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ISSUE 10: DECEMBER 2007

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Introduction

The ease of setting up and conducting business in Singapore is a benchmark for many emerging and established markets globally. Encouraging the influx and growth of global business ranks high on the list of government priorities in this small yet highly strategic nation.

Information on the processes, advantages and incentives supporting the above claim can be readily found within publications and websites of the Singapore government and through contact with trade bodies such as the International Chambers of Trade and Commerce. The author will be pleased to provide further details on such information sources.

Beyond a brief testimonial to Singapore's attraction as a business destination, this article summarises two very significant and currently relevant updates on *Resident Director Obligations* and useful *Information for Directors on the New Annual Financial Reports Filing Requirements (XBRL Reporting)*.

Both are aimed at providing useful updates to Directors and senior managers of Singapore-based Companies on matters that directly influence their realm of responsibilities.

Executive Brief on Corporate Singapore:

Singapore adopted the British legal system to establish a comprehensive and stable Corporate Governance framework. Tempered by generations of experience in common law, this system provides excellent transparency and accountability that differentiates Singapore favorably as one of the prime destinations for conducting global business.

The contractual convenience offered under this efficient framework is one of the most influencing advantages in raising Singapore's Corporate destination rankings. English as the official language, minimal intervention from authorities on contractual terms and agreements and the strategic flexibility afforded for



dispute resolution through contractual and arbitrary avenues are but some of the key contributors towards this important advantage.

Leading on to the two focus areas for this article.....

Resident Director Obligations: -

It may seem strange to discuss "resignations" instead of dwelling on happier aspects such as "remunerations and benefits" or "legitimate avenues for paying zero income tax", but being familiar with the relatively lesser known strictures governing the resignation of resident directors under Singapore law is in our experience-based opinion, a significantly important bit of information that every Resident Director should be aware of.

A corollary consequence to the principles that no director may be appointed as such without his consent is that directors are generally free to resign from office. The only exception is where the director's resignation will leave the company with no director ordinarily resident in Singapore, in which case, any purported attempt at resignation will be **invalid** as per Section 145(5) of the Companies Act.

When a director wishes to resign, he must comply with the procedures pro-

vided for under the Company's articles. The usual practice is to require the director to send a written notice of resignation to the Company's registered office. The resignation need not be accepted by the board for it to be effective.

However, even if the resignation is deemed effective, till such time that a relieving resident director is appointed, the resigning Director is literally stuck if he is the only resident director in the Company. He cannot remove himself as a director of the company.

On a lighter note, it seems like a line from the legendary Eagles ballad "Hotel California" ...*you can check out any time you want...but you can never leave!!*

In addition, the company secretary will have to lodge a prescribed notice of the director's vacation of office (whether by resignation or otherwise) with the Registrar within one month of a person ceasing to be a director of the Company. It is indeed prudent for the resigning director to satisfy himself that the Registry has been informed.

It is thus important that resident directors have a contract with well-defined set of exit terms in addition to the emphasis commonly placed on appointment and remunerative details. ▶

Information for Directors on New Annual Financial Reports Filing (XBRL Reporting).

Currently, Singapore registered companies are required to file their financial statements and the accompanying documents with ACRA, do so in Portable Document Format ("PDF").

With effect from 1 November 2007, companies need to file their accounts in a new format called eXtensible Business Reporting Language ("XBRL") for financial statements ending on or after 30 April 2007.

Unlike the current method of filing financial statement in PDF format, XBRL allows the financial information to be transferred directly to users such as auditors, regulators and financial analysts and used for various purposes in business. XBRL is rapidly being adopted as the standard financial reporting format. Adopting XBRL will make ACRA more transparent and aligned to global practices. It will also allow for better security, transparency and faster access to co-ordinated financial information.

It must be noted however that not all types of companies will be affected by these latest changes. At the moment the following are not compelled to file XBRL accounts.

- (a) Company limited by guarantee
- (b) Foreign Companies with their local branches; and
- (c) Exempt private companies (EPC's) that are solvent for the financial period concerned and are not required to file financial statements under the Singapore Companies Act, Chapter 50 currently.

So how does this new requirement affect Directors...

- Preparation of financial statements may initially take longer to prepare. Your service provider or in-house resources managing such reporting will need more lead-time.
- Cost to Company towards such reporting will increase. If outsourced, your financial reporting will surely incur a higher fee given the increase in effort required.
- Training in XBRL will need to be provided to staff and management directly involved in preparation of financial reports. For review of such reports, in-house familiarization seems to be adequate.
- Authorized, trained users can avail of the higher versatility of the XBRL reporting system towards sorting and accessing financial data and conforming to global standards.

Directors must be clear that regardless of the change in reporting or of the entity preparing financial reports (be it in-house or outsourced, e.g. the company secretary, etc), the entire responsibility for the accuracy, submission and compliance of financial reports will continue to rest with the Director/s as before.

Singapore has seldom seen such a spurt in influx of overseas businesses inwards. This is an exciting era in the history of Corporate Singapore and we at MC Corporate Services backed by over 22 years of leading experience look forward to the prospect of serving you. ■

**MANAGING DIRECTOR:
HELEN CAMPOS (LL.B-HONS.
LONDON, FCIS, BARRISTER,
MIDDLE TEMPLE)**

**DIRECTOR/PARTNER:
FARZIN R. KARMA (MBA, C.ENG-UK
HONS., MI MARE, MIE,)**

(www.mccorporate.com.sg)

