

Summary of Key Changes from Singapore Financial Reporting Standards that are issued or revised in 2004

as at August 2004

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FRS issued in 2003	FRS issued in 2004	Key changes that are effective for FY 2005
FRS 1 Presentation of Financial Statements	FRS 1 Presentation of Financial Statements	<ul style="list-style-type: none"> • Includes guidance on the meaning of 'present fairly' and emphasises that the application of FRS is presumed to result in fair representation. • Allows departure from FRS requirements only in extremely rare circumstances where compliance would be misleading and departure is not prohibited by the relevant regulatory framework. • Allows liquidity presentation of assets and liabilities only when it provides information that is reliable and more relevant than a current/non-current presentation. • Requires the following liabilities to be classified as current: <ul style="list-style-type: none"> - liability held primary for trading; - financial liability for which an entity has no unconditional right to defer settlement for at least 12 months after the balance sheet date, even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue; and - long-term financial liability payable on demand due to breach(es) on loan agreement on or before the balance sheet date, even if the lender has agreed not to demand payment after the balance sheet date and before the financial statements are authorised for issue. • Requires the disclosure of: <ul style="list-style-type: none"> - judgements management has made in the process of applying accounting policies that have the most significant effect on the amounts recognised in the financial statements; - key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; - movements of minority interests in statements of changes in equity; - the entity's 'profit or loss for the period, and the allocation of that amount between 'profit or loss attributable to minority interest' and 'profit or loss attributable to equity holders of the parent' <u>on the face of income statement</u>. The allocated amounts are not to be presented as items of income or expenses. - the entity's total income and expenses (including amounts recognised directly in equity) <u>on the face of the statement of changes in equity</u>, showing separately amounts attributable to equity holders of the parent and to minority interest. • Adds definition of 'material'. • Removes the disclosure requirement of results of operating activities on the face of the income statement and number of employees. • Prohibits disclosure of 'extraordinary items'.
FRS 2 Inventories	FRS 2 Inventories	<ul style="list-style-type: none"> • Clarifies that certain inventories (work-in-progress from construction contracts, financial instruments and biological asset related to agricultural activity and produce) are outside the scope of the standard. • Clarifies that FRS 2 measurement requirements need not be complied with, for: <ul style="list-style-type: none"> - producers of agricultural and forest products, agricultural produce, and mineral and mineral products if they measure their inventories at net realisable value; and - commodity broker-traders if they measure their inventories at fair value less costs to sell. • Prohibits exchange differences arising directly on the recent acquisition of inventories invoiced in a foreign currency to be included in the costs of purchase of inventories.

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		<ul style="list-style-type: none"> Clarifies that when inventories are purchased with deferred settlement terms, the difference between the purchase price for normal credit terms and the amount paid shall be recognised as interest expense over the period of financing. Describes circumstances that would trigger a reversal of a write-down of inventories recognised in a prior period. Requires the disclosure of: <ul style="list-style-type: none"> carrying amounts of inventories carried at fair value less costs to sell; and amount of write-down of inventories. Eliminates the requirement to disclose the amount of inventories carried at net realisable value.
FRS 8 Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies	FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors	<ul style="list-style-type: none"> Updates the hierarchy of guidance for selecting accounting policies in the absence of standards and interpretations that specifically apply. Defines: <ul style="list-style-type: none"> material omissions or misstatements. impracticable. prior period errors. Defines 'change in accounting estimate' and includes exceptions from including the effects of changes in accounting estimates prospectively in profit or loss (e.g. to the extent that a change in accounting estimate gives rise to changes in assets or liabilities, or relates to an item of equity, it is recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change). Eliminates the concept of fundamental error and thus, the distinction between fundamental errors and other material prior period errors. Removes alternative to include, in the current period income statement, the cumulative effect of a voluntary change in accounting policy or a correction of error; retrospective application is required. Requires the disclosure of: <ul style="list-style-type: none"> impending change in accounting policy from a new standard or interpretation that has been issued but not yet effective into effect, and its possible impact; and each line item in the financial statements, and where applicable, basic and diluted earnings per share, affected by a change in accounting policy or a correction of prior period error.
FRS 10 Events after the Balance Sheet Date	FRS 10 Events after the Balance Sheet Date	<ul style="list-style-type: none"> Clarifies that dividends declared after the balance sheet date shall not be recognised as a liability at the balance sheet date.
FRS 15	No equivalent FRS	FRS 15 Information Reflecting the Effects of Changing Prices, is withdrawn from 1 January 2005.
FRS 16 Property, Plant and Equipment	FRS 16 Property, Plant and Equipment	<ul style="list-style-type: none"> Clarifies that the standard applies to Property, Plant and Equipment ("PPE") used to develop or maintain biological assets, mineral rights and mineral reserves. Removes separate recognition principle for subsequent expenditure; all PPE costs (whether incurred initially to acquire or construct, or incurred subsequently to add to, replace part of or service) shall be capitalised when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

