

Sembcorp Salalah Power & Water Company SAOG

Condensed interim financial statements

31 March 2016

Registered office:

P.O. Box 299
Postal Code 134
Jawharat Al Shatti
Sultanate of Oman

Principal place of business:

Salalah
Sultanate of Oman

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Condensed interim financial statements

31 March 2016

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE SHAREHOLDERS OF SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Report on the interim financial information

We have reviewed the unaudited interim financial information ("the interim financial information") of Sembcorp Salalah Power and Water Company SAOG ("the Company"), set out on pages 2 to 26, which comprises the statement of financial position as at 31 March 2016, and the related statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three months period ended 31 March 2016, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's and auditor's responsibility

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard ("IAS") 34, 'Interim Financial Reporting', the requirements of the Commercial Companies Law of 1974, as amended and the minimum disclosure requirements issued by the Capital Market Authority ("CMA"). Our responsibility is to express a conclusion on the interim financial information based on our review.

Scope of review

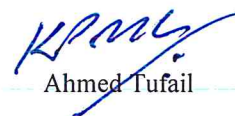
We conducted our review in accordance with International Standard on Review Engagements No. 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the unaudited interim financial information of the Company is not:

- Prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting';
- In compliance, in all material respects, with the requirements of the Commercial Companies Law of 1974, as amended; and
- In compliance, in all material respects, with the minimum disclosure requirements issued by the CMA.

25 April 2016


Ahmed Tufail

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Condensed statement of profit and loss and other comprehensive income

for three month period ended 31 March

	Notes	Unaudited For three month period ended 31 March 2016 RO	Unaudited For three month period ended 31 March 2015 RO
Revenue	3	17,723,207	16,812,818
Cost of sales	4	(9,664,895)	(8,855,542)
Gross profit		8,058,312	7,957,276
Administrative and general expenses	5	(206,054)	(174,299)
Other income		-	1,583
Profit before interest and tax		7,852,258	7,784,560
Finance income		22,628	24,867
Finance costs	6	(4,263,512)	(4,716,020)
Profit before tax		3,611,374	3,093,407
Income tax expense	15	(434,532)	(372,334)
Profit after tax for the year		3,176,842	2,721,073
Other comprehensive loss net of income tax:			
Effective portion of change in fair value of cash flow hedge	9	(4,006,313)	(2,297,549)
Total comprehensive (loss) income for the year		(829,471)	423,524
Earnings per share:			
Basic earnings per share (2015 restated)	21	0.003	0.003

The notes on pages 6 to 26 are an integral part of these condensed interim financial statements.

The review report of the Independent Auditors is set forth on page 1.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Condensed statement of financial position

As at

		Unaudited	Unaudited	Audited
	Notes	31 March 2016	31 March 2015	31 December 2015
		RO	RO	RO
Non-current assets				
Property, plant and equipment	7	315,946,394	326,462,594	318,578,881
Intangible assets	8	2,042	10,717	3,526
Total non-current assets		315,948,436	326,473,311	318,582,407
Current assets				
Trade and other receivables	10	13,513,082	7,800,981	7,532,541
Inventory	11	4,321,522	3,961,893	4,557,612
Cash and cash equivalents	12	20,698,985	20,280,154	28,418,745
Total current assets		38,533,589	32,043,028	40,508,898
Total assets		354,482,025	358,516,339	359,091,305
Equity				
Share capital	13 (a)	95,457,195	95,457,195	95,457,195
Retained earnings		3,016,359	2,450,026	3,498,203
Legal reserve	13 (b)	4,167,249	2,757,316	3,849,565
Shareholders' funds		102,640,803	100,664,537	102,804,963
Hedging reserve	9&13 (c)	(25,650,260)	(25,973,832)	(21,643,947)
Total equity		76,990,543	74,690,705	81,161,016
Non-current liabilities				
Term loan	17	216,055,934	229,397,983	222,429,879
Asset retirement obligation	18	508,737	475,833	500,115
Deferred tax liability	15	6,839,415	4,867,990	6,951,199
Derivative instruments	9	29,148,023	29,515,718	24,595,394
Total non-current liabilities		252,552,109	264,257,524	254,476,587
Current liabilities				
Current portion of term loan	17	14,398,325	13,890,149	14,116,005
Trade and other payables	14	10,541,048	5,677,961	9,337,697
Total current liabilities		24,939,373	19,568,110	23,453,702
Total liabilities		277,491,482	283,825,634	277,930,289
Total equity and liabilities		354,482,025	358,516,339	359,091,305
Net assets per share (2015 restated)		0.108	0.105	0.108

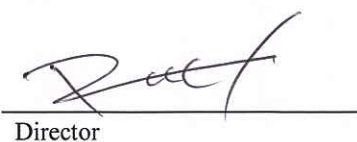
The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 25 April 2016.



Director



Chief Executive Officer



Director

The notes on pages 6 to 26 are an integral part of these condensed interim financial statements.

