Hello NewsFlash

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During the third quarter of 2021, IFRS IC and SAK IAI released guidance on the accounting treatment for configuration and customisation ('CC') costs in a cloud computing arrangement, an amendment clarifying how companies should distinguish changes in accounting policies and estimates, and an exposure draft related to the deferred tax impacts arising from lease transactions for the lessee and decommissioning obligations.

Capital market landscapes for Indonesia Q3 2021: Indonesia has exited the COVID-19 crisis (the economic recession ended in Q2 2021 and the number of new COVID-19 cases deaths eased significantly), and Indonesia's capital market recovery is to remain on track. IDX and OJK will provide stimulus and relaxation for listed companies and potential listed companies in maintaining capital market performances and stability due to the spread of COVID-19.

The use of SPAC as a way to be listed in the stock exchange. How does a SPAC transaction work? We discuss the flow process and accounting treatment in a nutshell.

Good News from IFRS IC and IAI

During the third quarter of 2021, IFRS IC released a guidance on the accounting treatment for CC costs in a cloud computing arrangement.

DSAK IAI also released an amendment on PSAK 1 and PSAK 25 clarifying how companies should distinguish changes in accounting policies from changes in accounting estimates. An exposure draft of PSAK 46 has been also produces related to the deferred tax impacts arising from lease transactions for the lessee and decommissioning obligations.

Configuration and customisation costs in a Cloud Computing Arrangement

The March 2021 IFRS IC update included an agenda decision on CC costs in a cloud computing arrangement. The agenda decision includes steps which entities should consider in accounting for such CC costs. The key areas of consideration are as follows:

- Can the costs be capitalised as an intangible asset?
- Can the costs be capitalised as a prepayment, or should the costs be expensed when incurred?

This will impact entities that incur CC costs associated with a software as a service (SaaS) cloud arrangement and might result in a change in accounting policy. Entities should ensure they dedicate sufficient resources to obtain the historical information about their current and previous SaaS arrangements to implement any change in accounting policy appropriately and on a timely basis.

Amendments to PSAK 1, 'Presentation of financial statements' and PSAK 25,' Accounting policies, changes in accounting estimates and errors'

On 28 July 2021, DSAK IAI published an amendment to PSAK 1, Presentation of financial statement, to require companies to disclose their material accounting policy. The amendment to PSAK 25, 'Accounting Policies, Changes in Accounting Estimates and Errors', clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The amendments should help companies:
- to improve accounting policy disclosures, either by making the disclosures more specific to the entity or by reducing generic disclosures that are commonly understood applications of IFRS; and
- to distinguish changes in accounting estimates from changes in accounting policies.

These amendments are not expected to have a significant impact on the preparation of financial statements.

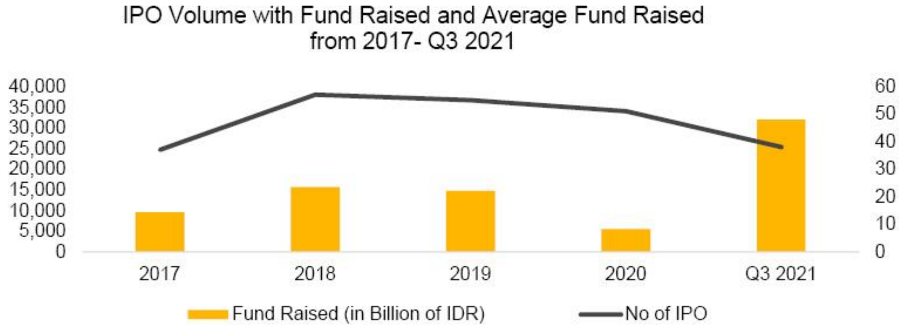
These amendments should be applied for annual periods beginning on or after 1 January 2023. Earlier application is permitted. The amendments should be applied prospectively.