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		<ul style="list-style-type: none"> Allows PPE costs to include costs of the asset's dismantlement, removal or restoration, the obligation for which is incurred as a consequence of using the asset for purposes other than producing inventories; this is in addition to those incurred as a consequence of installing the asset, as currently allowed. Requires PPE acquired in an exchange transaction to be measured at fair value, unless the transaction lacks commercial substance. This is in contrast to the current requirement of measuring such PPE at fair value, unless exchange assets are similar. Allows PPE of a class to be measured at a revalued amount, only when fair value can be measured reliably. Clarifies that : <ul style="list-style-type: none"> PPE shall be depreciated once it is available for use and until it is derecognised or reclassified as 'held-for-sale', even if the asset is idle; depreciation charge shall be determined separately for each significant part of an item of PPE; carrying amount of significant part shall be derecognised once replaced; and residual value shall be measured as amount estimated to be received currently if the asset was of the age and in the condition expected at the end of its useful life. Requires PPE to be derecognised on the date criteria for sale of goods in FRS 18 is met. Prohibits gain on disposal of PPE to be classified as revenue.
FRS 17 Leases	FRS 17 Leases	<ul style="list-style-type: none"> Distinguishes between : <ul style="list-style-type: none"> the inception of the lease (i.e. when the classification of lease is determined and for finance leases, when amounts to be recognised are determined); and the commencement of the lease (i.e. when leases are initially recognised). Requires minimum lease payments of a lease of land and buildings to be allocated between the land and buildings elements in proportion to the relative fair values of the leasehold interests in the land and buildings elements of the lease, when the entity considers the elements separately. Defines initial direct costs and removes the option to charge initial direct costs as an expense when incurred. Specifically : <ul style="list-style-type: none"> lessors of finance leases, other than manufacturer or dealer lessors, shall include initial direct costs in initial measurement of finance lease receivables and recognise the costs over the lease term on the same basis as lease income. Manufacturer or dealer lessors shall recognise such costs as an expense when selling profit is recognised; lessors of operating leases shall include initial direct costs in the lease asset and recognise over the lease term on the same basis as the lease income and lessees of finance leases shall include initial direct costs in initial measurement of leased assets and recognise them over the estimated useful lives of the asset.

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FRS 21 The Effects of Changes in Foreign Exchange Rates	FRS 21 The Effects of Changes in Foreign Exchange Rates	<ul style="list-style-type: none"> Replaces the notion of 'reporting currency' with the notions of 'functional currency' and 'presentation currency'. Replaces the term 'measurement currency' with the term 'functional currency'. Defines 'functional currency' and clarifies that it shall be determined based on an assessment of facts and circumstances (i.e. 'functional currency' is not a choice). Requires each individual entity included in the reporting entity to determine its functional currency and measure its results and financial position in that currency. Incorporates INT FRS 19, which gives guidance on the determination of measurement (functional) currency. However, the revised FRS 21 gives greater emphasis to the currency of the economy that determines the pricing of the transactions, as opposed to INT FRS 19 which gives greater emphasis to the currency in which transactions are denominated. Requires change in functional currency to be accounted for prospectively, and disclosed together with reasons for change. Removes distinction between integral foreign operations and foreign entities. An entity that is an integral foreign operation will have same functional currency as the reporting entity and hence, need no translation. Only one translation method for the foreign operations is retained. Requires assets and liabilities of a foreign operation to be translated at the closing rate, and income and expenses to be translated at the exchange rates at the dates of the transactions (or at the average rate for the period when this is a reasonable approximation) for inclusion in the reporting entity's financial statements. Removes limited option in the previous version of capitalising exchange differences resulting from a severe devaluation or depreciation of a currency against which there is no means of hedging; such exchange differences shall be recognised in profit or loss. Requires an entity to translate its results and financial position from its functional currency into a presentation currency using the method required for translating a foreign operation for inclusion in the reporting entity's financial statements. In addition, comparative amounts are required to be translated as follows: <ul style="list-style-type: none"> For entity whose functional currency is not the currency of hyperinflationary economy, assets and liabilities are presented at the closing rate at the date of the balance sheet and income and expenses are translated at exchange rates at the dates of the transactions. For entity whose functional currency is the currency of hyperinflationary economy and for which the comparative amounts are translated into the currency of a different hyperinflationary economy, all amounts (e.g. balance sheet and income statement amounts) are translated at the closing rate of the most recent balance sheet presented. For entity whose functional currency is the currency of hyperinflationary economy and for which the comparative amounts are translated into the currency of a non-hyperinflationary economy, all amounts are those presented in the prior year financial statements. Requires goodwill and fair value adjustments to assets and liabilities arising from the acquisition of a foreign entity to be translated using closing rate.
FRS 22 Business Combinations	No equivalent FRS	FRS 22 will be withdrawn when FRS 103 Business Combinations becomes effective for annual periods beginning on or after 1 July 2004. The key changes are illustrated under FRS 103.

