Sembcorp Salalah
سيمبكورب صلاله

Essentials. For Life.

ANNUAL REPORT 2013

His Majesty Sultan Qaboos Bin Said

Contents

Board of Directors

Tang Kin Fei
Chairman

Kalat Al Bulooshi
Deputy Chairman

Abdul Amir Saied Mohammed
Non-Executive Director

Hassan Al Nassay
Independent Non-Executive Director

Richard Quek Hong Liat
Non-Executive Director

Tan Cheng Guan
Non-Executive Director

Ng Meng Poh
Non-Executive Director

Tariq Ali Salim Al Amri
Independent Non-Executive Director

Ahmed Ali Sulaiman Al Bulooshi
Independent Non-Executive Director

Executive Management

Lim Yeow Keong
Chief Executive Officer

David Michael Guy
Chief Financial Officer and Company Secretary

Chairman's Report

Dear Shareholders,

On behalf of the Board of Directors of Sembcorp Salalah Power & Water Company SAOG (Sembcorp Salalah), I have the pleasure to present the audited financial statements for the year ended 31 December 2013.

Health, Safety & Environment (HSE)

I am pleased to report that over the year 2013 the Company's HSE performance was excellent with no Lost Time Incidents (LTI) having occurred. We aim to achieve world class health and safety performance and our management team is committed to continuously improve the Company's health and safety performance.In addition, the Company undertakes its activities with the deepest respect to the environment in mind. It is fully committed to promote and maintain the highest HSE standards in all of its activities to minimise our impact on the environment and manage the environmental risks relating to our business. In this regard I am also pleased to report that no evironmental incidents occurred in the year.

Initial Public Offering (IPO)

The Company was listed on the Muscat Securities Market on 8 October 2013 after a successful IPO which closed on 26 September 2013. The IPO was oversubscribed with total applications of more than eight times the 33,410,019 shares on offer. In particular all parties were pleased to see over 12,000 shareholders of the Company on the opening day of trading, a clear demonstration that the IPO was attractive to both institutional and retail investors. The share price, set at RO 1.590 per share, ended the year at RO 1.905 as of 31 December 2013, 19.8% up from its listing price.

Operations

Power and water availability and reliability are key to the ongoing success of the Company and I am pleased to report that the Company continues to outperform its targets in both of these areas. This reliable supply of water and power is good news for both our customers in the Dhofar region and our shareholders.

Since the Company achieved its contractual Commercial Operation Date on 25 May 2012, it has been a key power and water producer in the Dhofar region. By the end of 2013 the Company was supplying approximately 70% of the region's power demand and 100% of its desalinated water demand. The Company's management team is also working towards an amicable settlement of its delay disputes with the Oman Power and Water Procurement Company (OPWP) having settled its dispute with SEPCOIII (the EPC Contractor) and believes that final settlement of the delay disputes should at least result in a neutral position for the Company as guided in its IPO prospectus.

Financial Results

Sembcorp Salalah generated a net profit of RO 11.14 million for the year 2013, compared to RO 0.90 million in 2012. Cash flows and profits were in line with the Company's IPO projections. The Company has a strong balance sheet, ending the year with net assets of RO 85m. I invite you to refer to the Management Discussion and Analysis Report section of the Annual Report for further explanations regarding the financial results.

Following the Company's strong performance in the year, the Board of Directors is pleased to recommend a final dividend for 2013 of 78 bzs per share which is in line with that disclosed in its IPO Prospectus. Together with the interim dividend of 13 bzs per share distributed in November 2013, the total dividend for the company for the year would amount to 91 bzs per share.

Corporate Governance

The Company follows high standards of Corporate Governance and a detailed report is included in the Annual Report.

On Record

As Chairman of the Board, I would like to thank our shareholders for their continued support. In particular, on behalf of the Board, I would like to place on record our appreciation to the Company's founding shareholders – Sembcorp, Oman Investment Corporation and BDCC Investment Company –for bringing the project to completion and for playing an instrumental role in the successful IPO of the Company. The Board also expresses its gratitude to the Oman Power and Water Procurement Company (OPWP), the Authority for Electricity Regulation (AER), the Capital Market Authority (CMA), the Ministry of Environment & Climate Affairs (MECA), the Dhofar Power Company (DPC) and other governmental and non-governmental bodies for their guidance and support. I also thank all of our staff and the staff of our operator, Sembcorp Salalah O&M Services LLC, for their loyalty and dedication during what has been a landmark year for the Company.

Finally, on behalf of the Board of Directors I would like to extend our deep appreciation and gratitude to His Majesty Sultan Qaboos Bin Said and His Government for their continued support and encouragement to the private sector by creating an environment that allows us to participate in the growth of the Sultanate's economy. We believe that the current business environment is building a stronger Oman for the future, and look forward to playing a full role in the growth of Oman and, in particular, the Dhofar region.

