

Temasek Financial (I) Limited

Registration Number: 200408713K

**Financial Statements
For the financial year ended 31 March 2012**

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Directors' report

The directors present their report to the member of Temasek Financial (I) Limited (the "Company") together with the audited financial statements for the financial year ended 31 March 2012.

Directors

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

Tan Chong Lee	(Appointed on 18 June 2012)
Rohit Sipahimalani	(Appointed on 18 June 2012)
Leong Wai Leng	
Chia Yue Joo	(Appointed on 18 June 2012)
Goh Bee Kheng	

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 objects are, or one of whose objects is, 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 in 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 01/04/2011</u>	<u>At 31/03/2012</u>
<u>Leong Wai Leng</u>			
Mapletree Commercial Trust Management Ltd.	Unit holdings in Mapletree Commercial Trust	-	79,000
Mapletree Industrial Trust Management Ltd	Unit holdings in Mapletree Industrial Trust	6,000	11,000
Mapletree Logistics Trust Management Ltd.	Unit holdings in Mapletree Logistics Trust	437,670	437,670
Mapletree Treasury Services Ltd	S\$250,000,000 3.88% Notes due on 04/10/2018	\$250,000	\$250,000
	S\$90,000,000 4.45% Notes due 07/03/2018	\$500,000	\$500,000
	S\$300,000,000 4.6% Notes due on 20/8/2013	\$500,000	\$500,000
Neptune Orient Lines Limited	S\$250,000 4.40% Notes due 22/06/2021	-	\$250,000

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 01/04/2011	At 31/03/2012
<u>Leong Wai Leng (continued)</u>			
Singapore Airlines Limited	Ordinary shares	4,800	4,800
	S\$500,000,000 3.22% Notes due on 09/07/2020	\$250,000	\$250,000
	S\$900,000,000 4.15% Notes due on 19/12/2011	\$250,000	-
Singapore Technologies Engineering Ltd	Ordinary shares	-	30,000
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 ^{#1}	100,000	100,000
StarHub Ltd.	Ordinary shares	7,870	7,870
<u>Goh Bee Kheng</u>			
Mapletree Commercial Trust Management Ltd.	Unit holdings in Mapletree Commercial Trust	-	10,000
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

^{#1} 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.

*Resigned as director on 18 June 2012

Directors' contractual benefits

Since the end of the last 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 all or some directors have employment relationships with the immediate holding company and/or a related corporation and have received remuneration in those capacities.

Temasek Staff Co-Investment Plan

Leong Wai Leng, Goh Bee Kheng and Wong Heng Tew* have each received an award of units granted under the Temasek Staff Co-Investment Plan ("T-Scope") implemented by Temasek Holdings (Private) Limited ("Temasek"), the immediate holding company of the Company, subject to certain performance conditions being met 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 T-Scope.

Temasek Restricted Staff Co-Investment Plan

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.

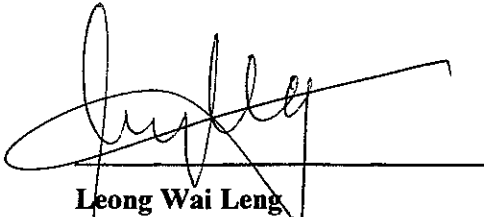
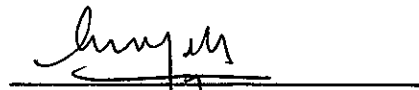
There were no unissued shares of the Company under option at the end of the financial year.

*Resigned as director on 18 June 2012

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 2012

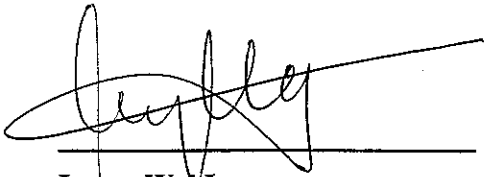
Statement by Directors

In the opinion of the directors:

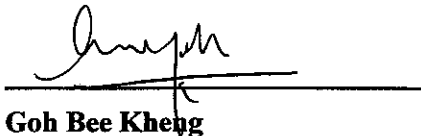
- (a) the financial statements set out on pages FS1 to FS14 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2012 and the results, changes in equity and cash flows of the Company for the year then ended on that date in accordance with the provisions 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 2012



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Independent auditors' report

Member of the Company
Temasek Financial (I) Limited

Report on the financial statements

We have audited the accompanying financial statements of Temasek Financial (I) Limited (the "Company"), which comprise the balance sheet as at 31 March 2012, 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 information, as set out on pages FS1 to FS14.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards.

