

Summary of Key Changes on Singapore Financial Reporting Standards (FRS)

As at 31 July 2007

Standard/ Interpretation	Significant changes on		
	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
Effective for annual periods beginning on or after 1 March 2006			
INT FRS 107 <i>Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies</i>	<ul style="list-style-type: none"> Provides guidance on the application of FRS 29 in a reporting period in which the entity identifies the existence of hyperinflation in the economy of its functional currency when that economy was not hyperinflationary in the prior period. Includes an illustrative example (that is not part of INT FRS 107) on the restatement. 	<ul style="list-style-type: none"> Requires the application of FRS 29 as if the economy has always been hyperinflationary. For non-monetary items [INT FRS 107.3], the opening balances are restated to reflect the effect of inflation: <ul style="list-style-type: none"> from the date of acquisition to the closing balance sheet date for non-monetary items measured at historical cost; and from the dates when carrying amounts are determined to the closing balance sheet date for non-monetary item measured at current amounts. <p><u>For deferred tax items</u> [INT FRS 107.4]</p> <ul style="list-style-type: none"> Recognise and measure in accordance with FRS 12 at closing balance sheet date For deferred tax amounts in the opening balance sheet, remeasure in accordance with FRS 12 after restating the nominal carrying amounts of its non-monetary items at the date of opening balance sheet by applying the measuring unit at that date; and Restate the deferred tax items in the opening balance sheet for change in the measuring unit to the closing balance sheet date. After the year of restatement, all corresponding figures in subsequent periods are restated by applying the change in the measuring unit for that subsequent period [INT FRS 107.5]. 	<ul style="list-style-type: none"> None.

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INT FRS 108 <i>Scope of FRS 102</i>	<ul style="list-style-type: none"> Applies to such transactions when the identifiable consideration received or receivable by the entity appears to be less than the fair values of equity instruments granted or liability incurred that are within the scope of FRS 102. This includes transactions which some or all of the goods or services received cannot be identified [INT FRS 108.6 and 108.8]. 	<ul style="list-style-type: none"> Measure the unidentifiable goods or services as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. However, for cash-settled transactions, the liability shall be remeasured at each reporting date until it is settled [INT FRS 108.11 and 108.12]. 	<ul style="list-style-type: none"> None.
Effective for annual periods beginning on or after 1 June 2006			
INT FRS 109 <i>Reassessment of Embedded Derivatives</i>	<ul style="list-style-type: none"> Applies to all embedded derivatives within the scope of FRS 39. 	<ul style="list-style-type: none"> Assess whether an embedded derivative is to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract [INT FRS 109.7]. First-time adopters will assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative on the basis of the conditions that existed at the later of (i) the date it first became a party to the contract and (ii) the date a reassessment is required [INT FRS 109.8]. 	<ul style="list-style-type: none"> None.
Effective for annual periods beginning on or after 1 November 2006			
INT FRS 110 <i>Interim Reporting and Impairment</i>	<ul style="list-style-type: none"> Applies to all entities that prepare interim period financial reports, regardless of whether the reports are distributed to external parties. 	<ul style="list-style-type: none"> No reversal of impairment loss recognised in a previous interim period in respect of the following [INT FRS 110.8]: <ul style="list-style-type: none"> - goodwill, or - equity investment classified as available for sale, or - equity investment carried at cost. 	<ul style="list-style-type: none"> None.

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Amendments to FRS 1 <i>Presentation of Financial Statements - Capital disclosures</i>	<ul style="list-style-type: none"> None. 	<ul style="list-style-type: none"> None. 	<p><u>New disclosures</u> [FRS 1.124A and 124B] [Note 45(d)]*:</p> <ul style="list-style-type: none"> The entity's objectives, policies and processes for managing capital: <ul style="list-style-type: none"> - description of what it manages as capital, - nature of externally imposed capital, requirements and how those requirements are incorporated into the management of capital, - how it is meeting its objective for managing capital Quantitative data about what the entity regards as capital (which may include some financial liabilities); Changes of qualitative and quantitative information on capital; Where applicable, whether the entity has complied with any capital requirements and the consequences of non-compliance with externally imposed capital requirements.
FRS 40 <i>Investment Property</i> (as compared to FRS 25 <i>Accounting for investments</i>)	<ul style="list-style-type: none"> An investment property interest that is held by a lessee under operating lease may be classified and accounted for as investment property if, and only if, [FRS 40.6]: <ul style="list-style-type: none"> - the property will otherwise meet the definition of investment property; and - the lessee uses the fair value model. Requires property that is partly owner-occupied and partly held 	<ul style="list-style-type: none"> Subsequent to initial measurement, an entity may: <ul style="list-style-type: none"> - choose either the fair value model or the cost model for investment property backing liabilities that pay a return linked directly to the fair value of, or returns from, specified assets including that property [FRS 40.32A]; and - choose either the fair value model or the cost model for all other investment property. The fair value model must be applied to property interest held by a lessee under operating lease that is classified as investment property [FRS 40.34]. If the fair value model is used, the gain or loss arising from change in fair value shall be recognised in profit or loss for the period in which it arises [FRS 40.35]; 	<p><u>New disclosures:</u></p> <ul style="list-style-type: none"> Additional criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, if classification is difficult [FRS 40.75(c)] [Guidance Note 1 of Note 2.8]*; Methods and assumptions used to determine fair value [FRS 40.75(d)] [Note 28]*; If the fair value model is applied, disclose reconciliation between valuation obtained and adjusted valuation included in financial statements, if adjustment is significant [FRS 40.77] [Guidance Note 1 of Note 28]*; and

