

## **TEMASEK FINANCIAL (I) LIMITED**

*(Incorporated in Singapore. Registration Number: 200408713K)*

## **FINANCIAL STATEMENTS**

*For the financial year ended 31 March 2010*

**TEMASEK FINANCIAL (I) LIMITED**  
*(Incorporated in Singapore)*

**FINANCIAL STATEMENTS**  
*For the financial year ended 31 March 2010*

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## TEMASEK FINANCIAL (I) LIMITED

### DIRECTORS' REPORT

*For the financial year ended 31 March 2010*

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The directors present their report to the member of the Company together with the audited financial statements for the financial year ended 31 March 2010.

#### Directors

The directors in office at the date of this report are as follows:

Gan Chee Yen  
Leong Wai Leng  
Goh Bee Kheng (Appointed on 30 March 2010)  
Wong Heng Tew

#### Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

#### Directors' interests in shares or debentures

According to the register of directors' shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

<u>Name of director and corporations in which interests are held</u>	<u>Description of interests</u>	<u>Holdings registered in the name of director, spouse or infant children</u>	
		<u>At beginning of the year or date of appointment (if later)</u>	<u>At end of the year</u>
<u>Gan Chee Yen</u>			
Chartered Semiconductor Manufacturing Ltd.	Ordinary shares	25,000	NA <sup>#1</sup>
Eugenics Ltd.	Ordinary shares	30,000 <sup>#2</sup>	30,000 <sup>#2</sup>
Mapletree Logistics Trust Management Ltd.	Unit holdings in Mapletree Logistics Trust	437,500	437,500

# **TEMASEK FINANCIAL (I) LIMITED**

## **DIRECTORS' REPORT**

*For the financial year ended 31 March 2010*

Name of director and corporations in which interests are held	Description of interests	Holdings registered in the name of director, spouse or infant children	
		At beginning of the year or date of appointment if later	At end of the year
<u>Gan Chee Yen (continued)</u>			
Neptune Orient Lines Limited	Options at \$2.98 each (exercisable between 31/12/2005 to 30/12/2009)	48,000	-
Singapore Technologies Engineering Ltd	Ordinary shares	336,396	336,396
Singapore Telecommunications Limited	Ordinary shares	2,850	2,850
SP AusNet, a stapled group comprising SP Australia Networks (Finance) Trust, SP Australia Networks (Transmission) Ltd and SP Australia Networks (Distribution) Ltd	Stapled securities <sup>#3</sup>	80,000	100,000
StarHub Ltd.	Ordinary shares	15,730	15,730
Vertex Technology Fund (II) Ltd (In members' voluntary liquidation)	Ordinary shares	20 <sup>#4</sup>	20 <sup>#4</sup>
	Redeemable preference shares	20.41 <sup>#4</sup>	19.86 <sup>#4</sup>
<u>Leong Wai Leng</u>			
Mapletree Logistics Trust Management Ltd.	Unit holdings in Mapletree Logistics Trust	405,250	405,250
Singapore Airlines Limited	Ordinary shares	4,800	4,800

## TEMASEK FINANCIAL (I) LIMITED

### DIRECTORS' REPORT

For the financial year ended 31 March 2010

Name of director and corporations in which interests are held	Description of interests	Holdings registered in the name of director, spouse or infant children	
		At beginning of the year or date of appointment if later	At end of the year
<u>Leong Wai Leng (continued)</u>			
Singapore Telecommunications Limited	Ordinary shares	22,027	22,027
SMRT Corporation Ltd	Ordinary shares	4,000	4,000
SP AusNet, a stapled group comprising SP Australia Networks (Finance) Trust, SP Australia Networks (Transmission) Ltd and SP Australia Networks (Distribution) Ltd	Stapled securities <sup>#3</sup>	80,000	100,000
StarHub Ltd.	Ordinary shares	7,870	7,870
<u>Goh Bee Kheng</u>			
Singapore Technologies Engineering Ltd	Ordinary shares	2,505	2,505
Singapore Telecommunications Limited	Ordinary shares	177	177
StarHub Ltd.	Ordinary shares	2,000	2,000
<u>Wong Heng Tew</u>			
Singapore Telecommunications Limited	Ordinary shares	3,204	3,204

<sup>#1</sup> Chartered Semiconductor Manufacturing Ltd. ceased to be a related corporation of Temasek Holdings (Private) Limited during the financial year.