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 about 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 of financial statements that give a true and fair view 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.




Temasek Financial (I) Limited
Independent auditors' report
Year ended 31 March 2012

Opinion

In our opinion, the financial statements of the Company 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 2012 and the results, changes in equity and cash flows of the Company for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, 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 2012

Balance sheet
As at 31 March 2012

	Note	2012 \$'000	2011 \$'000
Non-current assets			
Loan to immediate holding company	5	-	7,681,397
Loans to related companies	6	9,830,336	2,456,618
Total assets		<u>9,830,336</u>	<u>10,138,015</u>
Equity			
Share capital	7	*	*
Accumulated profits		18,132	303,931
Total equity		<u>18,132</u>	<u>303,931</u>
Non-current liability			
Borrowings	8	9,683,657	9,707,909
		<u>9,683,657</u>	<u>9,707,909</u>
Current liabilities			
Other payables	9	120,259	121,108
Current tax liabilities		8,288	5,067
		<u>128,547</u>	<u>126,175</u>
Total liabilities		<u>9,812,204</u>	<u>9,834,084</u>
Total equity and liabilities		<u>9,830,336</u>	<u>10,138,015</u>

* Amount is less than \$1,000

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

Statement of comprehensive income
Year ended 31 March 2012

	Note	2012 \$'000	2011 \$'000
Revenue	10	118,525	122,113
Other income		25,703	440,436
Other expenses		(2,369)	(2,684)
Finance expenses		(424,437)	(402,850)
(Loss)/profit before income tax	11	(282,578)	157,015
Income tax expense	12	(3,221)	(1,140)
(Loss)/profit for the year, representing total comprehensive income for the year		<u>(285,799)</u>	<u>155,875</u>

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

Statement of changes in equity
Year ended 31 March 2012

	Share capital \$'000	Accumulated profits \$'000	Total equity \$'000
At 1 April 2010	*	148,056	148,056
Total comprehensive income for the year			
Profit for the year, representing total comprehensive income for the year	-	155,875	155,875
At 31 March 2011	*	303,931	303,931
At 1 April 2011	*	303,931	303,931
Total comprehensive income for the year			
Loss for the year, representing total comprehensive income for the year	-	(285,799)	(285,799)
At 31 March 2012	*	18,132	18,132

* Amount is less than \$1,000

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

Cash flow statement
Year ended 31 March 2012

	2012	2011
	\$'000	\$'000
Cash flows from operating activities		
(Loss)/profit before income tax	(282,578)	157,015
Adjustments for:		
Interest income	(118,525)	(122,113)
Interest expense	424,437	402,850
Exchange gain	(25,703)	(440,436)
	(2,369)	(2,684)
Changes in other payables	553	(594)
Net cash used in operating activities	(1,816)	(3,278)
 Cash flows from financing activities		
Loan to immediate holding company/related companies	422,931	(2,119,160)
Proceeds from issue of guaranteed notes	-	2,466,581
Interest paid	(421,115)	(344,143)
Net cash from financing activities	1,816	3,278
 Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the year	-	-
Cash and cash equivalents at end of the year	-	-

Significant non-cash transactions

The Company has arrangements with its immediate holding company/related company such that certain cash receipts and payments relating to transactions of the Company were handled by its immediate holding company/related company on behalf of the Company, and settled through the Company's inter-company balances. The following are the significant non-cash transactions which were handled by the immediate holding company/related company for the Company and not included under investing and financing activities in the cash flow statement:

	2012	2011
	\$'000	\$'000
Interest received on behalf by immediate holding company/ related company	117,018	119,280
Loan to immediate holding company transferred to loan to related company	7,681,397	-

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

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 6 July 2012.

1 General information

Temasek Financial (I) Limited (the “Company”) is incorporated in the Republic of 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 at the end of the financial year is Temasek Holdings (Private) Limited, incorporated in the Republic of Singapore.

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Singapore Dollar which is the Company’s functional currency.

2.4 Use of estimates, assumptions and judgements

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.