The review report of the Independent Auditors is set forth on page 1.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Condensed statement of cash flows

for three month period ended 31 March

	Unaudited For three month period ended 31 March 2016 RO	Unaudited For three month period ended 31 March 2015 RO
Cash flows from operating activities:		
Profit before tax for the year	3,611,374	3,093,407
Adjustment for:		
Depreciation and amortisation	2,686,969	2,669,038
Amortisation of deferred financing cost	260,577	273,992
Finance costs	4,002,581	4,441,467
Provision for asset retirement obligation	8,622	8,094
<i>Changes in working capital:</i>		
Inventory	236,090	(341,822)
Trade and other receivables	(5,980,541)	(814,446)
Trade and other payables	1,936,601	1,102,909
	6,762,273	10,432,639
Finance cost paid	(8,043,322)	(9,012,852)
Net cash flow (used in) from operating activities	(1,281,049)	1,419,787
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(86,509)	(42,421)
Acquisition of intangible assets	-	(2,489)
Net cash used in investing activities	(86,509)	(44,910)
Cash flows from financing activities:		
Repayment of term loan	(6,352,202)	(5,674,634)
Dividend paid	-	(4,009,202)
Net cash used in financing activities	(6,352,202)	(9,683,836)
Net decrease in cash and cash equivalents	(7,719,760)	(8,308,959)
Cash and cash equivalents as at 1 January	28,418,745	28,589,113
Cash and cash equivalents as at 31 March	20,698,985	20,280,154

The notes on pages 6 to 26 are an integral part of these condensed financial statements.

The review report of the Independent Auditors is set forth on page 1.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Condensed statement of changes in equity

for three month period ended 31 March

Unaudited	Share capital RO	Retained earnings RO	Legal reserve RO	Hedging reserve RO	Total RO
At 1 January 2015	95,457,195	4,010,262	2,485,209	(23,676,283)	78,276,383
Total comprehensive loss for the year					
Profit for the period	-	2,721,073	-	-	2,721,073
Changes in fair value of cash flow hedge, net of income tax	-	-	-	(2,297,549)	(2,297,549)
Total comprehensive income for the period	-	2,721,073	-	(2,297,549)	423,524
Transactions with owners of the Company, recognised directly in equity					
Final Dividend	-	(4,009,202)	-	-	(4,009,202)
Transfer to legal reserve	-	(272,107)	272,107	-	-
Transactions with owners of the Company, recognised directly in equity	-	(4,281,309)	272,107	-	(4,009,202)
At 31 March 2015	95,457,195	2,450,026	2,757,316	(25,973,832)	74,690,705
At 1 January 2016	95,457,195	3,498,203	3,849,565	(21,643,947)	81,161,016
Total comprehensive loss for the year					
Profit for the period	-	3,176,842	-	-	3,176,842
Changes in fair value of cash flow hedge, net of income tax	-	-	-	(4,006,313)	(4,006,313)
Total comprehensive income for the period	-	3,176,842	-	(4,006,313)	(829,471)
Transactions with owners of the Company, recognised directly in equity					
Dividend	-	(3,341,002)	-	-	(3,341,002)
Transfer to legal reserve	-	(317,684)	317,684	-	-
Transactions with owners of the Company, recognised directly in equity	-	(3,658,686)	317,684	-	(3,341,002)
At 31 March 2016	95,457,195	3,016,359	4,167,249	(25,650,260)	76,990,543

The notes on pages 6 to 26 are an integral part of these condensed financial statements.

The review report of the Independent Auditors is set forth on page 1.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Condensed notes

(forming part of the condensed interim financial statements)

1 Legal status and principal activities

Sembcorp Salalah Power & Water Company SAOC ("the Company") was registered as a closed Omani joint stock company in the Sultanate of Oman on 29 September 2009.

The Company entered into a Shareholders Agreement ("the Shareholders Agreement") dated 17 November 2009 between Sembcorp Oman First Investment Holding Co Ltd ("SOFIH") 40% shareholder, Sembcorp Oman IPO Holding Co Ltd ("SOIHL") 20% shareholder and Inma Power & Water Company LLC ("IPWC") 40% shareholder.

The Company was awarded a tender by the Government of the Sultanate of Oman ("the Government") to build, own and operate an electricity generation and seawater desalination plant together with the associated facilities in the Salalah region ("the Plant").

On 8 October 2013, the Company was listed in MSM and became a listed public joint stock company ("SAOG").

Significant agreements:

The Company has entered into the following major agreements:

- (i) Power and Water Purchase Agreement ("the PWPA") dated 23 November 2009 with Oman Power & Water Procurement Company SAOC ("OPWP") for a period of fifteen years commencing from the date of commercial operations ("Operation period") to procure the power and water produced by the Company;
- (ii) Natural Gas Sales Agreement ("NGSA") dated 23 November 2009 with the Ministry of Oil and Gas ("MOG") of the Government for the supply of natural gas;
- (iii) Usufruct Agreement ("Usufruct Agreement") dated 23 November 2009 with the Ministry of Housing for grant of Usufruct rights over the project site;
- (iv) Long Term Service Agreement ("LTSA") with General Electric International LLC ("GEIL") for maintenance services on gas turbines and generators;
- (v) EPC Turnkey Engineering, Procurement and Construction ("EPC") Contract dated 20 August 2009 with SEPCOIII Electric Power Construction Corporation ("SEPCOIII") for the construction of the Plant;
- (vi) Government Guarantee Agreement ("Government Guarantee") dated 23 November 2009 with the Government represented by the Ministry of Finance ("MOF"), whereby the MOF is prepared to guarantee the payment by the OPWP of its financial obligations to the Company's Senior Lenders under the PWPA; and
- (vii) Operation and Maintenance ("O&M") agreement with Sembcorp Salalah O&M Services Company LLC ("SSOM") dated 8 February 2010 for a period of 15 years from the scheduled commercial operation date.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Condensed notes

(forming part of the condensed interim financial statements)

2 Basis of preparation and significant accounting policies

Basis of preparation

(a) Statement of compliance

The condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual financial statement as at and for the year ended 31 December 2014. The condensed interim financial statements do not include all the information required for full annual financial statements prepared in accordance with Interim Financial Reporting Standards (IFRSs). However additional disclosures have been made to ensure consistency with industry norms for quarterly reporting on the Muscat Securities Market.