<sup>#2</sup> Held in the name of ST Trustees Ltd.

<sup>#3</sup> Each stapled security in SP AusNet consists of:

- A unit in SP Australia Networks (Finance) Trust;
- A share in SP Australia Networks (Transmission) Ltd; and
- A share in SP Australia Networks (Distribution) Ltd.

<sup>#4</sup> Held in the name of DBS Vickers Securities Nominees (Singapore) Pte Ltd

## **TEMASEK FINANCIAL (I) LIMITED**

### **DIRECTORS' REPORT**

*For the financial year ended 31 March 2010*

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#### **Directors' contractual benefits**

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report, and except that the directors have employment relationships with the immediate holding company and have received remuneration in those capacities.

#### **Temasek Staff Co-Investment Plan**

Gan Chee Yen, Leong Wai Leng and Wong Heng Tew have each received an award of units granted under the Temasek Staff Co-Investment Plan (the "Plan") implemented by Temasek Holdings (Private) Limited ("Temasek"), the immediate holding company of the Company, subject to certain performance conditions being met by Temasek and other terms and conditions. The units confer the right, when exercised, to receive cash payments, the value of which is based on the compounded total shareholders' return of Temasek over the period commencing from the financial year of Temasek during which the commencement date occurs and ending on the financial year of Temasek immediately preceding the exercise date, as calculated in accordance with the provisions of the Plan.

#### **Temasek Restricted Staff Co-Investment Plan**

Gan Chee Yen, Leong Wai Leng, Goh Bee Kheng, and Wong Heng Tew have each received an award of units granted under the Temasek Restricted Staff Co-Investment Plan ("R-SCOPE") implemented by Temasek. The units confer the right, when exercised, to receive cash payments, the value of which is based on the compounded total shareholders' return of Temasek over the period commencing from the financial year of Temasek during which the commencement date occurs and ending on the financial year of Temasek immediately preceding the exercise date, as calculated in accordance with the provisions of the R-SCOPE.

#### **Share options**

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

**TEMASEK FINANCIAL (I) LIMITED**

**DIRECTORS' REPORT**

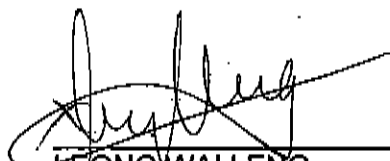
*For the financial year ended 31 March 2010*

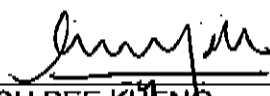
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**Auditors**

The auditors, KPMG LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

  
\_\_\_\_\_  
**LEONG WAI LENG**  
Director

  
\_\_\_\_\_  
**GOH BEE KHENG**  
Director

6 July 2010

**TEMASEK FINANCIAL (I) LIMITED**

**STATEMENT BY DIRECTORS**

*For the financial year ended 31 March 2010*

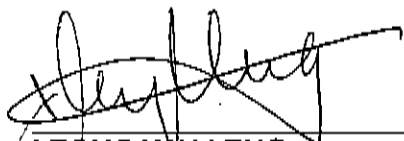
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In our opinion,

- (a) the financial statements of the Company as set out on pages 8 to 23 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2010 and the results, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors



LEONG WAI LENG  
Director



GOH BEE KHENG  
Director

6 July 2010





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## **Independent auditors' report**

Member of the Company  
Temasek Financial (I) Limited

We have audited the financial statements of Temasek Financial (I) Limited (the Company), which comprise the balance sheet as at 31 March 2010, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 23.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards.