Tang Kin Fei

Chairman of the Board

Operational Highlights

Health, Safety & Environment (HSE)

Sembcorp Salalah has policies in place to ensure compliance to legal HSE requirements, and to provide a safe work place for its employees and visitors, contractors and members of the public. Sembcorp Salalah aims to maintain the highest standards of HSE performance in all its activities. Management is committed to continuously improve its HSE performance and manage HSE risks associated with the Company's activities, products and services. The Company's management team has established and will maintain a HSE management system, and integrates HSE considerations into all aspects of its business operations by implementing policies which aim to prevent accidents, injuries, occupational illnesses and pollution as well as conserve natural resources.

During a year in which the staff of the Company and Sembcorp Salalah O&M Services worked over 650,000 man-hours, Sembcorp Salalah is pleased to announce that its staff suffered no LTIs. There were also no hazardous releases or leaks which could damage the environment.

On 14 May 2013, the AER issued a report based on a health and safety audit of the Plant conducted by Parsons Brinckerhoff, an international infrastructure and engineering consultancy. The audit report concluded that Sembcorp Salalah was not compliant with the Health and Safety requirements stipulated in its licence, and made five recommendations for immediate action in order to rectify the health and safety risks identified in the audit report. On 30 May 2013 and 29 September 2013, Sembcorp Salalah responded to the AER, evidencing actions taken and policies implemented by Sembcorp Salalah in order to mitigate the risks described in the audit report and comply with the recommendations specified therein.

The Company's swift and effective response to the audit reflects the importance it places on all aspects of health and safety.

Capacity

With five gas turbines and two steam turbines, the contracted power capacity of the Plant is 445 Megawatts (MW). The Plant's water production is based on a reverse osmosis process and the contracted water production capacity is 15 million imperial gallons per day (MiGD). Performance tests have shown that actual capacity for both water and power are better than the contracted capacity noted above.

Availability

Availability is the amount of time the Plant is technically capable of generating power according to its specifications. According to its Power and Water Purchase Agreement (PWPA), Sembcorp Salalah shall be available for 100% of the time in summer and 85% of the time in winter for power, and 95% of the time for water throughout the year.

The projected plan assumes that for power the Plant is under forced outage 2% of the time. Given the spare capacity within the water plant (one stream of six always being spare) the projected plan assumes no material forced outages for water. The forced outages in 2013 for Sembcorp Salalah were 0.51% for power and 0.93% for water, outperforming the Company's projections. The availability for Sembcorp Salalah in 2013 was 88.56% for power and 95.59% for water.

Reliability

The reliability of the Plant is its ability to deliver its declared availability under the terms of its PWPA. In 2013 Sembcorp Salalah achieved reliability for power and water of 99.49% and 99.07% respectively.

Plant Energy Efficiency (Heat Rate)

The energy efficiency of the power plant is measured in terms of the amount of energy required to produce one unit of power. The Heat Rate performance in 2013 was better than that contracted in the PWPA and in line with the Company's IPO projections.

Maintenance

Annual maintenance on all five gas turbines and two steam turbines was carried out during 2013 and combustion inspections were also carried out on three gas turbines. Dissolved Gas Analysis (DGA) of transformer oil on all transformers has been carried out and will continue on a six month cycle.

As well as the above planned maintenance the Company also inserted 16 new valves into the steam line from its steam turbines to the condensers.

As well as the above the Company continues to rectify warranty defects and complete punch list items with SEPCOIII, its EPC contractor. Availability, reliability and efficiency have improved as a result.

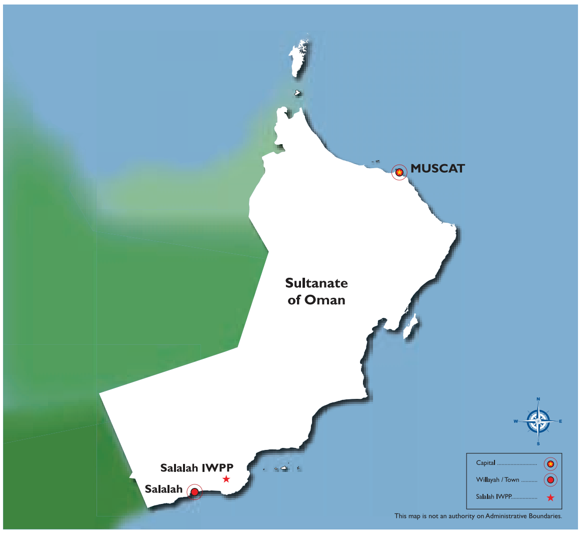
Description of the Company

Overview of Sembcorp Salalah

Sembcorp Salalah's core business activity is to develop, own and operate an electricity generation and seawater desalination plant located between the towns of Taqah and Mirbat, approximately 50 kilometres from the regional town of Salalah, home to over 200,000 residents. The Plant has been in full commercial operation since 25 May 2012 and has a contracted power capacity of 445 MW and a contracted water capacity of 15 MiGD. As the largest and most energy-efficient power and water plant in the Dhofar Governorate, the Plant is expected to play a major role in meeting the growing power and water demand of the region over the short-, medium- and long-term.