(b) Basis of measurement

These financial statements are prepared on a historical cost basis except where otherwise described in the accounting policies below.

(c) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs 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.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in financial valuation of derivatives financial instruments, asset retirement obligation and impairment of trade receivables.

Significant accounting policies

The accounting policies set out below have been applied consistently by the Company and are consistent with those used in the previous year.

Foreign currency

(i) *Functional and presentation currency*

The financial statements have been presented in Rial Omani ("RO") which is the functional currency of the Company.

(ii) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Condensed notes

(forming part of the condensed interim financial statements)

2 Basis of preparation and significant accounting policies *(continued)*

Foreign currency *(continued)*

(ii) Foreign currency transactions (continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to the functional currency at the exchange rate at the date of the transaction. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated into the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign currency differences arising on translation of monetary items are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, qualifying cash flow hedges or other non monetary items, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Financial instruments

(i) Non derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, amounts due to related parties, cash and cash equivalents, loans and borrowings, and trade and other payables. Cash and cash equivalents comprise cash balances, demand deposits and fixed deposits and term deposits with original maturity not greater than three months.

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.

(ii) Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be “highly effective” in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80% to 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

(iii) Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Condensed notes

(forming part of the condensed interim financial statements)

2 Basis of preparation and significant accounting policies (continued)

Financial instruments (continued)

(iii) Cash flow hedges (continued)

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, then hedge accounting is discontinued prospectively. The cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in profit or loss.

(iv) Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) Depreciation

Depreciation is calculated using the straight-line method to allocate the cost less its residual value so as to write off items of property, plant and equipment over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of an item is depreciated separately. The estimated useful lives are as follows:

Buildings	30 to 35 years
Plant and machinery	12 to 35 years
Tools and equipment	1 to 10 years
Roads and pipelines	10 to 35 years
Computer equipment	3 years
Office equipment	3 to 10 years
Motor vehicles	10 years

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Condensed notes

(forming part of the condensed interim financial statements)

2 Basis of preparation and significant accounting policies *(continued)*

(c) Property, plant and equipment (continued)

(iii) Depreciation (continued)

Certain items of property, plant and equipment are subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the estimated costs of the next overhaul and are separately depreciated in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to the profit or loss.

(iv) Capital work in progress

Capital work in progress is measured at cost and is not depreciated until it is transferred into one of the above categories, which occurs when the asset is ready for its intended use.

(v) Site restoration

A liability for future site restoration is recognized as the activities giving rise to the obligation of future site restoration take place. The liability is measured at the present value of the estimated future cash outflows to be incurred on the basis of current technology. The liability includes all costs associated with site restoration, including plant closure and monitoring costs.

(d) Impairment

(i) Financial assets

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.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in Companies that share similar credit risk characteristics. All impairment losses are recognised in profit or loss account.

An impairment loss is reversed if reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

The recoverable amount of the Company's receivables is calculated as the present value of future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted. Collectively provisions are maintained in respect of losses which are incurred but not yet specifically identified within the portfolio of receivables. The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of a held to maturity security or receivable carried at amortised cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Condensed notes

(forming part of the condensed interim financial statements)

2 Basis of preparation and significant accounting policies *(continued)*

(d) Impairment *(continued)*

(ii) Non financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets. Impairment losses are recognised in the income statement unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then, to reduce the carrying amounts of the other assets in cash-generating units on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(e) Financial liabilities

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(f) Employee terminal benefits

Contributions to a defined contribution retirement benefit plan, for Omani employees in accordance with the Oman Social Insurance Scheme, are recognised as an expense in the income statement as incurred.

The Company's obligation in respect of non-Omani end of service benefits, which is an unfunded defined benefit retirement plan, is the amount of future benefit that such employees have earned in return for their service in the current and prior periods. The provision is calculated using the projected unit credit method and is discounted to its present value. The provision is in accordance with the Omani Labour Law.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Condensed notes

(forming part of the condensed interim financial statements)

2 Basis of preparation and significant accounting policies *(continued)*

(g) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(h) Revenue recognition

Revenue from the sale of electricity and water is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when electricity and water are delivered at the customer's premises which is taken to be the point of time when the customer has accepted the deliveries and the related risks and rewards of ownership have been transferred to the customer based on contractual terms stipulated in PWPA.

Power capacity charge and water capacity charge revenue is recognised when the right to receive is established.

(i) Financing income

Financing income comprises interest received on bank deposits and foreign exchange gains and losses that are recognised in the income statement. Interest income is recognised in the income statement, as it accrues, taking into account the effective yield on the asset.