2.5 Changes in accounting policies

On 1 April 2011, the Company adopted the new or amended FRS and interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The following revised FRS is relevant to the Company:

FRS 24 *Related Party Disclosures* (2010)

Identification of related party relationships and related party disclosures

From 1 April 2011, the Company applied the revised FRS 24 *Related Party Disclosures* (2010) to identify parties that are related to the Company and to determine the disclosures to be made on transactions and outstanding balances, including commitments, between the Company and its related parties. FRS 24 (2010) improved the definition of a related party in order to eliminate inconsistencies and ensure symmetrical identification of relationships between two parties.

The adoption of FRS 24 (2010) has no material effect on the disclosures in the financial statements and has no financial effect on the results and financial position of the Company for the current and previous financial years.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rate at that 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. Non-monetary items denominated in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in profit or loss.

3.2 Financial instruments

Non-derivative financial instruments

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

Cash and cash equivalents comprise cash balances.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of ownership of the asset.

On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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.

(a) 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 loans to related companies and cash and cash equivalents which are measured at amortised cost using the effective interest method, less any impairment losses.

(b) Other payables

Other payables are carried at amortised cost using the effective interest method.

(c) 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.

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.

3.3 Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each balance sheet date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar risk characteristics.

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 asset's original effective interest rate.

Impairment losses in respect of financial assets measured at amortised cost 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 was recognised.

3.4 Revenue recognition

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

3.5 Finance expenses

Finance expenses comprise interest expense on borrowings and are recognised based on effective interest method.

3.6 Income tax

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 balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of 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 temporary differences arising from the initial recognition of assets or liabilities in a transaction that affects neither accounting nor taxable profit. 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 balance sheet 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 for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4 **New standards and interpretations not yet adopted**

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 April 2012 or later periods and which the Company has not early adopted. Management anticipates that the adoption of these standards in the future periods will not have a material impact on the financial statements of the Company in the period of their initial adoption.

5 **Loan to immediate holding company**

The loan to immediate holding company was unsecured, interest-free and repayable on demand. Loan to immediate holding company was transferred to loan to related company during the year (see note 6).

6 **Loans to related companies**

		2012	2011
		\$'000	\$'000
Interest-free loan to a related company	(i)	7,374,617	-
Interest bearing loans to related companies	(ii)	2,459,300	2,462,250
Unamortised premium		(7,126)	(9,181)
		<u>9,826,791</u>	<u>2,453,069</u>
Interest receivable		3,545	3,549
		<u>9,830,336</u>	<u>2,456,618</u>

- (i) The loan to a related company is unsecured and repayable on demand. However, the settlement of the amount is neither planned nor likely to occur in the foreseeable future.
- (ii) The loans to related companies are unsecured, bear fixed interest at 4.75% (2011: 4.75%) per annum and are repayable in 2015.

The fair values of the loans to related companies at the balance sheet date are \$2,793,721,897 (2011: \$2,741,850,627).

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.

7 **Share capital**

	2012	2011
	No. of shares	No. of shares
Fully paid ordinary shares, with no par value		
On issue at 1 April and 31 March	<u>2</u>	<u>2</u>

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

Capital management

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

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

8 Borrowings

The terms and conditions of the borrowings are as follows:

	Year of maturity	Nominal interest rate %	2012 Face value \$'000	2012 Carrying amount \$'000	2011 Face value \$'000	2011 Carrying amount \$'000
US\$1.75 billion	2015	4.5	2,203,775	2,197,637	2,208,937	2,201,223
US\$1.5 billion	2019	4.3	1,888,950	1,880,816	1,893,375	1,884,276
US\$0.5 billion	2039	5.375	629,650	620,981	631,125	622,286
S\$0.3 billion	2029	4.0	300,000	299,002	300,000	298,963
S\$0.3 billion	2039	4.2	300,000	298,860	300,000	298,838
S\$1.0 billion	2020	3.265	1,000,000	998,274	1,000,000	998,086
S\$0.5 billion	2025	3.785	500,000	499,163	500,000	499,114
S\$0.5 billion	2035	4.0475	500,000	498,872	500,000	498,843
£0.2 billion	2022	4.625	400,710	398,471	405,460	403,033
£0.5 billion	2040	5.125	1,001,775	994,064	1,013,650	1,005,738
S\$1.0 billion	2050	4.2	1,000,000	997,517	1,000,000	997,509
			<u>9,724,860</u>	<u>9,683,657</u>	<u>9,752,547</u>	<u>9,707,909</u>

These notes are part of a US\$10.0 billion Guaranteed Global Medium Term Note Program (the "Program"). 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 \$10,778,026,426 (2011: \$10,065,847,097).