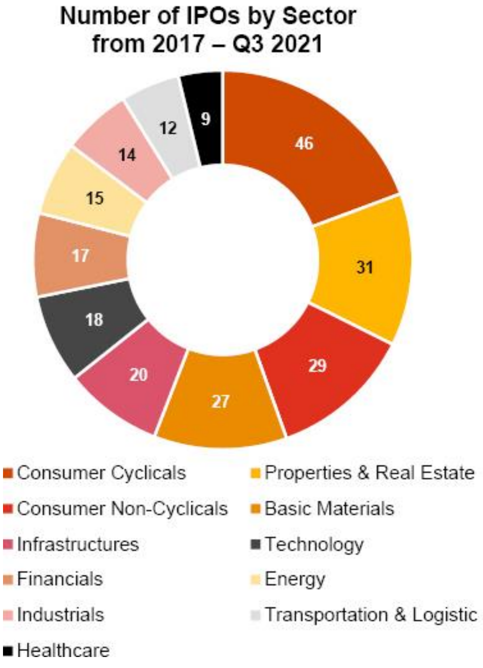
Exposure draft Amendments to PSAK 46: deferred tax related to assets and liabilities arising from a single transaction

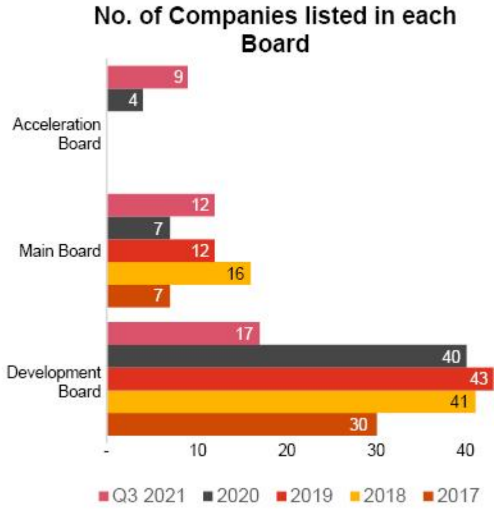
The DSAK has issued an exposure draft of amended PSAK 46, 'Income taxes', to require companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations.

These amendments might have a significant impact on the preparation of financial statements by companies that have substantial balances of right-of-use assets, lease liabilities, decommissioning, restoration and similar liabilities. The impact for those affected would be the recognition of additional deferred tax assets and liabilities.