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FRS 40 <i>Investment Property</i> (continued)	<p>to earn rentals or for capital appreciation to be accounted for separately as property, plant and equipment and investment properties respectively, if they can be sold separately or if they can be leased out separately under a finance lease [FRS 40.10].</p> <ul style="list-style-type: none"> For a property where the entity provides ancillary services to the occupants, the entity accounts for the property as investment property when the provision of the ancillary services to occupants (i.e. own use portion) is insignificant [FRS 40.11]. 	<ul style="list-style-type: none"> Provides specific accounting rules for transfers to, or from investment property as follows: <ul style="list-style-type: none"> For transfer from investment property at fair value to owner-occupied property or inventories, fair value is the deemed cost [FRS 40.60]; For transfer from owner-occupied property to investment property, difference between the carrying amount and the fair value at point of transfer is a revaluation under FRS 16 [FRS 40.61] (ie. included in equity); For transfer from inventories to investment property at fair value, difference between carrying amount and fair value is recognised in income statement [FRS 40.63]; On completion of construction or development of investment property that will be carried at fair value, difference between carrying amount and fair value is recognised in income statement [FRS 40.65]. 	<ul style="list-style-type: none"> Rental income, direct operation expenses and fair value changes recognised in income statement on sale from a pool of assets applying cost model to another applying fair value model [FRS 40.75(f)] [Note 28]*.
FRS 107# <i>Financial Instruments: Disclosures</i> (Supersedes disclosure requirements of FRS 32 <i>Financial Instruments: Disclosure and Presentation</i> . Presentation requirements of FRS 32 remain unchanged)	<ul style="list-style-type: none"> Same as FRS 32. 	<ul style="list-style-type: none"> Not applicable. Measurement and recognition of financial instruments are covered in FRS 39. 	<p>Key disclosures required by FRS 107 that were not required by the superseded FRS 32 include:</p> <p><u>Significance of financial instruments</u></p> <ul style="list-style-type: none"> Amount reclassified into and out of each category and reason for that reclassification. FRS 32 requires only the reason for reclassification [FRS 107.12] [Not illustrated]. Reconciliation of allowance for credit losses during the period for each class of financial assets [FRS 107.16] [Note 45(b)(ii)]*. Additional disclosures either on the face of the financial statements or in the notes [FRS 107.20]: <ul style="list-style-type: none"> net gains or net losses on each category of financial assets and liabilities [Note 9]*;

* Please refer to the specific note to the financial statements for an illustration of the new disclosure.

For non-listed companies, effective 1 January 2008.

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FRS 107 <i>Financial Instruments: Disclosures</i> (continued)			<ul style="list-style-type: none"> - fee income and expense (other than amounts included in determining the effective interest rate) arising from <ul style="list-style-type: none"> o Financial assets or financial liabilities that are not fair value through profit or loss; and o Trust and other fiduciary activities that result in the holding or the investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions <i>[Not illustrated]</i>; - The amount of impairment loss for each class of financial asset <i>[Note 45(b)(ii)]*</i>. • Separate disclosure of [FRS 107.24]: <ul style="list-style-type: none"> - gains or losses on hedging instruments and the hedged item <i>[Note 9]*</i>; and - gains or losses on hedge ineffectiveness recognised in profit or loss that arises from cash flow hedges and from hedges of net investments in foreign operations <i>[Note 9]*</i>. • If financial assets are initially recognised at a fair value that is different from the transaction price, disclose, by class [FRS 107.28]: <ul style="list-style-type: none"> - its accounting policy for recognising that difference in the income statement; and - the aggregate difference yet to be recognised in the income statement at the beginning and end of the period and a reconciliation of the difference <i>[Not illustrated]</i>. <p><u>Qualitative and quantitative information [FRS 107.31]</u></p> <ul style="list-style-type: none"> • Summary quantitative data about its exposure to each risk at the reporting date which is <u>based on information provided internally to key management personnel</u> [FRS 107.34] <i>[Note 45]*</i>. • Disclose by class of financial instrument [FRS 107.36]: <ul style="list-style-type: none"> - information about credit quality of financial assets that are neither past due nor impaired <i>[Note 45(b)(i)]*</i>; and