Management has acknowledged that its responsibility includes:

- (a) selecting and applying appropriate accounting policies; and
- (b) making accounting estimates that are reasonable in the circumstances.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Company as at 31 March 2010 and the results, changes in equity and cash flows of the Company for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

  
**KPMG LLP**  
*Public Accountants and*  
*Certified Public Accountants*

**Singapore**  
6 July 2010

**TEMASEK FINANCIAL (I) LIMITED****STATEMENT OF COMPREHENSIVE INCOME***For the financial year ended 31 March 2010*

	Note	2010 \$'000	2009 \$'000
Revenue	3	126,705	127,386
Other income	4	75,170	-
Expenses			
- Finance expenses	5	(179,989)	(115,539)
- Other	6	(4,386)	(120,522)
		<u>(184,375)</u>	<u>(236,061)</u>
<b>Profit / (Loss) before income tax</b>		<b>17,500</b>	<b>(108,675)</b>
Income tax expense	7	<u>(2,087)</u>	<u>(1,977)</u>
<b>Total comprehensive income / (loss) for the year</b>		<b><u>15,413</u></b>	<b><u>(110,652)</u></b>

*The accompanying notes form an integral part of these financial statements.*

**TEMASEK FINANCIAL (I) LIMITED****BALANCE SHEET***As at 31 March 2010*

	Note	2010 \$'000	2009 \$'000
<b>ASSETS</b>			
<b>Current asset</b>			
Amount due from immediate holding company - non-trade	8	-	76,554
<b>Non-current asset</b>			
Loan to immediate holding company	8	5,442,958	-
Loans to related companies	9	2,592,518	2,713,747
		<u>8,035,476</u>	<u>2,713,747</u>
<b>Total assets</b>		<u>8,035,476</u>	<u>2,790,301</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accrued operating expenses	10	73,019	3,674
Current income tax		<u>3,927</u>	<u>1,840</u>
		76,946	5,514
<b>Non-current liability</b>			
Borrowings	11	<u>7,810,474</u>	<u>2,652,144</u>
<b>Total liabilities</b>		<u>7,887,420</u>	<u>2,657,658</u>
<b>Net assets</b>		<u>148,056</u>	<u>132,643</u>
<b>EQUITY</b>			
Share capital	12	*	*
Accumulated profits		<u>148,056</u>	<u>132,643</u>
<b>Total equity</b>		<u>148,056</u>	<u>132,643</u>

\* less than \$1,000

*The accompanying notes form an integral part of these financial statements.*

**TEMASEK FINANCIAL (I) LIMITED****STATEMENT OF CHANGES IN EQUITY***For the financial year ended 31 March 2010*

	<b>Share capital \$'000</b>	<b>Accumulated profits \$'000</b>	<b>Total equity \$'000</b>
At 1 April 2009	*	132,643	132,643
Profit for the year / Total comprehensive income for the year	-	15,413	15,413
<b>At 31 March 2010</b>	<b>*</b>	<b>148,056</b>	<b>148,056</b>
At 1 April 2008	*	243,295	243,295
Loss for the year / Total comprehensive loss for the year	-	(110,652)	(110,652)
<b>At 31 March 2009</b>	<b>*</b>	<b>132,643</b>	<b>132,643</b>

\* less than \$1,000

*The accompanying notes form an integral part of these financial statements.*

**TEMASEK FINANCIAL (I) LIMITED****CASH FLOW STATEMENT***For the financial year ended 31 March 2010*

	2010 \$'000	2009 \$'000
<b>Cash flows from operating activities</b>		
Profit/(Loss) before income tax	17,500	(108,675)
Adjustments for:		
- Interest income	(126,705)	(127,386)
- Foreign exchange (gain)/loss	(75,170)	107,763
- Interest expense	179,989	115,539
Operating cash flow before working capital changes	(4,386)	(12,759)
Change in operating assets and liabilities		
Amount due from immediate holding company	76,554	12,765
Accrued operating expenses	3,406	(6)
Cash generated from operations	75,574	-
<b>Net cash provided by operating activities</b>	<b>75,574</b>	<b>-</b>
<b>Cash flow from financing activities</b>		
Interest paid	(111,674)	(115,922)
Proceeds from issue of guaranteed notes	5,354,478	-
(Loan to)/Repayment of loan from holding company	(5,318,378)	115,922
<b>Net cash used in financing activities</b>	<b>(75,574)</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at beginning of financial year	-	-
<b>Cash and cash equivalents at end of financial year</b>	<b>-</b>	<b>-</b>