Overview of IPO in IDX

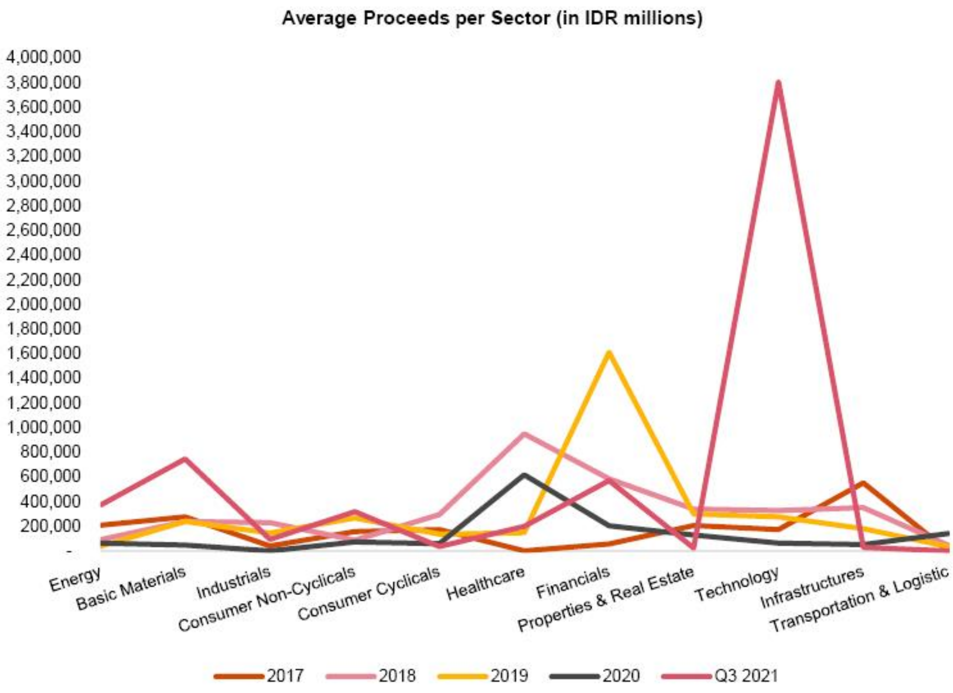






<u>While the number of IPO's shrink, the proceeds flourish</u>

- Despite the challenging economic conditions, the Indonesia Stock Exchange (IDX) attracted 38 new listings this year (2020: 51), raising a combine proceeds of IDR 31,993 billion (2020: 5,578 billion).
- Previously during 2020, the number of deals have declined from 55 in 2019 to 51 in 2020. The IPO funds raised have also shrunk from IDR 14,778 billion in 2019 to only IDR 5,578 billion in 2020. This slowdown of IPO activities was the result of the pandemic outbreak
- Currently, there are total 750 companies listed on the IDX
- The Acceleration Board, which allows the listing of small and medium-sized companies that have potential but are not yet qualified to be listed on the Development Board was introduced in 2020 to boost SMEs and Start-Ups; Total 13 companies listed as of 30 September 2021
- The number of new stock investors or single investor identifications (SID) also has continued to increase in the last 8 months in 2021 and has reached a new record, which is 1 million new stock investors.



Focus Sector: Technology

- On August 6, 2021, PT Bukalapak.com Tbk (stock code: BUKA) made history in the Indonesian capital market (IDX) by becoming the first unicorn technology start-up listed in the Indonesian Stock Exchange with total funds raised amounting to IDR 21.9 Trillion (which is also the highest proceeds in IDX for the last four years).
  This has made the technology sector the sector with the highest average proceeds during 2021 with IDR 3.8 Trillion.
- More start-up or Indonesian technology companies are expect to conduct an IPO in the IDX and this will certainly increase the market cap of stocks on the IDX and attract more investors.

Outlook for the Remainder of 2021

With positive market sentiment providing continued support to global IPO activity and a significant number of companies gearing up for IPOs, we expect a steady pipeline of deals in the last quarter of 2021. Ever since the Indonesian economy was disrupted by COVID-19, markets have adapted to virtual ways of working and innovation has been front of mind.

OJK Regulations – What's New in 2021

New OJK Regulation effective in 2021 in Capital Market sector related to Issuer and Public Company.

II. 20 /SEOJK.04/2021 - Stimulus Policy and Relaxation of Provisions Related to Issuers or Public Companies in Maintaining Capital Market Performance and Stability Due to the Spread of Corona Virus Disease 2019

- The financial services regulator's latest intervention comes in the form of Circular No. 20/SEOJK.04/2021 on Further Incentives and Relaxations of Provisions Related to Issuers / Public Companies for the Maintenance of Capital Market Performance and Stability in Response to Corona Virus Disease 2019 ("Circ. 20").The circular, which entered into force on 10 August 2021, is an implementing instrument for OJK Regulation 7/POJK.04/2021.

- Summarised below are the key changes of the stimulus and relaxation of some related conditions for the issuer or the public:

Description	Stimulus or Relaxation
Extension of the validity period of the financial statements	• The validity period of the financial statements figure used in the registration statement has been extended to a maximum 8 months (previously 6 months); • In terms of the period of the financial statements used for public offering is more than 6 months, the company should disclose current highlights of important financial data in the registration statement or prospectus
Extension of the validity period of the appraiser's report	• The validity period of the appraiser's report used in the registration statement has been extended to a maximum 8 months (previously 6 months)
Extension of the period of the book building (initial offer)	• The book-building process has been extended to 42 business days subsequent to the publication of the abridged prospectus or the issuance of a "pre-effective statement" by OJK
Postponement or cancellation of the public offering period	• There is no longer any time restriction on the postponement of a public offering period. A public company may either apply to the OJK for postponement or cancellation. Upon OJK approval for the application, the Company must announce the postponement or cancellation to the public
Extension to deadline for submission of Periodic Reports	• Annual financial statements: extended by 2 months from previous deadline (3 months from the company's financial period end); • Annual report: extended by 2 months from previous deadline (4 months from the company's financial period end); • Interim (mid-year) financial statements: extended by 1 month from previous deadline (3 months from the company's financial period end, depending on whether audited or unaudited); and • Audit committee's evaluation report: extended by 2 months from the previous deadline (6 months from Company's financial period end).
Extension to deadline for the general meeting of shareholders	• Public company's annual general meeting of shareholders: extended by 2 months from previous deadline (6 months from Company's financial period end); • General meeting of shareholders to approve the resignation of a director or commissioner: extended by 60 days from previous deadline (90 days after the date of receipt of the resignation letter).
Certain conditions for public company to increase capital without giving pre-	• A public Company that experiences certain financial conditions as a result of the COVID-19 pandemic could make additional capital without