(j) Borrowing costs

Interest expense and similar charges are expensed in the income statement in the period in which they are incurred, 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 prepare for its intended use or sale. The interest component of finance lease payments is recognised in the income statement using the effective interest rate method.

(k) Income tax expense

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

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the reporting 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 the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss. The measurement of deferred tax reflects the consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. 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 taxes levied by the same tax authority on the same taxable entity.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Condensed notes

(forming part of the condensed interim financial statements)

2 Basis of preparation and significant accounting policies (continued)

(k) Income tax expense (continued)

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 they 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.

(l) Dividend

The Board of Directors takes into account appropriate parameters including the requirements of the Commercial Companies Law while recommending the dividend.

Dividends on ordinary shares are recognised when they are approved for payment.

(m) New standards and interpretation not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Company has not early applied the following new or amended standards in preparing these financial statements.

New or amended standards	Summary of the requirements
IFRS 9 <i>Financial Instruments</i>	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.
IFRS 15 <i>Revenue from Contracts with Customers</i>	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 <i>Revenue</i> , IAS 11 <i>Construction Contracts</i> and IFRIC 13 <i>Customer Loyalty Programmes</i> . IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.
IFRS 16 <i>Leases</i>	IFRS 16 changes the accounting treatment of leases by eliminating the current dual accounting model for lessees. Instead there is a single on-balance sheet accounting model. IFRS 16 is effective for annual periods beginning on or after 1 Jan 2019 with early adoption permitted.

The Company is assessing the potential impact on its financial statements resulting from above standards.

The following new or amended standards are not expected to have a significant impact on the Company's financial statements.

- Disclosure Initiative (Amendments to IAS 7)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

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2 Basis of preparation and significant accounting policies (continued)

(n) New currently effective requirements

- IFRS 14 Regulatory Deferral Accounts
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards
- Investment Entities: Applying the Consolidated Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- Disclosure Initiative (Amendments to IAS 1)

3 Revenue

	Unaudited 31 March 2016 RO	Unaudited 31 March 2015 RO
Fixed capacity charge – Power	8,603,944	8,490,636
Fixed capacity charge – Water	3,930,233	3,818,112
Energy charge	235,388	202,806
Water output charge	218,304	258,019
Fuel charge	4,735,338	4,043,245
	<u>17,723,207</u>	<u>16,812,818</u>

4 Cost of sales

Fuel cost	4,656,866	4,012,187
Operation and maintenance cost	1,430,441	1,353,317
Contractual services maintenance cost	608,659	552,458
Depreciation	2,678,878	2,651,513
Insurance cost	149,394	165,636
Incentive payment	82,141	59,040
Security charges	24,540	25,374
Electricity import cost	5,080	7,022
Provision for asset retirement obligation	8,622	8,094
License and permits	20,274	20,866
Other overhead	-	35
	<u>9,664,895</u>	<u>8,855,542</u>

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Condensed notes

(forming part of the condensed interim financial statements)

5 Administrative and general expenses

	Unaudited 31 March 2016 RO	Unaudited 31 March 2015 RO
Staff costs	39,638	40,235
Legal and professional charges	9,879	39,414
Depreciation and amortisation	8,091	17,525
Provision for doubtful debts	74,276	-
Directors' remuneration and sitting fees	9,750	5,750
Fee and subscription	25,759	45,009
Travelling expenses	14,885	18,468
Other admin and general expenses	23,776	7,898
	<u>206,054</u>	<u>174,299</u>

6 Finance costs

Interest expense on project financing	2,212,443	2,470,896
Interest expense on interest rate swap	1,790,138	1,970,571
Deferred financing cost	260,577	273,992
Commission and bank charges	354	561
	<u>4,263,512</u>	<u>4,716,020</u>

7 Property, plant and equipment

	Buildings	Roads and pipelines	Plant and machinery	Office equipment	Motor vehicles	Computer equipment	Capital Work in Progress	Total
Cost	RO	RO	RO	RO	RO	RO		RO
At 1 January 2016	48,445,982	26,008,548	285,948,116	192,654	287,890	213,845	-	361,097,035
Additions during the year	-	-	52,808	-	-	190	-	52,998
At 31 March 2016	<u>48,445,982</u>	<u>26,008,548</u>	<u>286,000,924</u>	<u>192,654</u>	<u>287,890</u>	<u>214,035</u>		<u>361,150,033</u>
Accumulated depreciation								
At 1 January 2016	5,585,092	3,059,578	33,464,811	118,192	101,752	188,729	-	42,518,154
Charge for the year	362,915	196,241	2,105,008	10,021	7,907	3,393	-	2,685,485
At 31 March 2016	<u>5,948,007</u>	<u>3,255,819</u>	<u>35,569,819</u>	<u>128,213</u>	<u>109,659</u>	<u>192,122</u>		<u>45,203,639</u>
Carrying amount								
At 31 March 2016	<u>42,497,975</u>	<u>22,752,729</u>	<u>250,431,105</u>	<u>64,441</u>	<u>178,231</u>	<u>21,913</u>		<u>315,946,394</u>
At 31 December 2015	<u>42,860,890</u>	<u>22,948,970</u>	<u>252,483,305</u>	<u>74,462</u>	<u>186,138</u>	<u>25,116</u>	-	<u>318,578,881</u>
At 31 March 2015	<u>43,538,749</u>	<u>23,533,726</u>	<u>258,664,817</u>	<u>104,641</u>	<u>210,099</u>	<u>30,562</u>	380,000	<u>326,462,594</u>

8 Intangible assets

	Unaudited 31 March 2016 RO	Unaudited 31 March 2015 RO	Audited 31 December 2015 RO
Opening balance	3,526	10,349	10,349
Purchased during the period/year	-	2,489	2,489
Amortisation during the period/year	(1,484)	(2,121)	(9,312)
	<u>2,042</u>	<u>10,717</u>	<u>3,526</u>

Intangible assets mainly represent the purchase of ERP software.