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FRS 24 Related Party Disclosures	FRS 24 Related Party Disclosures	<ul style="list-style-type: none"> • Removes the scope exemption for : <ul style="list-style-type: none"> - state-controlled entities; - separate financial statements of a holding company that is published together with its consolidated financial statements; and - separate financial statements of a parent, venturer or investor. • Expands definition of 'related party' to include: <ul style="list-style-type: none"> - parties with joint control over the entity; - joint ventures in which the entity is a venturer; and - post-employment benefit plans for the benefit of employees of an entity, or of any entity that is a related party to that entity. • Extends definition of 'close members of the family of an individual. • Clarifies that two venturers are not related parties simply because they share joint control over a joint venture. • Requires disclosure of: <ul style="list-style-type: none"> - compensation of key management, which is clarified to include non-executive directors; - amounts of transactions and outstanding balances with respect to related parties. Disclosure of proportions of transactions and outstanding balances is no longer sufficient; - bad and doubtful debts expense on balances due from related parties; - amounts payable to, and receivable from, related parties into different categories of related parties (namely parent, entities with joint control or significant influence over the entity, subsidiaries, associates, joint ventures in which the entity is a venturer, key management personnel of the entity or its parent, and other related parties); and - name of parent and if different, the ultimate controlling party. If neither of these two parties produces financial statements available for public use, the name of the next most senior parent that does so is required. • Removes discussion on pricing of transactions, but clarifies that 'arm's length' term of transactions shall be disclosed only if the term can be substantiated.
FRS 27 Consolidated Financial Statements and Accounting for Investments in Subsidiaries	FRS 27 Consolidated and Separate Financial Statements	<ul style="list-style-type: none"> • Modifies the criteria for exemption from preparing consolidated accounts that: <ul style="list-style-type: none"> - it is no longer necessary for the subsidiary to be wholly-owned or 'virtually wholly-owned', but minority owners shall be informed and do not object to the non-preparation; - the parent's debt or equity instruments shall not be traded in a public market; - the parent did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and - the ultimate or any intermediate parent need to produce consolidated financial statements that are available for public use, but the consolidated financial statements need not comply with any specific accounting framework. • Clarifies that the requirement to consolidate applies to venture capital organisations, mutual funds, unit trusts and similar entities. • Remove exemption of consolidation of: <ul style="list-style-type: none"> - subsidiary operating under severe long-term restrictions that significantly impair its ability to transfer funds to the parent; and - subsidiary that are held for temporary control (e.g. subsidiary that meets the criteria in FRS 105 to be 'held for sale').