Description	Stimulus or Relaxation
emptive rights (regulation POJK No. 14/POJK.04/2019)	giving the pre-emptive rights (HMETD) in order to improve financial position.
Expansion of E-Reporting and e-Disclosure	• OJK has allowed several type of reports to be submitted electronically, i.e. supplementary information reports related to a public offering
Use of e-IPO system	• Since January 2021, OJK has required companies to use the e-IPO system

Source: https://www.ojk.go.id/id/regulasi/Documents/Pages/Kebijakan-Stimulus-dan-Relaksasi-Ketentuan-Terkait-Emiten-atau-Perusahaan-Publik-dalam-Menjaga-Kinerja-/seojk%2020-2021.pdf

II. 16/SEOJK.04/2021 - Form and Content of the Issuer's or Public Company's Annual Report

- This regulation set out to overwrite regulation 29/POJK.04/2016 related to Issuer Annual Report or Public Company and in the context of implementing sustainable finance for issuers and public company as referred to in the Service Authority Regulation Finance Number 51/POJK.03/2017 concerning Sustainable Financial Implementation for Financial Services Institutions, Issuers, and Public Companies. Summarised below are the key changes and updates from the previous regulation:

Description	Update
Board of director's (BoD) report	A public company shall disclose: • The role of the BoD in formulating the strategy and strategic policy of the Company • The process carried out by BoD to ensure the implementation of the Company's strategy
Public company's profile	A public Company shall disclose: • Company's operational area • The list of industry association membership (national and international) related to the implementation of sustainable finance
Management discussion and analysis	If there is an affiliation relationship, the public company shall disclose: • A statement of the BoD that the procedures of the affiliated transactions is adequate (arm's length principle); • The role of the board of commissioners and the audit committee to ensure the procedures of the affiliate transactions is in accordance with generally accepted business practice
Corporate Governance	• General meeting of shareholders: A company shall disclose information in and a public company must use an independent party to count the vote in the general meeting of shareholders • Directors and commissioners must disclose regarding the training and/or improvement of the BoD's and BoC's competency (if any)

Description	Update
	• Nomination and remuneration of the board of directors and the board of commissioners: disclose nomination procedures, including brief description of nomination policy and process • Description of the company's internal control system and risk management system: disclose statement of the BoD and BoC on the adequacy of Company's internal control and risk management system • Policy of information disclosure: disclose the share ownership of BoD and BoC no later than three working days after the occurrence or change of the Company's share ownership • Description of the Company's anti-corruption policy disclose the company's program and procedures regarding fraud, bribery and gratification; the company's anti corruption training and socialisation to all the employees. The company must explain the reason if it does not have an anti-corruption policy
Corporate social responsibility (CSR)	Information disclosed in this section represent a sustainable report. The company shall disclose: a. Explanation of the company's sustainability strategy b. Summary of the sustainable aspect (economy, social, environment) c. Summary of Company's profile d. Explanation of the BoD e. Company's sustainability governance and performance f. Written verification from an independent's party (if any) g. Feedback form for reader h. Company's response on the prior year feedback

Source: https://www.ojk.go.id/id/regulasi/Documents/Pages/Bentuk-dan-Isi-Laporan-Tahunan--Emiten-atau-Perusahaan-Publik/SEOJK%20-%2016%20-%202021.pdf

IDX – What's New in Q3 2021

IDX Provides Stimulus for Listed Companies and Potential Listed Companies

In an effort to support the government and industry programs of the Indonesia Capital Market in countering the impact of the COVID-19 Pandemic, Indonesia Stock Exchange (IDX) together with the Financial Services Authority (OJK) have re-established the stimulus that will be given to capital market stakeholders, especially Listed Companies and Potential Listed Companies. The aim of this stimulus is to alleviate the economic burden that has been imposed, as well as to foster market optimism towards the growth in the capital market industry and the national financial sector due to the COVID-19 Pandemic.

