

Notes to the Financial Statements

Year ended December 31, 2020

C. Our Funding (cont'd)

C3. Other reserves (cont'd)

Type of other reserve	Nature
b. Foreign currency translation reserve	Comprises: <ol style="list-style-type: none"> foreign exchange differences arising from translation of the financial statements of foreign entities, effective portion of the hedging instrument which is used to hedge against the Group's net investment in foreign entities and translation of foreign currency loan used to hedge or form part of the Group's net investments in foreign entities.
c. Capital reserve	Comprises: <ol style="list-style-type: none"> acquisitions and disposals with non-controlling interests that do not result in a change of control, capitalisation of accumulated profits for the issue of bonus shares, capital reserve (net of goodwill) on consolidation and equity accounting, asset revaluation reserve, capital redemption reserve, convertible loan stock reserve, transfer from revenue reserve in accordance with the regulations of the foreign jurisdiction in which the Group's subsidiaries, associates and joint ventures operate, and treasury shares of a subsidiary and recognition of call options issued to non-controlling interests of subsidiaries.
d. Merger reserve	The difference between the values of shares issued by the Company in exchange for the value of shares acquired in respect of the acquisition of subsidiaries accounted for under the pooling-of-interest method.
e. Share-based payment reserve	Represents the cumulative value of services received from employees recorded on grant of equity-settled share options, performance shares and performance based restricted shares.
f. Fair value reserve	Includes the cumulative net change in the fair value of equity investments designated at FVOCI until the investments are derecognised. This does not include impairment losses recognised in profit or loss prior to January 1, 2018.
g. Hedging reserve	The effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.
h. Cost of hedging reserve	Represents the change in fair value of the forward element for the forward exchange contracts (forward points) for funding purposes, which is accounted for as cost of hedging reserve.

C4. Perpetual securities

Accounting policies

The perpetual securities do not have a maturity date and the Company is able to elect to defer making a distribution, subject to the terms and conditions of the securities issue. Accordingly, the Company is not considered to have a contractual obligation to make principal repayments or distributions in respect of its perpetual securities issue and the perpetual securities are classified and presented as equity. Distributions are treated as dividends which will be directly debited from equity. Incremental costs directly attributable to the issuance of perpetual securities are deducted against the proceeds from the issue.

On May 15, 2020 and June 22, 2020, the Company redeemed and cancelled perpetual securities with value of S\$600 million and S\$200 million respectively.

On June 22, 2017, the Company issued subordinated perpetual securities with an aggregate principal amount of S\$200 million. Incremental costs incurred amounting to S\$1 million was recognised in equity as a deduction from proceeds.

C. Our Funding (cont'd)

C4. Perpetual securities (cont'd)

On May 20, 2015, the Company issued subordinated perpetual securities with an aggregate principal amount of S\$600 million. Incremental costs incurred amounting to S\$3 million was recognised in equity as a deduction from proceeds.

Subject to the relevant terms and conditions in the offering memorandum, the Company could elect to defer making distributions on these perpetual securities, without limit to the number of times a distribution could be deferred.

As a result, the perpetual securities did not meet the definition for classification as a financial liability under SFRS(I) 1-32 *Financial Instruments: Presentation*. The whole instrument is presented within equity, and distributions are treated as dividends.

During the financial year, distributions amounting to S\$17 million (2019: S\$36 million) were accrued to perpetual security holders.

As at December 31, 2019, an amount of S\$7 million of perpetual securities was held by a related corporation.

C5. Dividends

Accounting policies

Dividends on ordinary shares are recognised when they are approved for payments. Dividends on ordinary shares and redeemable preference shares classified as equity are accounted for as movements in revenue reserve.

A liability to distribute non-cash assets as dividend to its owners shall be measured at the fair value of the assets to be distributed. The differences between the carrying amount of the assets distributed and the carrying amount of the dividend payable shall be recognised in profit or loss.

	Group and Company	
	2020	2019
(S\$ million)		
Dividend paid		
Interim one-tier tax exempt dividend of nil cents per share in respect of year 2020 (2019: 2 cents per share in respect of year 2019)	–	36
Final one-tier tax exempt dividend of 3 cents per share in respect of year 2019 (2019: 2 cents per share in respect of year 2018)	54	35
	54	71

Subject to the approval by the shareholders at the next Annual General Meeting, the directors have proposed a final ordinary one-tier tax exempt dividend of 4 cents per share (2019: one-tier tax exempt dividend of 3 cents per share). This amounts to an estimated net dividend of S\$71 million (2019: S\$54 million) in respect of the year ended December 31, 2020, based on the number of issued shares as at December 31, 2020.

The proposed dividend of 4 (2019: 3) cents per share has not been included as a liability in the financial statements.

Special distribution

On September 11, 2020, the Company demerged its Marine segment by effecting a distribution *in specie* of all the ordinary shares in the issued share capital of SCM (as disclosed in Note G3). The Group's carrying value and Company's cost of investment of these SCM shares at date of the Distribution, were S\$2,561 million and S\$2,248 million, respectively.

The Distribution was measured at fair value using the closing price of the SCM Shares of S\$0.182 prior to the Distribution, amounting to S\$1,597 million, equivalent to approximately S\$0.89 per SCI Share, based on 1,786,431,697 SCI Shares in issue (excluding 1,116,035 treasury shares) as at September 11, 2020.

Distribution at fair value less transaction costs of S\$6 million resulted in loss on Distribution of S\$970 million recognised.