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		<ul style="list-style-type: none"> Requires that where an unconsolidated subsidiary is accounted for in accordance with FRS 39 in the consolidated financial statements, the same basis shall be used in the holding company's separate financial statements. Prohibits investments in subsidiaries, jointly-controlled entities and associates to be accounted for using equity method in the separate financial statements. Such investments shall be accounted for at cost or in accordance with FRS 39. Removes 'not practicable' exemption on the requirement for using uniform accounting policies for reporting like transactions and other events in similar circumstances. Requires minority interests to be presented within equity, but separately from parent shareholders equity.
FRS 28 Accounting for Investments in Associates	FRS 28 Investments in Associates	<ul style="list-style-type: none"> Excludes from the scope, investments in associates held by venture capital organisations, mutual funds, unit trusts and similar entities when those investments are classified as held for trading under FRS 39. Provides exemption from equity accounting similar to that provided to certain parents from preparing consolidated financial statements. Removes exemption of equity accounting of: <ul style="list-style-type: none"> associate operating under severe long-term restrictions that significantly impair its ability to transfer funds to the parent; and associate that held for temporary control (e.g. associate that meets the criteria in FRS 105 to be 'held for sale'). Clarifies that other than in separate financial statements prepared in accordance with FRS 27, investments in associates shall be accounted for using equity method, even when consolidated financial statements are not prepared (e.g. investor does not have any investment in subsidiary). Clarifies that goodwill relating to associates shall be included in the carrying amounts of the investments. Allows the use of an associate's financial statements that are prepared on a reporting date no greater than 3 months from that of the investor for equity accounting. Removes 'not practicable' exemption on the requirement for using uniform accounting policies for reporting like transactions and other events in similar circumstances. Requires an investor to consider the carrying amount of its investment in the equity of the associate and its other long-term interests in the associate when recognising its share of losses. This is in contrast to the requirement in superseded INT FRS 20, which limits the recognition of losses to the carrying amount of its investment in the equity of the associate.
FRS 31 Financial Reporting of Interests in Joint Ventures	FRS 31 Interests in Joint Ventures	<ul style="list-style-type: none"> Excludes from the scope, investments in jointly controlled entities held by venture capital organisations, mutual funds, unit trusts and similar entities when those investments are classified as held for trading under FRS 39. Provides exemption from applying proportionate consolidation or equity accounting similar to that provided to certain parents from preparing consolidated accounts. Removes exemption of either proportionate consolidation or equity accounting of: <ul style="list-style-type: none"> joint venture operating under severe long-term restrictions that significantly impair its ability to transfer funds to the parent; and joint venture held for temporary control (e.g. joint venture that meets the criteria in FRS 105 to be 'held for sale'). Requires disclosure of the method used to recognise interests in jointly controlled entities (i.e. proportionate consolidation or equity accounting).

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FRS 32 Financial Instruments: Disclosure and Presentation	FRS 32 Financial Instruments: Disclosure and Presentation	<ul style="list-style-type: none"> • Clarifies that a financial instrument is an equity instrument if, and only if, both of the following conditions are met: <ul style="list-style-type: none"> - instrument includes no contractual obligation to (a) deliver cash or another financial asset to another entity, or (b) exchange financial assets or liabilities with another entity under conditions that are potentially unfavourable to the issuer - where the instrument will or may be settled in the issuer's own equity instruments, (a) it is a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments, or (b) a derivative that will be settled by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. • Requires a financial instrument that gives the holder a right to put the instrument back to the issuer for cash or another financial asset (a "puttable instrument") to be classified as a financial liability. • Removes the choice to measure liability component of a compound financial instrument on initial recognition using a relative-fair-value method. Any asset and liability components would now need to be separated first and the residual is the amount of any equity component. • Requires disclosure of: <ul style="list-style-type: none"> - information about the use of valuation techniques, including the sensitivities of fair value estimates to significant valuation assumptions; - information about assets retained in transactions that do not qualify for derecognition in their entirety; - the carrying amounts of financial assets and financial liabilities that are classified as held for trading and those designated by the entity upon initial recognition as financial assets and financial liabilities at fair value through profit or loss; - the amount of the change in fair value of a financial liability designated as at fair value through profit or loss that is not attributable to changes in a benchmark interest rate; - the existence of, and specified information about, issued compound financial instruments with multiple embedded derivative features that have interdependent values; and - information about any defaults by the entity on loans payable and other breaches of loan agreements. • Allows limited exemption in disclosure of fair value of financial assets and liabilities that conform to the exemption in FRS 39 for some investments in unquoted equity investments and derivatives linked to such equity investments.
FRS 33 Earnings Per Share	FRS 33 Earnings Per Share	<ul style="list-style-type: none"> • Gives guidance and illustrative examples on complex matters such as: <ul style="list-style-type: none"> - contingently issuable shares; - potential ordinary shares of subsidiaries, joint ventures or associates; - participating equity instruments; - written put options; - purchased put and call options; and - mandatorily convertible instruments. • The number of potential ordinary shares is a year-to-date weighted average of the number of potential ordinary shares weighted for the period they were outstanding, rather than a year-to-date weighted average of the number of potential ordinary shares included in each interim diluted earnings per share calculation. • Requires that where, in addition to basic and diluted earnings per share, amounts per share using a reported component of the income statement other than one required by FRS 33 is disclosed, such amounts need to be calculated in accordance with FRS 33. Basic and diluted amounts per share relating to such component shall be disclosed with equal prominence and presented in the notes to the financial statements,

