Framework

Beyond 2018, the new lease accounting framework in IFRS 16 (or FRS 116) Leases will take effect from 2019, which require lessees to capitalise most leases by recording the present value of lease payments

Panel Discussion (L) to (R): Mr. Neo Keng Jin, Mr. Wong Koon Min, Dr. Andrew Lee and Mr. Lim Peng Huat. Sharing of views between speakers and delegates.

Singapore Reporting Reporting Standard Seminar 2017 (Cont.)

upfront as an asset and liability. The new requirements will likely result in deterioration of gearing and profitability for most companies, which can in turn lead to adverse implications for loan covenants and key performance indicators. Mr. Wong opined that the true challenge for management will be to manage these financial effects, which require both upfront stakeholder communication and proactive management of leasing contracts. Through a series of examples, Mr. Wong examined possible strategies to manage such financial effects.

Considering Taxation and Other Implementation Issues

Companies must prepare for the taxation implications of the new financial reporting framework for revenue and financial instruments, according to panellists at the panel session led by Mr. Neo Keng Jin, Partner and Head of Audit and Assurance at Moore Stephens LLP. In addition to the speakers, the panellists included Mr. Lim Peng Huat, Director of Accounting & Taxation Services at Complete Corporate Services Pte Ltd. Based on the Draft Income Taxation Bill (Amendment) Bill 2017 and the Ministry of Finance responses to the public consultation, it is probable that Singapore taxation of revenue and financial instruments will be substantially aligned with financial reporting based on both IFRS 15/ FRS 115 and IFRS 9/ FRS 109 from 2018 onwards, which can have potentially significant income tax consequences for companies. Panellists concluded that a comprehensively-considered and well-structured implementation process is needed to avoid negative and unintended consequences.

Thereafter, the seminar was thrown open to the floor for questions from participants, following which tokens of appreciation were presented to speakers. The seminar ended at 5.30pm.

(L) to (R): Mr. Neo Keng Jin, Mr. Wong Koon Min, Mr. Mick Aw, Dr. Andrew Lee and Mr. Lim Peng Huat.

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Moore Stephens in the News

The Business Times | Wednesday, September 6 2017

Shipping should do more to manage exposure to risk

Effective risk management has improved but exposure to risk is increasing and changing in nature: study

WED, SEP 06, 2017 - 5:50 AM

DAVID HUGHES

BY its nature, operating merchant ships involves taking risks. The cynic might say shipowners risk their money while their crews risk their lives. The two sorts of risks are of course intertwined. And the analytical skills of an accountant are useful in assessing risk.

So we should pay attention to the third annual Shipping Risk Survey from international accountant and shipping adviser Moore Stephens, as long as we remember what risk feels like in a Force 11 off the Cape of Good Hope with the deck cargo shifting.

Moore Stephens says that the effective management of risk within the industry has improved slightly over the past 12 months. But shipping, it adds, still needs to up its game in terms of managing its exposure to risk, which is increasing and changing in nature, not least in terms of the threat posed by cybersecurity.

Ratings and demand

Cyberthreats are the big talking point now and we will come back to that. The accountant says that respondents to the survey rated the extent to which enterprise and business risk management is contributing to the success of their organisation at an average 6.8 out of a possible score of 10, compared to 6.6 last time.

SEE ALSO: Arctic route - cool idea with chilling concerns

Charterers returned the highest rating (8.8) in this regard, followed by owners (6.9) and ship managers (6.8). Brokers returned the lowest rating at 6.3. Geographically, Europe (7) was ahead of Asia (6.6), but it was the Middle East which returned the highest figure, at 7.8.

Demand trends were deemed by the greatest number of respondents to pose the highest level of risk, closely followed by competition and the cost and availability of finance. Demand trends were thought to pose the highest level of risk for owners, charterers and brokers, while for managers it was competition that topped the list.

"The effective management of risk is fundamental to both safety and commercial success in the shipping industry. The level of effective management of risk must continue to improve."

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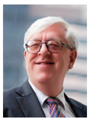

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