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FRS 107 <i>Financial Instruments: Disclosures</i> (continued)			<ul style="list-style-type: none"> - carrying amount of financial assets that will otherwise be past due or impaired whose terms have been renegotiated [<i>Note 45(b)(i)</i>]*. • Disclose by class of financial assets [FRS 107.37]: <ul style="list-style-type: none"> - analysis of age of financial assets that are past due as at reporting date but not impaired [<i>Note 45(b)(ii)</i>]*; - analysis of financial assets that are individually determined to be impaired as at reporting date, including factors the entity considered in determining that they are impaired [<i>Note 45(b)(ii)</i>]*; and - description of collateral held by entity as security and other credit enhancements and, unless impracticable, an estimate of their fair values [<i>Not illustrated</i>]. • When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements that meet the recognition criteria in other Standards, disclose [FRS 107.38]: <ul style="list-style-type: none"> - nature and carrying amount of these assets obtained; and - When the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations [<i>Guidance Note 4 of Note 45(b)</i>]*. • Liquidity risk [FRS 107.39] including maturity analysis for financial liabilities that shows the remaining contractual maturities on an undiscounted basis [<i>Note 45(c)</i>]*. • Sensitivity analysis for each type of market risk (currency risk, interest rate risk and other price risk) exposed at reporting date; methods and assumptions used in preparing sensitivity analysis; and changes from previous period in the methods and assumptions used and reasons for such changes [FRS 107.40] [<i>Note 45(a,b,c)</i>]*. • If sensitivity analysis reflects interdependencies between risk variables and is used to manage financial risks, disclose an explanation of method used, main parameters, objective of method used, and its limitations [FRS 107.41] [<i>Not illustrated</i>].

* Please refer to the specific note to the financial statements for an illustration of the new disclosure.

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FRS 107 <i>Financial Instruments: Disclosures</i> (continued)			<ul style="list-style-type: none"> If sensitivity analyses disclosed are unrepresentative of risk inherent in financial instrument, disclose that fact and the reason it believes the sensitivity analyses are unrepresentative [FRS 107.42] <i>[Not illustrated]</i>. <p><u>Transitional provisions</u></p> <ul style="list-style-type: none"> If an entity applies FRS 107 for annual periods beginning before 1 January 2006, it need not present comparative information for disclosures required about nature and extent of risks arising from financial instruments [FRS 107.44] <i>[Not illustrated]</i>.
Effective for annual periods beginning on or after 1 March 2007			
INT FRS 111 <i>Group and Treasury Transactions</i>	<ul style="list-style-type: none"> Provides guidance on the accounting for share-based payment (SBP) arrangements under FRS 102 (i) when treasury shares are used to settle the obligations; and (ii) in the separate financial statements of the subsidiary when the subsidiary's employees are granted equity instruments of its parent. 	<p>(i) SBP arrangements on own equity instruments</p> <ul style="list-style-type: none"> SBP transactions in which an entity receives services as consideration for its own equity instruments should be accounted for as <i>equity-settled</i>, regardless of whether the entity chooses or is required to buy those equity instruments from another party to satisfy the obligation. <p>(ii) SBP on equity instruments of the parent</p> <p>(a) <u>A parent grants rights to its equity instruments to the employees of its subsidiary</u></p> <ul style="list-style-type: none"> If SBP arrangement is accounted for as equity-settled in the consolidated financial statements of the parent, the subsidiary shall treat the services received from its employees as <i>equity-settled</i>, with a corresponding increase recognised in equity as a contribution from the parent [INT FRS 111.8]. If the employees work for different entities in the group during the vesting period, each subsidiary shall measure the services received by reference to (a) the 	<ul style="list-style-type: none"> None.

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INT FRS 111 <i>Group and Treasury Transactions</i> (continued)		<p>fair value of the equity instruments at the date those rights to equity instruments were <i>originally granted</i> by the parent, and (b) the proportion of the vesting period served by the employee with that subsidiary [INT FRS 111.9].</p> <ul style="list-style-type: none"> If the employee who works with different group entities fails to meet non-market vesting condition, no amount is recognised on a cumulative basis. Each subsidiary shall reverse the amount previously recognised [INT FRS 111.10]. <p>(b) <u>A subsidiary grants rights to equity instruments of its parent to its employees</u></p> <ul style="list-style-type: none"> A subsidiary shall account for the SBP transaction as <i>cash-settled</i>. This requirement applies irrespective of how the subsidiary obtains the equity instruments to satisfy its obligations to its employees [INT FRS 111.11]. 	
Effective for annual periods beginning on or after 1 January 2008			
INT FRS 112 <i>Service Concession Arrangements</i>	<ul style="list-style-type: none"> Provides guidance to operators for public-to-private service concession arrangements Applicable only if: <ol style="list-style-type: none"> the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and 	<p><u>Treatment of the operator's rights over the Infrastructure</u></p> <ul style="list-style-type: none"> If the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator, the operator shall not recognise such infrastructure as property, plant and equipment [INT FRS 112.11]. <p><u>Construction or upgrade services</u></p> <ul style="list-style-type: none"> The operator shall recognise revenue and costs relating to construction or upgrade services based on FRS 11 [INT FRS 112.14]. Consideration may be rights to a financial asset, or an intangible asset [INT FRS 112.15]. 	<ul style="list-style-type: none"> None.