The Company generates its revenues pursuant to a 15-year term PWPA with OPWP. The terms of the PWPA provide that the Plant's contracted power and water capacity is sold exclusively to OPWP on a long-term take-or-pay basis.

The following diagram displays the approximate location of the Plant within Oman:



History and Background of Sembcorp Salalah

In November 2007, in accordance with the implementation by the Oman Government of various privatisation policies designed to encourage private sector participation in the electricity and related water sector, OPWP, together with its financial, legal and technical advisers, invited bids for the Salalah Independent Water & Power Project (IWPP), comprising the development, ownership, financing, design, construction and operation of the Plant. A consortium comprising Sembcorp Utilities Pte Ltd (Sembcorp Utilities) and Oman Investment Corporation (OIC) submitted its bid for the project on 16 June 2008, in competition with other consortia. On 8 December 2008, OPWP selected the Sembcorp Utilities/OIC consortium as "preferred bidder" in relation to the project.

The first phase of the project (designated as the "Phase 1 Power Milestone") was completed in the third quarter of 2011, within the timeline of 19 months from the signing of the PWPA, when the Plant began dispatching approximately 61 MW of power to the power grid. The second phase was subsequently completed in the first quarter of 2012. The construction of the Plant was successfully completed and the final acceptance tests were achieved in May 2012. The Project's total capital cost as of the Commercial Operation Date (COD) in May 2012 was OMR 378 million, which included all construction, insurance and related costs (including financing costs).

The following table shows the main chronology of the project's implementation:

Date	Event
November 2007	Request for proposal issued by OPWP
16 June 2008	Bid submission by Sembcorp Salalah
8 December 2008	Sembcorp Salalah declared as "preferred bidder"
23 November 2009	Execution of PWPA and declaration of Effective Date
23 March 2010	Financial Close
16 July 2011	Phase 1 Power Milestone achieved
2 January 2012	Phase 2 Power Milestone achieved
12 March 2012	Phase 2 Water Milestone achieved
4 April 2012	Scheduled COD and commencement of the term of the PWPA
25 May 2012	COD achieved
3 April 2027	Expiry date of PWPA

The EPC Contractor for the project was SEPCOIII while the engineering, procurement, construction supervision and commissioning of the desalination plant was subcontracted to Hyflux. The Plant is based on gas turbine combined cycle technology and has dual fuel capability with natural gas as the primary fuel and diesel as a back-up fuel, and reverse osmosis technology for the production of potable water from seawater desalination. Sembcorp Salalah uses General Electric 6FA gas turbines and reverse osmosis technology developed by Hyflux. The Plant is the largest and the most energy efficient power and water plant in the Dhofar Governorate of Oman.

The terms of the PWPA provide that the Plant's contracted power and water capacity is sold exclusively to OPWP on a long-term take-or-pay basis. The Ministry of Oil & Gas supplies gas to the Plant under a 15-year natural gas sales agreement.

The Ministry of Finance guarantees the payment obligations due from OPWP to Sembcorp Salalah. This guarantee will remain in force until the initial financing for the project has been refinanced or fully paid. OPWP pays a charge consisting of a capacity charge covering the Plant's fixed costs and a return on capital, and a variable charge to cover energy and other variable costs. Hence, as long as the power and water is available for dispatch, capacity charges will be paid, subject to agreed outages for maintenance.

