

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2012

36. DIVIDENDS

	Group		Company	
	2012 S\$ Mil	2011 S\$ Mil	2012 S\$ Mil	2011 S\$ Mil
Final ordinary dividend of 9.0 cents (2011: 8.0 cents) per share, paid	1,434.3	1,273.7	1,435.7	1,274.3
Special dividend of 10.0 cents (2011: nil) per share, paid	1,593.6	-	1,594.0	-
Interim dividend of 6.8 cents (2011: 6.8 cents) per share, paid	1,083.5	1,082.9	1,084.3	1,083.5
	4,111.4	2,356.6	4,114.0	2,357.8

During the financial year, a final one-tier tax exempt ordinary dividend of 9.0 cents per share and a special one-tier exempt dividend of 10.0 cents per share were paid in respect of the previous financial year ended 31 March 2011, and an interim one-tier tax exempt ordinary dividend of 6.8 cents per share was paid in respect of the current financial year ended 31 March 2012.

The amount paid by the Group differed from that paid by the Company due to dividends on performance shares held by the Trust that were eliminated on consolidation of the Trust.

The Directors have proposed a final one-tier tax exempt ordinary dividend of 9.0 cents per share, totalling approximately S\$1.43 billion in respect of the current financial year ended 31 March 2012 for approval at the forthcoming Annual General Meeting.

These financial statements do not reflect the final dividend payable of approximately S\$1.43 billion, which will be accounted for in the shareholders' equity as an appropriation of 'Retained Earnings' in the next financial year ending 31 March 2013.

37. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of AFS investments and borrowings are set out in **Note 26**, **Note 31.5** and **Note 32.3** respectively.

The carrying values of the other financial assets and liabilities approximate their fair values.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

38.1 Financial Risk Factors

The Group's activities are exposed to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk, liquidity risk and market risk. The Group's overall risk management seeks to minimise the potential adverse effects of these risks on the financial performance of the Group.

The Group uses financial instruments such as currency forwards, cross currency and interest rate swaps, and foreign currency borrowings to hedge certain financial risk exposures. No financial derivatives are held or sold for speculative purposes.

The Directors assume responsibility for the overall financial risk management of the Group. For the financial year ended 31 March 2012, the Finance, Investment and Risk Committee ("**FIRC**") assisted the Directors in reviewing and establishing policies relating to financial risk management in accordance with the policies and directives of the Directors.

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38.2 Foreign Exchange Risk

The foreign exchange risk of the Group arises from subsidiaries, associates and joint ventures operating in foreign countries such as Australia, Bangladesh, India, Indonesia, Philippines, Pakistan and Thailand. Translation risks of overseas net investments are not hedged unless approved by the FIRC.

The Group has borrowings denominated in foreign currencies that have primarily been hedged into the functional currency of the respective borrowing entities using cross currency swaps in order to reduce the foreign currency exposure on these borrowings. As the hedges are perfect, any change in the fair value of the cross currency swaps has minimal impact on profit and equity.

The Group Treasury Policy, as approved by the FIRC, is to substantially hedge all known transactional currency exposures. The Group generates revenue, receives foreign dividends and incurs costs in currencies which are other than the functional currencies of the operating units, thus giving rise to foreign exchange risk. The currency exposures are primarily for the Australian Dollar, Euro, Hong Kong Dollar, Indian Rupee, Indonesian Rupiah, Philippine Peso, Pound Sterling, Thai Baht, United States Dollar and Japanese Yen.

Foreign currency purchases and forward currency contracts are used to reduce the Group's transactional exposure to foreign currency exchange rate fluctuations. The foreign exchange difference on trade balances is disclosed under **Note 6** and the foreign exchange difference on non-trade balances is disclosed under **Note 10**.

38.3 Interest Rate Risk

The Group has cash balances placed with reputable banks and financial institutions which generate interest income for the Group. The Group manages its interest rate risks on its interest income by placing the cash balances on varying maturities and interest rate terms.

The Group's borrowings include bank borrowings and bonds. The borrowings expose the Group to interest rate risk. The Group seeks to minimise its exposure to these risks by entering into interest rate swaps over the duration of its borrowings. Interest rate swaps entail the Group agreeing to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. As at 31 March 2012, after taking into account the effect of interest rate swaps, approximately 75% (2011: 73%) of the Group's borrowings were at fixed rates of interest.

As at 31 March 2012, assuming that the market interest rate is 50 basis points higher or lower than the market interest rate and with no change to the other variables, the annualised interest expense on borrowings would be higher or lower by S\$7.8 million (2011: S\$11.8 million).

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38.4 Credit Risk

Financial assets that potentially subject the Group to concentrations of credit risk consist primarily of trade receivables, cash and cash equivalents, marketable securities and financial instruments used in hedging activities.

The Group has no significant concentration of credit risk from trade receivables due to its diverse customer base. Credit risk is managed through the application of credit assessment and approvals, credit limits and monitoring procedures. Where appropriate, the Group obtains deposits or bank guarantees from customers or enters into credit insurance arrangements.

The Group places its cash and cash equivalents and marketable securities with a number of major and high credit rating commercial banks and other financial institutions. Derivative counter-parties are limited to high credit rating commercial banks and other financial institutions. The Group has policies that limit the financial exposure to any one financial institution.

38.5 Liquidity Risk

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

38.6 Market Risk

The Group has investments in quoted equity shares. The market value of these investments will fluctuate with market conditions.