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INT FRS 112 <i>Service Concession Arrangements</i> (continued)	<p>(b) the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.</p> <p>Infrastructure used in a public-to-private service concession agreement for its entire useful life is within the scope if conditions in (a) are met.</p> <p>Complete control of price is also not required.</p>	<ul style="list-style-type: none"> • A financial asset is recognised if the operator has an unconditional contractual right to receive cash or another financial asset. FRSs 32, 39 and 107 shall then be applied [INT FRS 112.16 and .23]. • An intangible asset is recognised if the operator receives a right (a licence) to charge users of the public service. FRS 38 shall then be applied [INT FRS 112.17 and .26]. • If the operator is paid partly by a financial asset and partly by an intangible asset, each component shall be separately accounted for by reference to their fair values [INT FRS 112.18]. <p><u>Operation services</u></p> <ul style="list-style-type: none"> • The operator shall account for revenue and costs relating to operation services based on FRS 18 [INT FRS 112.20]. <p><u>Others</u></p> <ul style="list-style-type: none"> • If the operator performs more than one service under a single contract or arrangement, consideration shall be allocated using the relative fair values of the services delivered if separately identifiable [INT FRS 112.13]. • If contractual obligations to restore the infrastructure to a specified level of serviceability exist as condition of licence, the operator shall recognise these obligations based on FRS 37. Exception applies to an upgrade element [INT FRS 112.21]. • Borrowing costs may be capitalised if capitalisation criteria in FRS 23 are met [INT FRS 112.22]. 	

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FRS 108 <i>Operating Segments</i> (Supersedes FRS 14 <i>Segment Reporting</i>)	<p><u>Identification of operating segments</u></p> <ul style="list-style-type: none"> Under FRS 108 operating segments are identified based on internal reports that are regularly reviewed by the entity's chief operating decision maker ("CODM") for the purpose of allocating resources and assessing performance. FRS 14 requires identification of business segments and geographical segments, and a distinction shall be made between primary and secondary segments [IN11, FRS108.11]. A component of an entity that sells primarily or exclusively to other operating segments of the entity can be an operating segment under FRS 108. FRS 14 limits reportable segments to those with significant sales to external customers [IN12]. 	<p><u>Measurement of segment information</u></p> <ul style="list-style-type: none"> Under FRS 108, the amount reported for each operating segment item shall be measured based on the measure reported to the CODM. FRS 14 requires the amount reported to be prepared in conformity with the accounting policies adopted for the financial statements [IN13]. FRS 14 defines segment revenue, segment expense, segment result, segment assets and segment liabilities. FRS 108 does not define these terms, but requires an explanation of how segment profit or loss, segment assets and segment liabilities are measured for each reportable segment [IN14, FRS 108.21]. 	<p><u>New disclosures under FRS 108 include [Not illustrated in this publication]:</u></p> <ul style="list-style-type: none"> Factors used to identify the entity's operating segments, including the basis of organisation (for example, based on differences in products and services, geographical areas, regulatory environments, or a combination of factors and whether segments have been aggregated) [FRS 108.22(a)]. Types of products and services from which each reportable segment derives its revenues [FRS 108.22(b)]. Disclose measure of segment profit or loss reviewed by the CODM, irrespective of its conformity with the measure used in the financial statements [FRS 108.21]. Disclose interest revenue separately from interest expense for each reportable segment, unless a majority of the segment's revenue is from interest and the CODM allocates resources and assesses performance using net interest revenue [FRS 108.23]. If there is only one reportable segment, disclose information for the entity as a whole about its products and services, geographical areas, and major customers, irrespective of whether the information is reviewed by the CODM [IN18].
Amendments to FRS 23 <i>Borrowing Costs</i>	<p>Exempts from the scope:</p> <p>(a) assets measured at fair value; and</p> <p>(b) inventories that are manufactured or produced in large quantities on a repetitive basis.</p>	<ul style="list-style-type: none"> Removes the option to recognise immediately as expense borrowing costs that are directly attributable to qualifying assets. Such borrowing costs must be capitalised. 	<ul style="list-style-type: none"> No change.