Summary of Contractual Framework

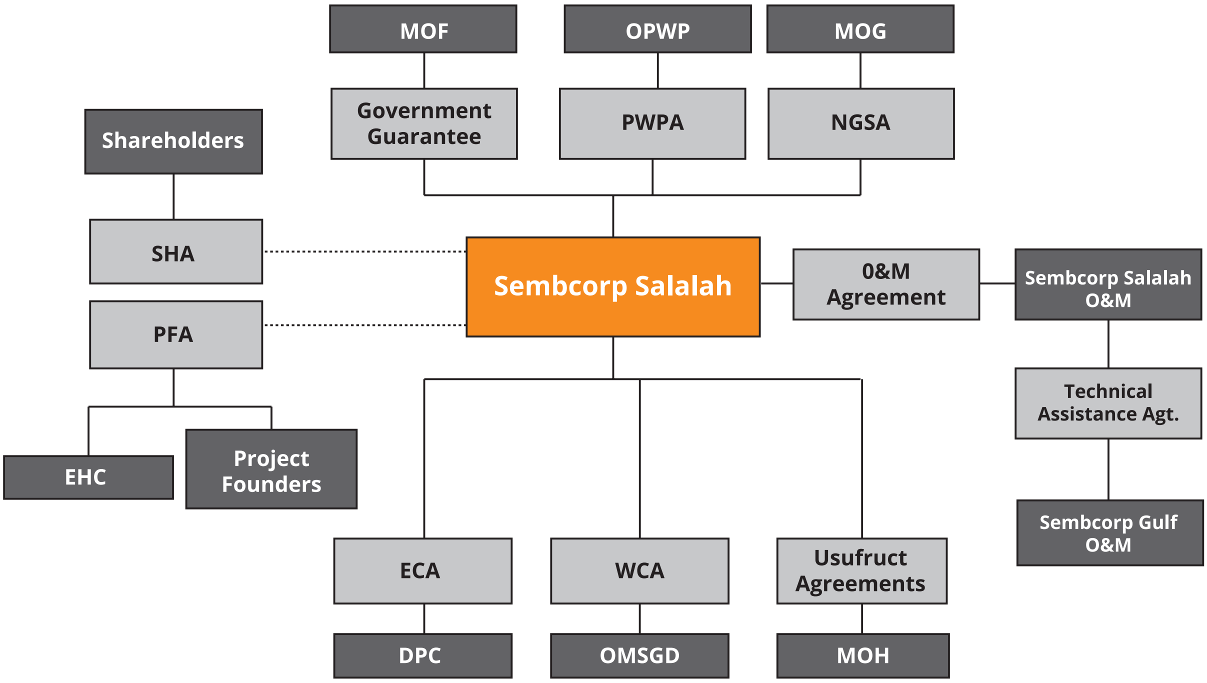
The following table and diagram illustrate the key contracts relating to the project and the relevant counterparties thereto:

Project Document	Parties	Effective Date	Term	Expiration Date
Project Founders Agreement (PFA)	Electricity Holding Company, the Project Founders and their parent companies and BDCC[1]	23 November 2009	15 years from the Scheduled COD	3 April 2027
Power and Water Purchase Agreement (PWPA)	Sembcorp Salalah and OPWP	23 November 2009	15 years from the Scheduled COD	3 April 2027
Natural Gas Sales Agreement (NGSA)	Sembcorp Salalah and the Ministry of Oil & Gas	23 November 2009	15 years from the Scheduled COD	3 April 2027
Electricity Connection Agreement (ECA)	Sembcorp Salalah and Dhofar Power Company[2]	23 November 2009	25 years from the Effective Date	22 November 2034
Water Connection Agreement (WCA)	Sembcorp Salalah and the Office of the Minister for State and the Governor of Dhofar	Has not yet been entered into	25 years from the date of signing of the WCA	Has not yet been entered into
Usufruct Agreement	Sembcorp Salalah and the Ministry of Housing	23 November 2009	25 years from the Effective Date, subject to a further extension of 25 years at the option of Sembcorp Salalah	22 November 2034, subject to extension
Usufruct Agreement relating to the Temporary Areas	Sembcorp Salalah and the Ministry of Housing	23 November 2009	4 years from the Effective Date	22 November 2013
Contractual Service Agreement	Sembcorp Salalah and General Electric	15 December 2009	20 years from the date of the CSA	14 December 2029
Government Guarantee	Sembcorp Salalah and the Ministry of Finance	23 November 2009	15 years from the Scheduled COD	3 April 2027
O&M Agreement	Sembcorp Salalah and Sembcorp Salalah O&M Services Company LLC	8 February 2010	15 years from the Scheduled COD	3 April 2027
Technical Assistance Agreement	Sembcorp Salalah O&M Services LLC and Sembcorp Gulf O&M Co. Ltd	8 February 2010	15 years from the Scheduled COD	3 April 2027
Shareholders Agreement (SHA)	Project Founders	17 November 2009	Until the earlier of the date of the IPO or the date of exercise of the EHC Option	Date of the IPO

Note 1: The SHA was acceded to by BDCC Investment Company (BDCC) on 26 December 2011.

Note 2: The ECA was novated to the Oman Electricity Transmission Company (OETC) on 31 December 2013.

Note 3: The PFA was acceded to by BDCC on 26 December 2011.



Competitive Strengths

Sembcorp Salalah's competitive strengths include:

Strong Predictability of Stable Cash Flows

Under the PWPA, Sembcorp Salalah is entitled to receive capacity charges from OPWP for the contracted power and water capacities of the Plant, which are periodically tested and comprise approximately 90% of the total revenue of Sembcorp Salalah (excluding fuel revenue, which is a pass-through). These capacity charges are payable by OPWP regardless of whether the actual output of the Plant is dispatched by OPWP, and regardless of whether Sembcorp Salalah is instructed by the Dhofar Power Company (DPC) and the Office of the Minister for State and the Governor of Dhofar (OMSGD) to generate and deliver power and/or produce and deliver potable water. This means that, subject to limited exceptions, OPWP is obliged to pay capacity charges to Sembcorp Salalah for 100% of the available power and water capacity of the Plant. Sembcorp Salalah's capacity charges are calculated so that they cover its debt service and other fixed costs, including fixed operating and maintenance costs, insurance costs and capital returns. Fuel revenues and charges are calculated based on the consumption of natural gas calculated by the Plant model for electrical energy and water output delivered and is in effect a virtual pass-through cost. In addition, for the power and water that is made available, OPWP also pays Sembcorp Salalah a variable output charge to cover operating costs. Accordingly, Sembcorp Salalah has strong predictability of stable cash flows that are not affected by the amount of power and water actually required by OPWP as Sembcorp Salalah is also paid on an availability basis.