Significant non-cash transactions during the year are as follows:

	2010 \$'000	2009 \$'000
Interest received on behalf by immediate holding company	124,580	127,050
Tax paid on behalf by immediate holding company	-	2,135

*The accompanying notes form an integral part of these financial statements.*

## **TEMASEK FINANCIAL (I) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 March 2010*

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These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

The financial statements were authorised for issue by the directors on 6 July 2010.

#### **1. General information**

Temasek Financial (I) Limited (the "Company") is incorporated and domiciled in Singapore. The address of the Company's registered office is 60B Orchard Road, #06-18 Tower 2, The Atrium@Orchard, Singapore 238891.

The principal activity of the Company is that of financing.

The immediate and ultimate holding company during the financial year is Temasek Holdings (Private) Limited, incorporated in the Republic of Singapore.

#### **2. Significant accounting policies**

##### **2.1 Basis of preparation**

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared under the historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars, which is the Company's functional currency.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Effective 1 April 2009, the Company has adopted the following new/revised FRSs:

##### **Presentation of financial statements**

The Company applies revised FRS 1 Presentation of Financial Statement (2008), which became effective as of 1 January 2009. As a result, the Company presents in the statement of changes of equity, all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

## **TEMASEK FINANCIAL (I) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 March 2010*

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Comparative information has been re-presented so that it is also in conformity with the revised standard. The adoption of the revised standard results in changes to presentation of the financial statements and has no impact on profit or loss for the year.

Except for the above, the accounting policies set out below have been applied consistently by the Company for all periods presented in these financial statements.

#### **2.2 Foreign currencies**

##### ***Foreign currency transactions***

Transactions in foreign currencies are translated to the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

#### **2.3 Non-derivative financial instruments**

Non-derivative financial instruments comprise loans and receivables, borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

##### **(i) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include trade and other receivables and cash and cash equivalents. Cash and cash equivalents comprise cash balances and bank deposits. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

##### **(ii) Borrowings**

Borrowings are carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.



## **TEMASEK FINANCIAL (I) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 March 2010*

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#### **(iii) Trade and other payables**

Trade and other payables are carried at amortised cost using the effective interest method.

#### ***Impairment of financial assets***

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in profit or loss.

Impairment losses in respect of financial assets measured at amortised cost are reversed if the subsequent increase in fair value can be related objectively to an event occurring after the impairment loss was recognised.

#### ***Share capital***

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

## **2.4 Revenue recognition**

Revenue comprises interest income. Interest income is recognised on a time proportion basis using the effective interest method.

## **2.5 Finance expenses**

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

## TEMASEK FINANCIAL (I) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2010*

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#### 2.6 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiary and associated companies, partnerships and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### 3. Revenue

	2010 \$'000	2009 \$'000
Interest income on loan to related companies	124,655	125,336
Amortisation of premium on loan to related companies	2,050	2,050
	<u>126,705</u>	<u>127,386</u>

**TEMASEK FINANCIAL (I) LIMITED****NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 March 2010***4. Other income**

	<b>2010</b> <b>\$'000</b>	<b>2009</b> <b>\$'000</b>
Foreign exchange gain	<b>75,170</b>	<b>-</b>

**5. Finance expenses**

	<b>2010</b> <b>\$'000</b>	<b>2009</b> <b>\$'000</b>
Interest expense		
- guaranteed notes	<b>178,544</b>	<b>113,489</b>
- amortisation of discount on guaranteed notes	<b>1,445</b>	<b>2,050</b>
	<b>179,989</b>	<b>115,539</b>