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		<p>specifying :</p> <ul style="list-style-type: none"> - basis on which the numerator is fixed (including before or after tax); and - if the component of the income statement used is not reported as a line item in the income statement, a reconciliation between the component used and a line item reported in the income statement.
FRS 35 Discontinuing Operations	No equivalent FRS	FRS 35 will be withdrawn when FRS 105 Non-Current Assets Held for Sale and Discontinued Operations becomes effective for annual periods beginning on or after 1 January 2005. The key changes are illustrated under FRS 105.
FRS 36 Impairment of Assets	FRS 36 Impairment of Assets (effective for FY on or after 1 July 2004)	<ul style="list-style-type: none"> • Requires the recoverable amounts of the following assets to be measured at least annually and whenever there is an indication of impairment, rather than only when there is an indication of impairment: <ul style="list-style-type: none"> - intangible asset with an indefinite useful life; - intangible asset not yet available for use; and - goodwill acquired in a business combination. • Clarifies that the following elements should be reflected in the calculation of an asset's value-in-use: <ul style="list-style-type: none"> - an estimate of the future cash flows the entity expects to derive from the asset; - expectations about possible variations in the amount or timing of those future cash flows; - the time value of money, represented by the current market risk-free rate of interest; - the price for bearing the uncertainty inherent in the asset; and - other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset. • Clarifies that cash flow projections used to measure value-in-use should exclude cash flows projection from future restructuring not yet committed or those improving or enhancing asset's performance. • Clarifies that: <ul style="list-style-type: none"> - goodwill should, from the acquisition date, be allocated to each of the acquirer's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units; - each unit or group of units to which the goodwill is allocated should (1) represent the lowest level within the entity at which the goodwill is monitored for internal management purposes; and (2) not be larger than a segment based on either the entity's primary or entity's secondary reporting format determined in accordance with FRS 14. - goodwill allocation should be completed before end of the first annual period beginning after the acquisition date. - when an entity disposes of an operation within a cash-generating unit (group of units) to which goodwill has been allocated, the goodwill associated with that operation should be: <ol style="list-style-type: none"> (i) included in the carrying amount of the operation when determining the gain or loss on disposal; and (ii) measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit (group of units) retained, unless the entity can demonstrate that some other method better reflects the goodwill associated with the operation disposed of.