Well-Established Contractual Framework

The Salalah project represents one of 12 independent power and/or water production projects to be implemented by OPWP on a "build, own and operate" basis and benefits from a well-established contractual framework. OPWP used a similar procurement and ownership template and a similar contractual framework with the other IWPPs in Oman prior to the Salalah project.

Government Guarantees Payment Obligations of OPWP under the PWPA due to the Strategic Importance of both the Industry and Project

The power and water sectors are of high strategic importance to both the Dhofar Governorate and Oman as a whole. The project is expected to remain critical to the continued supply of electricity and water in the Dhofar Governorate in the long-term. According to OPWP, peak demand for electricity in the Salalah System is expected to grow from 424 MW in 2013 to 848 MW by 2019, at an average growth rate of 12% per annum, and water demand in the Salalah/Taqah/Mirbat area is expected to increase at an average rate of nearly 6 % per annum.

Consequently, the Oman Government, both directly and indirectly participates in and supports the Project:

i) as off-taker under the PWPA, as 100% indirect owner of OPWP;

ii) as supplier, through the Ministry of Oil & Gas, which is responsible for procuring and delivering all natural gas to the Project;

iii) as shareholder, as majority owner of OIC, in turn 100% owner of IPWC, which owns a 21.875% interest in Sembcorp Salalah;

iv) as transmission system operator, as 100% indirect owner of OETC and through the OMSGD, which respectively own and operate all power and water transmission facilities in the Dhofar Governorate; and

v) as guarantor, pursuant to the government guarantee (Oman currently has a credit rating of “A” by Standard & Poor’s and “A1” by Moody’s Investor Services), which guarantees the payment obligations of OPWP under the PWPA.

In addition to the government guarantee, under the Sector Law, OPWP must remain wholly-owned by the Government and the Ministry of Finance is obliged to secure the availability of adequate finance for OPWP to enable it to undertake its activities.

Fully Operational Project with Minimal Operating Risk

As the Plant is completed and has been in full commercial operation for over 18 months, Sembcorp Salalah is not exposed to any construction risk. Sembcorp Salalah also benefits from minimal operating risk as its operator, Sembcorp Salalah O&M, is a joint venture indirectly owned by two of the Project Sponsors, Sembcorp Utilities and OIC, creating an alignment of interests which ensures that the Plant is operated efficiently. Sembcorp Salalah O&M is managed locally and benefits from the procedures and expertise of Sembcorp Utilities, which holds a long track record and expertise in the industry, with facilities of over 5,900 MW of power capacity and over 1,500 MiGD of water in operation or under development globally, is well established in the region, has a demonstrated track record of running similar plants and which holds a significant equity interest in the project. In addition, Sembcorp Salalah has entered into a long-term maintenance contract with General Electric, the manufacturer of the Plant’s gas turbine units, for the scheduled maintenance of these units. This means that Sembcorp Salalah benefits from the synergies of its gas turbine manufacturer being responsible for the on-going maintenance of this machinery, and therefore also having aligned interests in the project.

Excess Capacity and Outage Allowance to Ensure an Extended Plant Lifespan

Power and water plants generally suffer degradation of their capacity to produce electricity and desalinated water over time. Management believes that the excess of actual capacity over the contracted capacity of the Plant will more than compensate the estimated degradation of the Plant over the term of the PWPA. The PWPA also contemplates outages, allowing Sembcorp Salalah to perform maintenance on the power plant for 15% of the time (outside the peak months of April, May and June) and on the desalination plant for 5% of the time (throughout the year). Management expects that this contemplated maintenance is likely to extend the lifespan of the

Plant and delay the degradation of its electricity and desalinated water capacity.

Mitigation of Fuel Risks

Under the NGSA, the Ministry of Oil & Gas is responsible for the procurement and delivery to the Plant of all of its natural gas requirements. All gas delivered to the Plant by the Ministry of Oil & Gas must meet minimum quality standards. In the event that natural gas is not available, and provided that Sembcorp Salalah is not in breach of its obligations regarding the operations of the Plant and the Plant is operational using backup diesel, Sembcorp Salalah is still entitled to receive capacity charges from OPWP, in addition to its incremental costs for the use of diesel from the Ministry of Oil & Gas. Any increase in the price of gas charged by Ministry of Oil & Gas is directly passed through the PWPA. The Plant has therefore mitigated risks associated with gas quality, gas supply and gas price.