**6. Other expenses**

	<b>2010</b> <b>\$'000</b>	<b>2009</b> <b>\$'000</b>
Management fee payable to immediate holding company	<b>943</b>	<b>-</b>
Foreign exchange loss	<b>-</b>	<b>107,763</b>
Other operating expenses	<b>3,443</b>	<b>12,759</b>
	<b>4,386</b>	<b>120,522</b>

**7. Income tax expense**

	<b>2010</b> <b>\$'000</b>	<b>2009</b> <b>\$'000</b>
<b>Current tax expense</b>		
Current year	<b>2,087</b>	<b>1,840</b>
Under provision in prior year	<b>-</b>	<b>137</b>
	<b>2,087</b>	<b>1,977</b>

**Reconciliation of effective tax rate**

Profit/(Loss) before income tax	<b>17,500</b>	<b>(108,675)</b>
Tax calculated at a tax rate of 17%	<b>2,975</b>	<b>(18,475)</b>
Expenses not deductible for tax purposes	<b>12,126</b>	<b>20,341</b>
Income not subjected to tax	<b>(12,988)</b>	<b>-</b>
Singapore statutory income exemption	<b>(26)</b>	<b>(26)</b>
Under provision in prior year	<b>-</b>	<b>137</b>
	<b>2,087</b>	<b>1,977</b>

**TEMASEK FINANCIAL (I) LIMITED****NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 March 2010***8. Amount due from immediate holding company – non-trade/ Loan to immediate holding company**

During the previous financial year, the non-trade amount due from the immediate holding company was unsecured, interest-free and repayable on demand.

As at 31 March 2010, the loan to the immediate holding company is unsecured and interest-free. The cash management process is determined and managed by the immediate holding company. As the loan is in substance, part of the holding company's net investment in the Company, it is stated at cost less impairment. The settlement of the amount is neither planned nor likely to occur in the foreseeable future.

**9. Loans to related companies**

	2010 \$'000	2009 \$'000
Loans to related companies	2,600,000	2,723,100
Unamortised premium	(11,231)	(13,281)
	<u>2,588,769</u>	<u>2,709,819</u>
Interest receivable	3,749	3,928
	<u>2,592,518</u>	<u>2,713,747</u>

The loans to related companies are unsecured, bear fixed interest of 4.75% (2009: 4.75%) per annum and are repayable in 2015.

The fair values of the loans to related companies at the balance sheet date are \$2,853,047,510 (2009: \$3,104,039,931).

The fair values are determined from a discounted cash flow analysis, using a discount rate based upon the borrowing rates which the directors expect would be available to the Company at the balance sheet date.

**10. Accrued operating expenses**

	2010 \$'000	2009 \$'000
Interest payable	69,680	3,664
Others	3,339	10
	<u>73,019</u>	<u>3,674</u>

At the balance sheet date, the carrying amounts of accrued operating expenses approximated their fair values and are denominated in Singapore Dollars.

**TEMASEK FINANCIAL (I) LIMITED****NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 March 2010***11. Borrowings**

The terms and conditions of the borrowings are as follows:

	Year of maturity	Nominal interest rate %	2010		2009	
			Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
US\$1.75 billion	2015	4.5	2,450,000	2,437,684	2,665,425	2,652,144
US\$1.5 billion	2019	4.3	2,100,000	2,089,069	-	-
US\$0.5 billion	2039	5.375	700,000	690,232	-	-
S\$0.3 billion	2029	4.0	300,000	298,927	-	-
S\$0.3 billion	2039	4.2	300,000	298,818	-	-
S\$1.0 billion	2020	3.265	1,000,000	997,883	-	-
S\$0.5 billion	2025	3.785	500,000	499,056	-	-
S\$0.5 billion	2035	4.0475	500,000	498,805	-	-
			<u>7,850,000</u>	<u>7,810,474</u>	<u>2,665,425</u>	<u>2,652,144</u>

The notes issued are part of a US\$5.0 billion Guaranteed Global Medium Term Note Program (the "Program"), which was increased to US\$10.0 billion on 3 February 2010. Under the Program, notes issued by the Company are fully and unconditionally guaranteed by its holding company.

The fair value of the borrowings at the balance sheet date is \$7,974,570,700 (2009: \$2,719,168,091).