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		<ul style="list-style-type: none"> - when an entity reorganises its reporting structure in a manner that changes the composition of cash-generating units (groups of units) to which goodwill has been allocated, the goodwill should be reallocated to the units (groups of units) affected. This reallocation should be performed using a relative value approach similar to that used when an entity disposes of an operation within a cash-generating unit (group of units), unless the entity can demonstrate that some other method better reflects the goodwill associated with the reorganised units (groups of units). • Allows annual impairment test for a CGU (groups of units) to which goodwill has been allocated to be performed at any time during an annual reporting period, provided the test is performed at the same time every year. • Allows different CGUs (groups of units) to be tested for impairment at different times. • The Standard permits the most recent detailed calculation made in a preceding period of the recoverable amount of a cash-generating unit (group of units) to which goodwill has been allocated to be used in the impairment test for that unit (group of units) in the current period, provided specified criteria are met. • Prohibits reversal of impairment losses for goodwill recognised in previous period(s). • Requires disclosure of: <ul style="list-style-type: none"> - amount of goodwill that has not been allocated to a CGU, and the reasons why that amount remains unallocated. The Standard requires disclosure of information for each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite lives. That information is concerned primarily with the key assumptions used to measure the recoverable amounts of such units (group of units).
FRS 38 Intangible Assets	FRS 38 Intangible Assets (effective for FY on or after 1 July 2004)	<ul style="list-style-type: none"> • Removes the requirement for asset to be held for use in the production or supply of goods or services, for rental to others, or for administrative purposes from the definition of intangible asset. • Clarifies that: <ul style="list-style-type: none"> - an asset meets the identifiability criterion in the definition of an intangible asset when it is separable or arises from contractual or other legal rights. - the probability recognition criterion is always considered to be satisfied for intangible assets that are acquired separately or in a business combinations. - the fair value of an intangible asset acquired in a business combination can normally be measured with sufficient reliability to be recognised separately from goodwill. • Requires subsequent expenditure on an in-process research and development project acquired in a business combination to be recognised as : <ul style="list-style-type: none"> - an expense when incurred if it is research expenditure or development expenditure that does not satisfy the recognition criteria in FRS 38. - an intangible asset expense when incurred if it is development expenditure that satisfies recognition criteria in FRS 38. • Removes the rebuttable assumption that the useful life of an intangible asset cannot exceed 20 years from the date the asset is available for use.

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		<ul style="list-style-type: none"> • Regards an intangible asset to have indefinite useful life when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. • Requires that: <ul style="list-style-type: none"> - the useful life of an intangible asset arising from contractual or other legal rights not to exceed the period of those rights, but may be shorter depending on the period over which the asset is expected to be used by the entity; - if the contractual or legal rights are conveyed for a limited term that can be renewed, the useful life should include the renewal period(s) only if there is evidence to support renewal by the entity without significant cost. - an intangible asset with an indefinite useful life not to be amortised. - the useful life of such an entity to be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. Change in useful life assessment should be accounted for as a change in accounting estimate. • Requires disclosure of the carrying amount of intangible asset with indefinite useful life, and the reasons supporting the indefinite useful life assessment.
No equivalent FRS	FRS 39 Financial Instruments: Recognition and Measurement	<ul style="list-style-type: none"> • Divides financial assets and financial liabilities into 5 classes with 3 different accounting treatments as follows: <ul style="list-style-type: none"> - Financial assets or financial liabilities at fair value through profit or loss. These include trading assets and liabilities, all derivatives that are not hedges and those designated by the entity at initial recognition as fair value through profit or loss. They are measured at fair value with all gains and losses recognised in profit or loss as they arise. - Loans and receivables. They are ordinarily accounted for at amortised cost using the effective interest method, as are most liabilities - Held-to-maturity investments. They are accounted for at amortised cost using the effective interest method. - All other financial assets are ordinarily classified as available-for-sale and measured at fair value, with all gains and losses taken to equity. On disposal, gains and losses previously taken to equity are recycled to profit or loss. - Requires an embedded derivative to be separated from the host contract and accounted for as a derivative unless certain conditions are met. • Requires an entity to assess at each balance sheet date whether there is any objective evidence that a financial asset or group or group of financial asset is impaired. <ul style="list-style-type: none"> - impairment should take into account only losses that have already been incurred, and not those that might happen in future; - impairment losses are included in the profit or loss. • Sets out 3 types of hedging relationship and their accounting treatments: <ul style="list-style-type: none"> - fair value hedge, in which the fair value of the item being hedged changes as market prices change. Changes in the fair value of both the hedging instrument and the hedged item are reported in profit or loss. - cash flow hedge, in which the cash flows of the item being hedged change as market prices change. Changes in the fair value of the hedging instrument are initially reported in equity and transferred to profit-or loss to match the recognition of the offsetting gains and losses on the hedged transaction.