IDX will provide support in the form of stimulus or special policies of the obligation to pay the initial listing fee and Listing fee for the additional shares that are deducted by 50 percent from the calculation of the value of each cost for Listed Companies and Prospective Listed Companies. This policy will be in place from August 30, 2021 to December 30, 2021.

What is SPAC?

The terms refer to a "special purpose acquisition company", and it has become a popular way for a company to go public. Sometimes referred to as "blank check" company, an SPAC is created with capital from its initial investors, undergoes an IPO to raise additional capital, and acquires a private company target that has become public company (or a subsidiary of one).

Timeline of SPAC

SPAC Timeline			Private Company Timeline			
SPAC formation	Capital raise & IPO	Private company target search	Target's public company Readiness assessment	SEC filings & review	Investor meetings/ shareholder vote	Close
			Negotiation and merger agreement execution			

Benefits

Access to capital and potential to sell a bigger stake in the company
SPACs give private companies access to public markets, particularly during times of market instability, and help open the door to permanent capital. An SPAC raises capital through an IPO prior to acquiring a private company target. If it needs additional capital to complete the transaction with the private company target, it may raise funds through various vehicles, including a private investment in public equity (PIPE).

Additionally, SPAC transactions typically allow private company owners looking for an exit strategy a chance to sell a larger stake in a company than might otherwise be possible in a traditional IPO transaction.

Greater market certainty
Missing the right pricing "window" can have a significant impact on the success of a company's traditional IPO. With SPACs, target companies can negotiate a "locked in" price of their stock with the SPAC sponsor as part of their agreement and avoid the potential valuation hit that can happen with traditional IPOs in times of market volatility.

Flexible deal terms
In addition to the ability to negotiate the sale price of the company to the SPAC, SPAC transactions provide flexibility to negotiate other parts of the deal. For example, if investors decide to withdraw their capital before the acquisition closes, SPAC sponsors might agree to fund any cash shortfalls at the time of closing.

Access to experiences managers
Partnering with a strong sponsor may allow a private company target to benefit from its resources and experience. A seasoned sponsor may help when additional capital is needed. It may also tap into its network to build a strong management team for the target.

Challenges

Potential for increased cost
When an SPAC is formed, it issues "units" in an IPO that consist of a share of common stock and a fraction of a warrant to purchase common stock that becomes exercisable once the SPAC transaction is completed. With the dilutive nature of warrants, the economic cost of an SPAC transaction may exceed that of a traditional of IPO.

Possible loss of control
The private company and its owner(s) may lose some control as the SPAC sponsor may negotiate representation on the board of directors and more active involvement in the post transaction company.

Public company readiness
When a target company and an SPAC sign a letter of intent, it triggers the need for certain SEC filings that the company must complete within a specified time period. While the shorter window may mean the private company becomes publicly traded sooner, the set deadlines may place a high burden on the company and its management team.

Alternatively, a company intending to go public through the traditional process sets the timing for its IPO. This means a company process sets the timing for its IPO. A company going public via an SPAC will likely need to meet an accelerated public company readiness timeline when compared to a traditional IPO for substantially the same preparation, due diligence, prospectus-drafting, and SEC engagement and oversight, including the following:

- The target company will need to be in compliance with SEC reporting requirements, including MD&A, earnings per share, segments, adoption of new standards on public company timelines, and interim reporting (although, similar to a traditional IPO, the target company may qualify for reporting accommodations provided to a smaller reporting company or an emerging growth company in a certain circumstances).
- The annual financial statements will need to be audited, and interim financial statements may need to be reviewed under PCAOB standards.

Accounting and reporting complexities

An SPAC transaction may result in a change in control. Determination of whether the target or the SPAC is the accounting acquirer may require judgement and can lead to different accounting models.
Pro forma financial statements will typically be required to provide a comprehensive view of the SPAC transaction, including multiple redemption scenarios.

Additionally, an SPAC transaction typically requires multiple steps of legal or equity restructuring that could have tax implications.

What comes next

Ultimately, deciding how to go to public is a strategic decision.
We expect the SPAC pipeline to remain strong with increasing interest from Asian companies given the large investment of capital in existing SPACs seeking targets and the growing number of private equity firms, venture funds, and operators forming SPACs. However, with the possibility of variation in the deal structures and sponsor relationships, private companies and their owners should consider the benefits and associated risks before determining whether merging with a SPAC is the right path forward for them.

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