In the event, among others, of the non-availability of natural gas or a disruption in the natural gas supply system, Sembcorp Salalah has an obligation under the PWPA to maintain a backup fuel supply for three days of full load at the Site, which it complies with at all times.

Extensive Experience of the Project Founders

Sembcorp Salalah benefits from the extensive power, water and energy experience of the Project Founders, including development, ownership and operation of large scale gas turbine based power and desalination projects. Sembcorp Utilities is a leading energy, water and on-site logistics group with a strong track record in identifying, securing, financing and executing energy and water projects and has a number of strategic relationships and long-term partnerships with multinational customers. OIC is a private equity investment company with strong experience of investing in the region and has a diversified portfolio of investments in the oil and gas, petrochemical, construction and manufacturing sectors in Oman.

Sembcorp Salalah O&M is also party to the Technical Assistance Agreement with Sembcorp Gulf O&M, a wholly owned subsidiary of Sembcorp Utilities. This arrangement enables Sembcorp Salalah, where required, to draw upon the technical expertise of Sembcorp Utilities in its operation and maintenance of the Plant.

Experienced and Skilled Operational Personnel

Sembcorp Salalah has the advantage of well-trained and experienced personnel employed by Sembcorp Salalah O&M, who bring extensive management expertise and the knowledge sharing of know-how accumulated through decades of experience. In particular, Sembcorp Salalah personnel are able to attend training and off-site sessions with personnel of the Project Sponsors around the world in order to share and exchange knowledge and best practices.

Management is strongly supported by:

- a highly-trained Plant staff of 80 employed by Sembcorp Salalah O&M;
- the O&M Contract entered into with Sembcorp Salalah O&M, a company formed by the Project Founders;
- the Technical Assistance Agreement entered into with Sembcorp Gulf O&M; and
- a long-term maintenance contract with General Electric, the original equipment manufacturer of the gas turbines of the Plant.

Technology and Processes

Description of the Plant

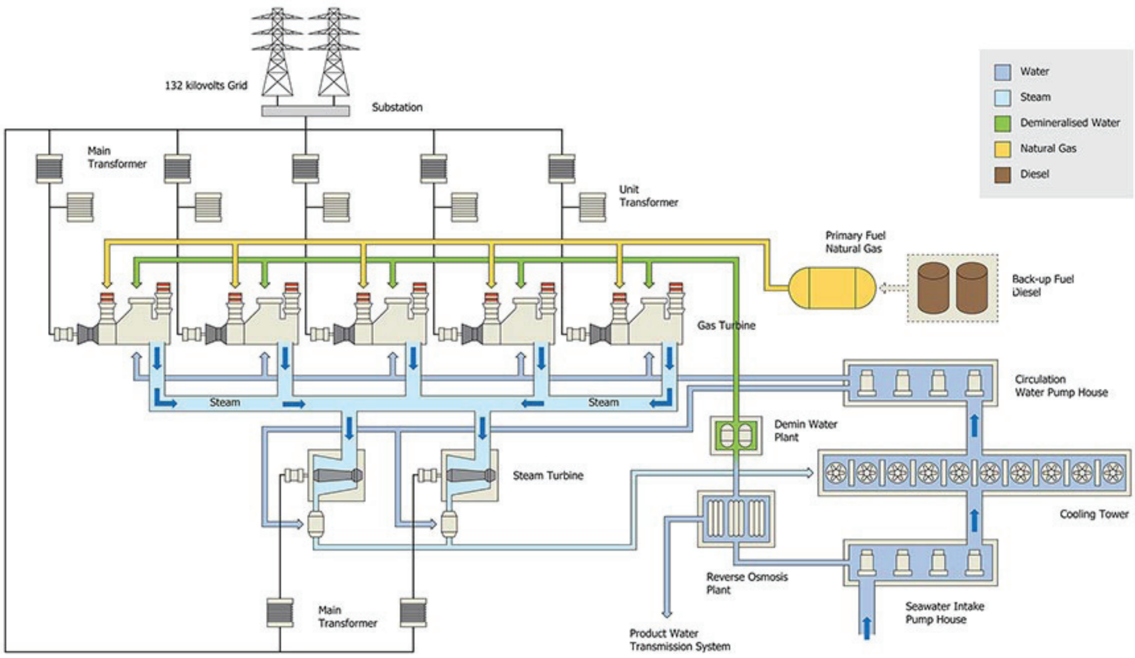
The Plant is an independent power and water plant located between the towns of Taqah and Mirbat, approximately 50 kilometres from Salalah, an administrative town in the Dhofar Governorate.