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No equivalent Amendment	Amendment to IAS 39 on Fair Value Hedge Accounting for a Portfolio Hedge of Interest Rate Risk	<ul style="list-style-type: none"> - hedge of a net investment in a foreign operation - same treatment as cash flow hedge. • Specifies that hedge accounting for internal hedges is not permitted and for the use of hedge accounting: <ul style="list-style-type: none"> - hedging relationship has to be defined by designation and documentation, reliably measurable, and actually effective. - to the extent that a hedging relationship is effective, the offsetting gains and losses on the hedging instrument and the hedged item are recognised in profit or loss at the same time. - all hedge ineffectiveness is recognised immediately in profit or loss. • Allows fair value hedge accounting to be used for a portfolio hedge of interest rate risk, provided that: <ul style="list-style-type: none"> - the hedged item is designated as an amount of a currency, rather than as individual assets (or liabilities). - the gain or loss attributable to the hedged item is presented either: <ul style="list-style-type: none"> (i) in a single separate line item within assets, for those repricing time periods for which the hedged item is an asset; or (ii) in a single separate line item within liabilities, for those repricing time periods for which the hedged item is a liability. - prepayment risk is incorporated by scheduling prepayable items into repricing time periods based on expected, rather than contractual, repricing dates.
No equivalent FRS	FRS 102 Share-based Payments (effective for FY on or after 1 January 2005 for listed companies)	<ul style="list-style-type: none"> • Requires an entity to recognise share-based payment transactions, including transactions with employees or other parties to be settled in cash, other assets or equity instruments of the entity. • Sets out measurement principles and specific requirements for 3 types of share-based payment transactions: <ul style="list-style-type: none"> - <i>equity-settled</i> share-based payment transactions, in which the entity receives goods or services as consideration for equity instruments of the entity (including shares or share options). <ul style="list-style-type: none"> (i) requires an entity to measure the goods or services received from parties other than employees, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. For transactions with employees and others providing similar services, the entity is required to measure the fair value of the equity instruments granted. (ii) For goods and services measured by reference to the fair value of the equity instruments granted, FRS 102 specifies that vesting conditions, other than market conditions, are not taken into account when estimating the fair value of the shares or options at the relevant measurement date. Instead, vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest. Hence, on a cumulative basis, no amount is recognised for goods or services received if the equity instruments granted do not vest because of failure to satisfy a vesting condition (other than a market condition). (iii) Requires the fair value of equity instruments granted to be based on market prices, if available, and to take into account the terms and conditions upon which those equity instruments were

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as at August 2004

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FRS issued in 2003	FRS issued in 2004	Key changes that are effective for FY 2005
		<p>granted. In the absence of market prices, fair value is estimated, using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties.</p> <p>(iv) Sets out requirements if the terms and conditions of an option or share grant are modified (e.g. an option is repriced) or if a grant is cancelled, repurchased or replaced with another grant of equity instruments.</p> <ul style="list-style-type: none"> - <i>cash-settled</i> share-based payment transactions, in which the entity acquires goods or services by incurring liabilities to the supplier of those goods or services for amounts that are based on the price (or value) of the entity's shares or other equity instruments of the entity. <ul style="list-style-type: none"> (i) requires an entity to measure the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the entity is required to remeasure the fair value of the liability at each reporting date and at the date of settlement, with any changes in value recognised in profit or loss for the period. - transactions in which the entity receives or acquires goods or services and the terms of the arrangement provide <i>either the entity or the supplier of those goods or services with a choice of whether the entity settles the transaction in cash or by issuing equity instruments</i>. <ul style="list-style-type: none"> (i) requires the entity to account for the transaction, of the components of that transaction, as a cash-settled share-based payment transaction if, and to the extent that, the entity has incurred a liability to settle in cash (or assets), or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred. <ul style="list-style-type: none"> • Requires disclosure of: <ul style="list-style-type: none"> - the nature and extent of share-based payment arrangements that existed. - how the fair value of the goods or services received, or the fair value of the equity instruments granted, was determined. - the effect of share-based payment transactions on the entity's profit or loss and on its financial position.
FRS 22 Business Combinations	FRS 103 Business Combinations (effective for FY on or after 1 July 2004)	<ul style="list-style-type: none"> • Prohibits the use of pooling-of-interests method. All business combinations within its scope should be accounted for using the purchase method. • Requires: <ul style="list-style-type: none"> - an acquirer to be identified for every business combination within its scope. - an acquirer to recognise liabilities for terminating or reducing the activities of the acquiree as part of allocating the cost of the combination <i>only when the acquiree has, at the acquisition date, an existing liability for restructuring recognised in accordance with FRS 37 Provisions, Contingent Liabilities and Contingent Assets</i>. - an acquirer to recognise separately the acquiree's contingent liabilities (as defined in FRS 37) at the acquisition date as part of allocating the cost of a business combination, provided their fair values can be measured reliably. - an intangible asset to be recognised if its fair value could be measured reliably. The probability criterion as future economic benefit is considered to be satisfied in a business combination situation. • Removes FRS 22 benchmark treatment of measuring acquirees' identifiable assets and liabilities recognised as the aggregate of (1) the