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Condensed notes

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9 Hedging reserve

	Unaudited 31 March 2016 RO	Unaudited 31 March 2015 RO	Audited 31 December 2015 RO
<u>Interest rate swaps:</u>			
SMBC Capital Market Limited	(6,028,772)	(6,193,717)	(5,240,585)
Standard Chartered Bank	(17,882,838)	(17,979,569)	(14,926,258)
KfW-IPEX	(5,236,413)	(5,342,432)	(4,428,551)
Hedging instrument at the end of the period	(29,148,023)	(29,515,718)	(24,595,394)
Deferred tax asset (note 15)	3,497,763	3,541,886	2,951,447
Hedging reserve at the end of the period (net of tax)	(25,650,260)	(25,973,832)	(21,643,947)
Hedging reserve at the beginning of the period	(21,643,947)	(23,676,283)	(23,676,283)
Effective portion of change in fair value of cash flow hedge for the period/year	(4,006,313)	(2,297,549)	2,032,336

On 19 November 2009, the Company entered into a Common Terms Agreement ("CTA"), for credit facilities with a consortium of international and local banks with Standard Chartered Bank as the Dollar Commercial Facility Agent, Bank Muscat SAOG as the Rial Commercial Facility Agent and Bank of China, Shan dong Branch as the Sinosure Facility Agent.

The Dollar Commercial Facility and the Sinosure Facility bear interest at USD LIBOR plus applicable margins.

In accordance with the CTA, the Company has fixed the rate of interest through an Interest Rate Swap Agreements ("IRS") entered into with SMBC Capital Market Limited, KfW IPEX Bank GmbH and Standard Chartered Bank dated 20 November 2009, 23 March 2010 and 8 April 2010 respectively, for 95.32% of its USD loan facility.

10 Trade and other receivables

Trade receivables	11,937,824	5,991,899	5,817,351
Advances to vendors	1,375,844	1,728,050	1,378,919
Prepayments	106,241	70,230	242,305
Other receivables	93,173	10,802	93,966
	<u>13,513,082</u>	<u>7,800,981</u>	<u>7,532,541</u>

11 Inventory

Fuel inventory	998,913	803,366	1,075,933
Spare parts and consumables	3,322,609	3,158,527	3,481,679
	<u>4,321,522</u>	<u>3,961,893</u>	<u>4,557,612</u>

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Condensed notes

(forming part of the condensed interim financial statements)

12 Cash and cash equivalents

	Unaudited 31 March 2016 RO	Unaudited 31 March 2015 RO	Audited 31 December 2015 RO
Cash in hand	1,000	913	692
Cash at bank	20,697,985	20,279,241	28,418,053
	<u>20,698,985</u>	<u>20,280,154</u>	<u>28,418,745</u>

Cash at bank includes balances in Debt Service Reserve Account in the amount of RO 15,625,640 (2015: RO 15,836,815).

13 Equity

(a) Share capital

The Company's registered capital (issued and fully paid) comprises 954,571,950 shares of 100 Baisas each.

In the EGM on 15 March 2016, shareholders approved to amend the par value of each share from RO 1 to 100 Baisas per share and, amended the issued share capital from 95,457,195 shares to 954,571,950 shares. All share, earnings per share and net assets per share information have been retroactively adjusted to reflect the share split.

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 regard to the Company's residual assets.

(b) Legal reserve

Article 106 of the Commercial Companies Law of 1974 requires that 10% of a company's net profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to at least one-third of the company's issued share capital.

(c) Hedging reserve

Hedging reserve comprises 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 (note 9).

14 Trade and other payables

Payables to EPC Contractor	1,799,641	1,799,641	1,799,641
Trade payables	1,482,157	68,152	124,623
Due to related parties (note 16)	1,222,937	707,322	1,008,257
Other Creditors	150,915	377,870	206,861
Dividend payable (note 23)	3,341,002	-	-
Interest payables	72,340	74,335	4,120,247
Accrued expenses and other payables	2,472,056	2,650,641	2,078,068
	<u>10,541,048</u>	<u>5,677,961</u>	<u>9,337,697</u>

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Condensed notes

(forming part of the condensed interim financial statements)

15 Income tax

The Company is liable to income tax, in accordance with the income tax laws of Sultanate of Oman, at the rate of 12% of taxable income in excess of RO 30,000.

Income tax expense is recognised based on Management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period.

The Company's effective tax rate for the three month period ended 31 March 2016 was 12.03% (three month period ended 31 March 2015: 12.04%).

A deferred tax asset has been recognised directly in equity in respect of the changes in fair values of interest rate swaps (note 9).