Prior to the Sembcorp Utilities/OIC consortium's bid for the project, extensive optimisation studies were performed by Sembcorp Utilities' modelling consultant, VTU Energy, to identify, short-list and select a plant configuration which would represent the most economically attractive and technically sound configuration in accordance with the power and water output requirements and operational constraints required by OPWP. After a detailed scenario analysis, Sembcorp Utilities chose the following configuration for the Plant:

- five GE 6FA gas turbines;
- two steam turbines; and
- five heat recovery steam generators.

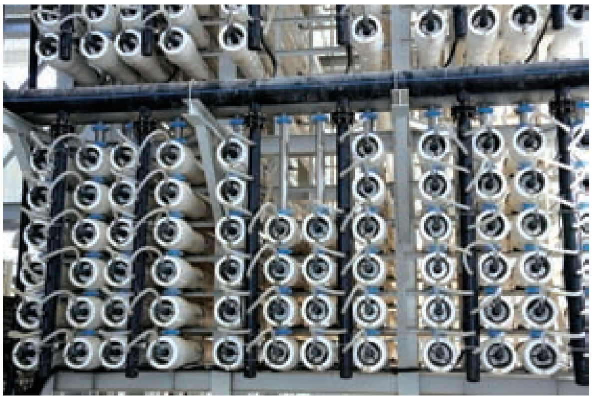
The power facility integrates five units of gas turbines with five units of heat recovery steam generators and two steam turbines in a combined cycle configuration to achieve optimal energy production efficiency.

The following schematic displays the configuration of the Plant:



The following pictures display the Plant's power facility and the seawater reverse osmosis desalination facility:

Power Facility



Seawater Reverse Osmosis Desalination Facility

With five gas turbines and two steam turbines, the contracted power capacity of the Plant is 445 MW. The Plant's water production is based on a reverse osmosis process and the contracted water production capacity is 15 MiGD. The Plant entered into full commercial operation on 25 May 2012.

Gas Turbines

The five 6FA gas turbines used in the Plant were supplied by General Electric and were selected due to their good record of reliable commercial operation. The 6FA gas turbine is configured with the robust "Dry Low NOx" system, which is the leader in pollution prevention for 50 hertz combined cycle applications, with greater than 54 % efficiency and achieves a concentration of nitrous oxides of approximately 15 parts per million (15 ppm NOx). The 6FA can be configured to meet power requirements for mid-size combined cycle or cogeneration plants such as the Plant, where flexible operation and maximum performance are key considerations. The 6FA turbine can be arranged in a multi-shaft configuration where one or two gas turbines are combined with a single steam turbine. The 6FA gas turbine burns a variety of fossil fuels, which can be switched after start-up without sacrificing performance.