For disclosure purposes, the fair value of the notes which are traded in active market is based on the market quoted ask price. For other notes, the fair value is determined by reference to the valuation provided by financial institutions at the balance sheet date.

## TEMASEK FINANCIAL (I) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2010

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#### 12. Share capital

	2010 \$	2009 \$
<b>Fully paid ordinary shares with no par value</b>		
Beginning and end of the financial year	<u>2</u>	<u>2</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual assets.

#### 13. Related party transactions

The Company is a subsidiary of Temasek Holdings (Private) Limited, which is an investment holding company.

For the purpose of these financial statements, parties are considered to be related to the Group if they are subsidiaries or associates of the Temasek Group, or, if they are directors of the Company.

The Company engages in various transactions in the ordinary course of business with companies related to or associated with the Temasek Group at their prevailing market rates or prices and on customary terms and conditions. These related party transactions would have been required to be, and could have been, replaced with transactions with other parties on similar terms.

Related party transactions of the Company are disclosed elsewhere in the financial statements.

##### ***Transactions with key management personnel***

The Company's directors are employees of the holding company and no consideration is paid to the holding company for the services rendered by the directors.

#### 14. Segment reporting

The Company only has one operating segment which is in relation to financing activities. All activities are carried out in the Republic of Singapore.

## **TEMASEK FINANCIAL (I) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 March 2010*

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#### **15. Financial risk management**

The Company's activities expose it to a variety of financial risks:

- market risk
- liquidity risk
- credit risk

The financial risk management of the Company is managed by the holding company as part of the operations of the Temasek Holdings (Private) Limited Group.

##### ***Market risk***

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's income or the value of its investment in financial instruments.

The Company is exposed to interest rate risk arising from its borrowings, which are interest bearing. The exposure is managed by its holding company as part of the operations of the Group by diversifying its portfolio and is assessed using Value-at-Risk (VaR).

The Company's exposure to foreign exchange risk arises from its borrowings which are denominated in foreign currencies mainly in the United States dollar. The exposure is managed by its holding company as part of the operations of the Group. Currency risk is assessed using VaR at Group level.

##### ***Liquidity risk***

Liquidity risk is the risk that the Company may encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash.

The Company manages its liquidity risk through funding from its immediate holding company.

##### ***Credit risk***

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans to related companies.

##### ***Capital management***

The capital management process is determined and managed by the holding company as part of the operations of the Group. The Company's capital comprises its share capital and reserves.

**TEMASEK FINANCIAL (I) LIMITED****NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 March 2010***16. Financial Instruments*****Market risk******Exposure to currency risk***

The Company is exposed to foreign currency risks on the loans to related companies and notes issued in United States dollar, as follow:

	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		
Loans to related companies	<b>1,400,000</b>	<b>1,523,100</b>
<b>Liabilities</b>		
Borrowings	<b>5,238,873</b>	<b>2,652,144</b>

***Liquidity risk***

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments.

	<b>Carrying amount</b>	<b>Cash flows</b>			
		<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>Within 1 to 5 years</b>	<b>More than 5 years</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Company</b>					
<b>2010</b>					
Accrued operating expenses	73,019	73,019	73,019	-	-
Borrowings	7,810,474	12,132,138	334,588	1,338,350	10,459,200
	<b>7,883,493</b>	<b>12,205,157</b>	<b>407,607</b>	<b>1,338,350</b>	<b>10,459,200</b>
<b>2009</b>					
Borrowings	<b>2,652,144</b>	<b>3,433,447</b>	<b>123,609</b>	<b>479,777</b>	<b>2,830,061</b>

***Credit risk***

The Company does not have significant concentration of credit risk except for the loan to the immediate holding company and related companies. No impairment loss is necessary in respect of the loan to the immediate holding company related companies.



**TEMASEK FINANCIAL (I) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 March 2010*

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**17. New standards and interpretations not yet adopted**

New standards, amendments to standards and interpretations that are not yet effective for the year ended 31 March 2010 have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company.