	Unaudited 31 March 2016 RO	Unaudited 31 March 2015 RO
a) Recognised in profit or loss		
Deferred tax expense for the year	<u>434,532</u>	<u>372,334</u>

b) Reconciliation

The following is the tax reconciliation of income taxes calculated at the applicable tax rate with the income tax expenses.

Profit before tax	<u>3,611,374</u>	<u>3,093,407</u>
Income tax as per rates mentioned above	(433,365)	(371,209)
Expenses not deductible for tax purposes	<u>(1,167)</u>	<u>(1,125)</u>
Deferred tax expense for the year	<u>(434,532)</u>	<u>(372,334)</u>

c) Deferred tax asset (liability)

Unaudited	At 1 January 2016 RO	Recognised during the period RO	At 31 March 2016 RO
<i>Charged to profit or loss</i>			
Property, plant and equipment	(13,068,477)	(414,135)	(13,482,612)
Tax losses	<u>3,165,831</u>	<u>(20,397)</u>	<u>3,145,434</u>
	<u>(9,902,646)</u>	<u>(434,532)</u>	<u>(10,337,178)</u>
<i>Deferred tax recognised in equity</i>			
Derivative instrument	<u>2,951,447</u>	<u>542,947</u>	<u>3,497,763</u>

d) Status of prior year returns

The Company's assessment for the tax years 2009 to 2015 have not yet been finalised with the Secretariat General for Taxation at the Ministry of Finance. Management of the Company believe that additional taxes, if any in respect of open tax years, would not be significant to the Company's financial position as at 31 March 2016.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

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(forming part of the condensed interim financial statements)

16 Related party transactions

The Company has a related party relationship with entities over which certain shareholders are able to exercise significant influence. In the ordinary course of business, such related parties provide goods and render services to the Company. Prices and terms for these transactions, which are entered into in the normal course of business, are on mutually agreed terms and conditions. The Company had the following significant transactions with related parties during the period:

	Unaudited 31 March 2016 RO	Unaudited 31 March 2015 RO
Sembcorp Industries Limited		
- Reimbursement of expenses	443	-
SSOM		
- Operation and maintenance cost	1,430,441	1,353,317
- Incentive payment	82,141	59,040
Oman Investment Corporation		
- Reimbursement of expenses	5,476	-
Sembcorp Utilities (UK) Limited (SUUK)		-
- Reimbursement of the expenses to the Company	-	625
Sembcorp Bournemouth Water Limited		-
- Reimbursement of the expenses to the Company	-	943

	31 March 2016	31 March 2015	31 December 2015
Balances due to related parties at the yearend comprised:			
SSOM	1,221,967	707,322	967,667
Sembcorp Industries Ltd	970	-	40,590
	<u>1,222,937</u>	<u>707,322</u>	<u>1,008,257</u>

Key Management benefits

Key Management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise). Total compensation paid to key management personnel for the period ended is as follows:

	Unaudited 31 March 2016 RO	Unaudited 31 March 2015 RO
Directors' sitting fees	9,750	5,750
Short term employee benefits	113,910	136,393
Social security and gratuity	13,391	6,551
	<u>137,051</u>	<u>148,694</u>

Compensation of some of the Key Management personnel has been paid through Sembcorp Salalah O&M Services Co. LLC.

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Condensed notes

(forming part of the condensed interim financial statements)

17 Term loan

	Maturity	Unaudited 31 March 2016 RO	Unaudited 31 March 2015 RO	Audited 31 December 2015 RO
Non-current				
Project financing loan (USD)	2012-2026	195,810,700	207,309,729	201,069,402
Project financing loan (Rials)	2012-2026	40,717,080	43,108,200	41,810,580
		<u>236,527,780</u>	<u>250,417,929</u>	<u>242,879,982</u>
Less: Unamortised transaction cost		(6,073,521)	(7,129,797)	(6,334,098)
		<u>230,454,259</u>	<u>243,288,132</u>	<u>236,545,884</u>
Less: Current portion of term loan		(14,398,325)	(13,890,149)	(14,116,005)
		<u>216,055,934</u>	<u>229,397,983</u>	<u>222,429,879</u>

On 19 November 2009, the Company entered into a Common Terms Agreement ("CTA"), for credit facilities with a consortium of international and local banks with Standard Chartered Bank as the Dollar Commercial Facility Agent, Bank Muscat SAOG as the Rial Commercial Facility Agent and Bank of China, Shondong Branch as Sinasure Facility Agent, collectively "the Mandated Lead Arranger".

Repayments

The aggregate amount of drawdowns under the above facilities is repayable in full by 29 half yearly instalments commencing from 30 September 2012, with the final instalment being due on 30 September 2026.

Interest

- (i) Interest on Dollar Commercial facilities is charged at a floating rate of LIBOR plus margin. The Company has entered into an interest rate swap to cap its obligation against unfavourable interest rate changes.

The margins are indicated below:

	Margin (% per annum)
Prior to completion date (as defined in the CTA)	3.00%
Thereafter up to the sixth anniversary of completion date	2.85%
Thereafter up to the tenth anniversary of completion date	3.20%
Thereafter up to the thirteenth anniversary of completion date	3.55%
Thereafter	<u>3.95%</u>

- (ii) Interest on Sinasure Covered facilities is charged at a floating rate of LIBOR plus margin (3% p.a.). The Company has entered into an interest rate swap to cap its obligation against unfavourable interest rate changes.