9 Other payables

	2012 \$'000	2011 \$'000
Interest payable	119,291	119,826
Other payables	968	1,282
	<u>120,259</u>	<u>121,108</u>

At the balance sheet date, the carrying amounts of other payables approximated their fair values and are denominated in Singapore dollars, United States dollars and Great Britain pounds.

10 Revenue

	2012 \$'000	2011 \$'000
Interest income on loans to related companies	116,470	120,063
Amortisation of premium on loans to related companies	2,055	2,050
	<u>118,525</u>	<u>122,113</u>

11 (Loss)/ Profit before income tax

The following items have been included in arriving at (loss)/ profit before income tax:

	2012 \$'000	2011 \$'000
Foreign exchange gain	25,703	440,436
Finance expenses		
- guaranteed notes	421,155	399,417
- amortisation of discount on guaranteed notes	3,282	3,433
	<u>424,437</u>	<u>402,850</u>

12 Income tax expense

	2012 \$'000	2011 \$'000
Current tax expense		
Current year	3,221	2,980
Overprovision in respect of prior years	-	(1,840)
	<u>3,221</u>	<u>1,140</u>

Reconciliation of effective tax rate

(Loss)/profit before income tax	<u>(282,578)</u>	<u>157,015</u>
Income tax using Singapore tax rate of 17% (2011: 17%)	(48,038)	26,693
Expenses not deductible for tax purposes	55,788	51,418
Income not subject to tax	(4,529)	(75,131)
Overprovision in respect of prior years	-	(1,840)
	<u>3,221</u>	<u>1,140</u>

13 Significant related party transactions

Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the significant transactions between the Company and related parties are as follows:

	2012 \$'000	2011 \$'000
Central support service charge paid/payable to ultimate holding/related company	271	563

Transactions with key management personnel

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

14 Financial risk management

Overview

The Company's activities expose it to the following risks:

- credit risk
- liquidity risk
- market risk

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

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 and receivables.

This exposure is managed by its immediate holding company as part of the operations of the Temasek Group by diversifying its credit risks and dealing mainly with high credit quality counterparties assessed by international credit rating agencies.

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 or another financial asset.

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

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.

The Company is exposed to interest rate risk arising from its loans to related companies and notes issued, which are interest bearing. The exposure is managed by its immediate holding company as part of the operations of the Temasek Group by maintaining a mix of fixed and floating interest bearing assets and liabilities of various maturities and assessed using Value-at-Risk (VaR).

The Company's exposure to foreign exchange risk arises from its loans to related companies and notes issued in United States dollars and Great Britain Pound. The exposure is managed by its immediate holding company as part of the operations of the Temasek Group. Currency risk is assessed using VaR at the Temasek Group Level.

15 Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was:

	2012 \$'000	2011 \$'000
Loans and receivables	9,830,336	10,138,015

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount \$'000	Cash flows			
		Contractual cash flows \$'000	Within 1 year \$'000	Between 1 to 5 years \$'000	More than 5 years \$'000
31 March 2012					
<i>Non-derivative financial liabilities</i>					
Other payables	120,259	120,259	120,259	-	-
Borrowings	9,683,657	16,520,614	422,525	3,745,119	12,352,970
	<u>9,803,916</u>	<u>16,640,873</u>	<u>542,784</u>	<u>3,745,119</u>	<u>12,352,970</u>
31 March 2011					
<i>Non-derivative financial liabilities</i>					
Other payables	121,108	121,108	121,108	-	-
Borrowings	9,707,909	16,996,777	423,855	3,854,656	12,718,266
	<u>9,829,017</u>	<u>17,117,885</u>	<u>544,963</u>	<u>3,854,656</u>	<u>12,718,266</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Currency risk

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	Great Britain	United States
	Pound	Dollar
	\$'000	\$'000
31 March 2012		
Assets		
Loans to related companies	-	1,257,024
Liabilities		
Other payables	47,859	50,530
Borrowings	1,392,535	4,699,434
	<hr/>	<hr/>
31 March 2011		
Assets		
Loans to related companies	-	1,262,250
Liabilities		
Other payables	48,236	51,450
Borrowings	1,409,732	4,710,694
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