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		<p>fair value of identifiable assets and liabilities as at the date of the exchange to the extent of the acquirer's interest obtained in the exchange transaction; and (2) the minority's proportion of the pre-acquisition carrying amounts of the identifiable assets and liabilities of the subsidiary. FRS 103 requires the acquiree's identifiable assets, liabilities and contingent liabilities recognised to be measured initially by the acquirer at their fair values at the acquisition date. Therefore, any minority interest in the acquiree is stated at the minority's proportion of the net fair values of those items.</p> <ul style="list-style-type: none"> • Requires goodwill acquired in a business combination to be measured after initial recognition at cost less any accumulated impairment losses. Therefore, the goodwill is not amortised and instead must be tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. • Requires the acquirer to reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination if, at the acquisition date, the acquirer's interest in the net fair value of those items exceeds the cost of the combination. Any excess remaining after that reassessment must be recognised by the acquirer immediately in profit or loss.
No equivalent FRS	FRS 104 Insurance Contracts	<ul style="list-style-type: none"> • Applies to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds, except for specified contracts covered by other FRSs. • Permits an insurer to change its accounting policies for insurance contracts only if, as a result, its financial statements present information that is more relevant and no less reliable, or more reliable and no less relevant. In particular, an insurer cannot introduce any of the following practices, although it may continue using accounting policies that involve them: <ul style="list-style-type: none"> - measuring insurance liabilities on an undiscounted basis. - measuring contractual rights to future investment management fees at an amount that exceeds their fair value as implied by a comparison with current fees charged by other market participants for similar services. - using non-uniform accounting policies for the insurance liabilities of subsidiaries. • Allows introduction of an accounting policy that involves remeasuring designated insurance liabilities consistently in each period to reflect current market interest rates (and, if the insurer so elects, other current estimates and assumptions). • Added rebuttable presumption that an insurer's financial statements will become less relevant and reliable if it introduces an accounting policy that reflects future investment margins in the measurement of insurance contracts. • Allows that when an insurer changes its accounting policies for insurance liabilities, it may reclassify some or all financial assets as 'at fair value through profit or loss'. • Clarifies that an insurer need not account for an embedded derivative separately at fair value if the embedded derivative meets the definition of an insurance contract. • Requires an insurer to unbundle (i.e. account separately for) deposit components of some insurance contracts, to avoid the omission of assets and liabilities from its balance sheet. • Clarifies the applicability of the practice sometimes known as 'shadow accounting'.

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		<ul style="list-style-type: none"> Allows an expanded presentation for insurance contracts acquired in a business combination or portfolio transfer. Addresses limited aspects of discretionary participation features contained in insurance contracts or financial instruments. Requires disclosure of <ul style="list-style-type: none"> the amounts in the insurer's financial statements that arise from insurance contracts. the amount, timing and uncertainty of future cash flows from insurance contracts.
No equivalent FRS	Non-current Assets Held for Sale and Discontinued Operations	<ul style="list-style-type: none"> Adopts the classification 'held for sale'. Introduces the concept of a disposal group, being a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Specifies that assets or disposal groups that are classified as held for sale are carried at the lower of carrying amount and fair value less costs to sell. Specifies that an asset classified as held for sale, or included within a disposal group that is classified as held for sale, is not depreciated. Specifies that an asset classified as held for sale, and the assets and liabilities included within a disposal group classified as held for sale, are presented separately on the face of the balance sheet. In contrast to FRS 35 Discontinuing Operations which has been withdrawn, FRS 105: <ul style="list-style-type: none"> changes the timing of the classification of a discontinued operation to the date when it meets the criteria to be classified as held for sale or when the entity has disposed of the operation. FRS 35 classified an operation as discontinuing at the earlier of (a) the entity entering into a binding sale agreement and (b) the board of directors approving and announcing a formal disposal plan. specifies that the results of discontinued operations are to be shown separately on the face of the income statement. prohibits retroactive classification of an operation as discontinued, when the criteria for that classification are not met until after the balance sheet date.