- (iii) Interest under the Rial Commercial Facilities Agreement is charged at a fixed rate, as shown in the table below:

Period	Margin (% per annum)
From financial close to the third anniversary of financial close	8.00%
From the third anniversary of financial close to the fifth anniversary of financial close	7.00%
From the fifth anniversary of financial close to the eighth anniversary of financial close	<u>4.25%</u>

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17 Term loan (continued)

Other fees

The Company was required to pay front end fees to the Mandated Lead Arranger. In addition, the Company paid commitment fees at 1.3% of undrawn Dollar Commercial facilities and Sinosure Covered facilities and 0.4% of undrawn Rial Omani facilities. As at 31 March 2016, there were no undrawn loans.

Securities

The term loans are secured by a mortgage over the Company's property, plant and equipment and current assets of the Company, including a lien on the balances in the sales collection accounts of the Company.

Covenants

The term loan facilities contain certain covenants pertaining to, amongst other things, liquidation and merger, entering into material new agreements, negative pledge, disposal of assets, granting of loans and guarantees, acquisition of capital assets, debt service coverage ratio, change of business, hedging agreements, etc, with which the Company is required to comply.

18 Asset retirement obligation ("ARO")

Under the Usufruct Agreement, the Company has a legal obligation to remove the Plant at the end of its useful life and restore the land. The Company shall at its sole cost and expense dismantle, demobilise, safeguard and transport the assets, eliminate soil and ground water contamination, fill all excavation and return the surface to grade of the designated areas.

The fair value of the ARO provision has been calculated using an expected present value technique. This technique reflects assumptions such as costs, plant useful life, inflation and profit margin that third parties would consider to assume the settlement of the obligation. The movement in ARO provision is as follows:

	Unaudited 31 March 2016 RO	Unaudited 31 March 2015 RO	Audited 31 December 2015 RO
At 1 January	500,115	467,739	467,739
Provision made during the period/ year	8,622	8,094	32,376
At 31 March/31 December	<u>508,737</u>	<u>475,833</u>	<u>500,115</u>

19 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has entrusted the Management with the responsibility of developing and monitoring the Company's risk management policies and procedures and its compliance with them.

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19 Financial risk management (continued)

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

At the reporting date, the interest rate profile of the Company's interest-bearing financial assets and liabilities is:

	Interest rate %	Unaudited 31 March 2016 RO	Unaudited 31 March 2015 RO	Audited 31 December 2015 RO
Financial assets				
Bank balances		<u>20,697,985</u>	<u>20,279,241</u>	<u>28,418,053</u>
Financial liabilities				
<i>Term loan</i>				
- USD variable rate loans	Libor + 3%	(108,756,829)	(115,143,599)	(111,677,608)
- USD variable rate loans	Libor + 2.85%	(87,053,871)	(92,166,130)	(89,391,794)
- RO fixed rate loans	4.25%	(40,717,080)	(43,108,200)	(41,810,580)
		<u>(236,527,780)</u>	<u>(250,417,929)</u>	<u>(242,879,982)</u>

The Company does not account for any fixed rate financial liabilities at fair value through profit or loss and the Company does not designate hedging instruments under a fair value hedge accounting model. Therefore a change in interest rate at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and income statement by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Equity					
	Unaudited 31 March 2016		Unaudited 31 March 2015		Audited 31 December 2015	
	100 bps increase RO	100 bps Decrease RO	100 bps increase RO	100 bps decrease RO	100 bps increase RO	100 bps decrease RO
Interest rate swap	<u>11,720,035</u>	<u>(11,720,035)</u>	<u>13,424,571</u>	<u>(13,424,571)</u>	<u>12,211,490</u>	<u>(12,211,490)</u>

Currency risk

The majority of the transactions and balances are in either RO or USD. As the RO is pegged to the USD, balances in USD are not considered to represent significant currency risk. The Company is not exposed to significant currency risk as at 31 March 2016.

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19 Financial risk management (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and cash balances held with banks. Under the terms of the PWPA, the Company's sales are billed wholly to OPWP. The Company manages its credit risk with OPWP by monitoring its credit rating and obtaining credit enhancements. The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks and financial institutions with strong credit ratings. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Unaudited 31 March 2016 RO	Unaudited 31 March 2015 RO	Audited 31 December 2015 RO
Break down of financial assets (at carrying amount)			
Cash and cash equivalents	20,697,985	20,279,241	28,418,053
Trade receivable	11,937,824	5,991,899	5,817,351
Retention and other receivable	93,173	10,802	93,966
	<u>32,728,982</u>	<u>26,281,942</u>	<u>34,329,370</u>

Age analysis of current trade and other receivable is as follows:

	Unaudited 31 March 2016		Unaudited 31 March 2015		Audited 31 December 2015	
	RO	Allowance for impairment	RO	Allowance for impairment	RO	Allowance for impairment
Not past dues	6,560,486	74,276	6,001,700	-	5,908,161	-
Past due 0 to 3 months	5,544,176	-	676	-	1,224	-
Past due 3 to 6 months	-	-	325	-	1,932	-
Past due 6 to 12 months	611	-	-	-	-	-
	<u>12,105,273</u>	<u>74,276</u>	<u>6,002,701</u>	<u>-</u>	<u>5,911,317</u>	<u>-</u>

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company limits its liquidity risk by ensuring bank facilities and shareholders' advances are available, where required. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

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

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Condensed notes

(forming part of the condensed interim financial statements)

19 Financial risk management (continued)

(c) Liquidity risk (continued)

	Carrying amount	Contractual cash flow	Cash flows		
			Less than 1 year	More than 1 to 5 years	More than 5 years
	RO	RO	RO	RO	RO
31 March 2016 (Unaudited)					
Derivatives					
Interest rate swaps used for hedging	29,119,946	(30,584,966)	(6,092,292)	(17,582,622)	(6,910,052)
Non-derivatives Financial liabilities					
Term loan	230,454,259	(302,917,145)	(23,726,613)	(114,574,696)	(164,615,836)
Trade and other payables	10,541,048	(10,541,048)	(10,541,048)	-	-
	<u>270,115,253</u>	<u>(344,043,159)</u>	<u>(40,359,953)</u>	<u>(132,157,318)</u>	<u>(171,525,888)</u>
31 March 2015 (Unaudited)					
Derivatives					
Interest rate swaps used for hedging	29,515,718	(30,872,937)	(7,314,760)	(16,100,962)	(7,457,215)
Non-derivatives Financial liabilities					
Term loan	243,288,132	(334,910,103)	(22,925,904)	(110,705,129)	(201,279,070)
Trade and other payables	5,677,961	(5,677,961)	(5,677,961)	-	-
	<u>278,481,811</u>	<u>(371,461,001)</u>	<u>(35,918,625)</u>	<u>(126,806,091)</u>	<u>(208,736,285)</u>
31 December 2015 (Audited)					
Derivatives					
Interest rate swaps used for hedging	24,595,394	(25,507,803)	(4,852,405)	(14,684,136)	(5,971,262)
Non-derivatives Financial liabilities					
Term loan	236,545,884	(318,663,152)	(21,130,969)	(114,797,188)	(182,734,995)
Trade and other payables	9,337,697	(9,337,697)	(9,337,697)	-	-
	<u>270,478,975</u>	<u>(353,508,652)</u>	<u>(35,321,071)</u>	<u>(129,481,324)</u>	<u>(188,706,257)</u>

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

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Condensed notes

(forming part of the condensed interim financial statements)

19 Financial risk management (continued)

Embedded derivatives

The following agreements contain embedded derivatives:

- (i) The PWPA between the Company and OPWP contains embedded derivatives in pricing the investment charge rate and the fixed operation and maintenance charge rate for each of the power facility and the desalination facility. Percentages of the fixed operation and maintenance charge rate for each of power facility and the desalination facility will be adjusted to reflect changes in the US price index and the Omani Consumer price index.
- (ii) The O & M agreement between the Company and SSOM contains embedded derivatives in pricing the fixed operator fee. Percentages of the fixed operator fee will be adjusted to reflect changes in fixed inflation rate.
- (iii) The LTSA between the Company and GEIL contains embedded derivatives in pricing the fixed monthly fee and variable monthly fee for provision of long term maintenance services. Percentages of the fixed monthly fee and variable monthly fee will be adjusted to reflect changes in US price index.

These embedded derivatives are not separated from the host contract, and accounted for as a standalone derivative under IAS 39, as the management believes that the economic characteristics and risk associated with the embedded derivatives are closely related to those of the host contract.

Capital management

The Company aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development and growth of its businesses, while at the same time maintaining an appropriate dividend policy to reward shareholders.

20 Guarantees

	Unaudited 31 March 2016 RO	Unaudited 31 March 2015 RO	Audited 31 December 2015 RO
Performance guarantees	<u>1,540,800</u>	<u>1,540,800</u>	<u>1,540,800</u>

The Company has taken bank guarantees from Bank Muscat for the amount of USD 4,000,000 to Oman Electricity Transmission Company SAOG under the electrical connection agreement.

21 Basic earnings per share

Basic earnings per share are calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period as follows:

	Unaudited 2016	Unaudited 2015
Profit for the period (RO)	3,176,842	2,721,073
Weighted average number of shares outstanding during the year	954,571,950	954,571,950
Earnings per share - Basic and diluted (RO)	<u>0.003</u>	<u>0.003</u>

The change in par value of each share from RO 1 to 100 Baizas per share has been reflected in the weighted average number of shares to arrive the basic earnings per share. 2015 figures are restated for comparative purpose.

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Condensed notes

(forming part of the condensed interim financial statements)

22 Net assets per share

Net assets per share are calculated by dividing the shareholders' funds by the number of shares at the end of the reporting period.

	Unaudited 31 March 2016	Unaudited 31 March 2015	Audited 31 December 2015
Shareholders' funds	102,640,803	100,664,537	102,804,963
Number of shares at the end of the year	954,571,950	954,571,950	954,571,950
Net assets per share	<u>0.108</u>	<u>0.105</u>	<u>0.108</u>

The change in par value of each share from RO 1 to 100 Baizas per share has been reflected in the weighted average number of shares to arrive the basic earnings per share. 2015 figures are restated for comparative purpose.

23 Dividend

On 15 March 2016, in an Annual General Meeting, shareholders approved 3.5% final cash dividend for the year 2015.

24 Comparative information

Certain comparative information had been reclassified to conform to the presentation adopted in these financial statements.