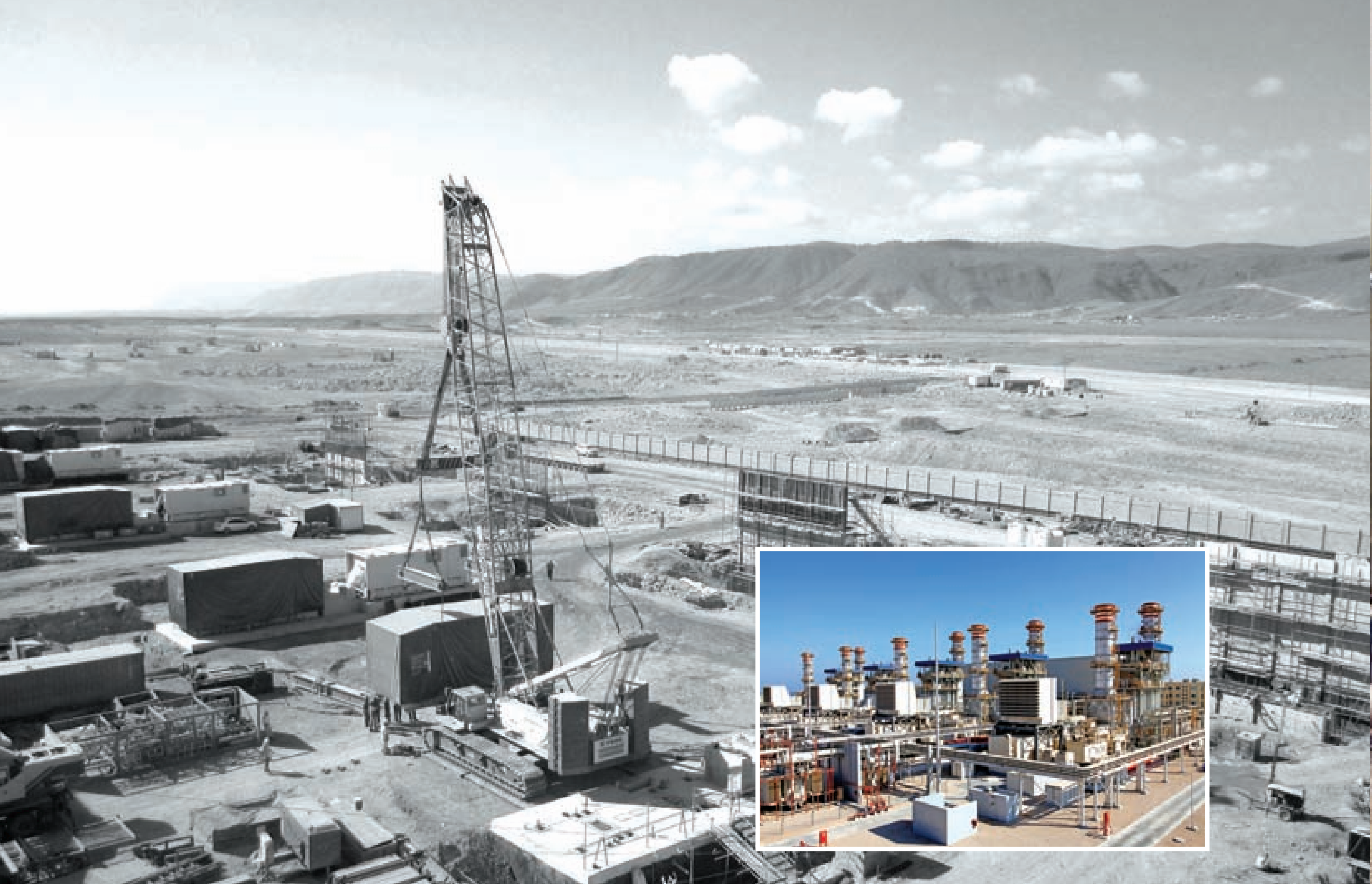
Revenue Overview

The PWPA sets out the terms of generation and supply of power and desalinated water to OPWP until 2027. The PWPA imposes an obligation on Sembcorp Salalah to operate and maintain the Plant to an agreed level of availability in respect of the guaranteed contracted power capacity and the guaranteed contracted water capacity following the COD. The PWPA also imposes an obligation on Sembcorp Salalah to operate the Plant in a safe manner and within its design parameters.

Since the COD, the Plant has contracted net electricity generating capacity of 445 MW and a desalinated water production capacity of 15 MiGD, and sells the electrical energy and the water output to OPWP. In return, Sembcorp Salalah receives a tariff covering capacity charges, electrical energy charges, water output charges and fuel charges from OPWP, described as follows:

- The power capacity charge is payable for each hour during which the Plant is available and is designed to cover fixed costs, including debt service, and return on capital.
- The water capacity charge is payable for each hour during which the Plant is available and is designed to cover fixed costs, including debt service, and return on capital.
- The electrical energy charge is designed to cover variable operating costs of generation, excluding fuel costs, and is payable according to the electrical energy delivered under the PWPA.
- The water output charge is designed to cover variable operating costs of desalination, excluding fuel costs, and is calculated based on the volume of water output delivered.
- The fuel charge is calculated based on the consumption of natural gas calculated by the Plant model for electrical energy and water output delivered and is in effect a virtual pass-through cost.

Payments are denominated in Omani Rials. The investment charge element of the capacity charge is linked to the OMR-US$ exchange rate. The fixed and variable operation and maintenance charges for power and water are linked to the OMR-US$ exchange rate, a prescribed US inflation rate relating to turbines and generators, and the Omani inflation rate for a portion of the total charge. The PWPA defines the OMR-US$ exchange rate as the mid-rate of the OMR-US$ spot rate as published by the Central Bank of Oman on the last Omani business day of the relevant billing period.



Profile of the founders

Sembcorp Oman First Investment Holding Co Ltd (SOFIH) and Sembcorp Oman IPO Holding Co Ltd (SOIHL) (wholly-owned subsidiaries of Sembcorp Utilities , a wholly-owned subsidiary of Sembcorp Industries)

SOFIH and SOIHL are both British Virgin Islands-incorporated companies and wholly-owned subsidiaries of Sembcorp Utilities, a Singapore-based energy and water business serving both the industrial and municipal sectors. SOIHL sold its 20% shareholding in Sembcorp Salalah as part of the IPO in September 2013 and is no longer a shareholder of the Company.

Sembcorp Utilities provides a wide spectrum of third-party utilities and services including power, steam, natural gas, desalinated water, reclaimed water, industrial water, wastewater treatment, chemical waste incineration, chemical feedstock, on-site logistics and solid waste management. Sembcorp Utilities has a number of strategic relationships and long-term partnerships with multinational customers.

Sembcorp Utilities is, in turn, a wholly-owned subsidiary of Sembcorp Industries, an energy, water and marine group with an operating history of 50 years, operating in Singapore, Australia, Brazil, Chile, China, India, Indonesia, Norway, Oman, Panama, Philippines, South Africa, Vietnam, United Arab Emirates, United Kingdom, United States and the Caribbean. Sembcorp Industries was incorporated in 1998 following the merger of Singapore Technologies Industrial Corporation and Sembawang Corporation. Sembcorp Industries is listed on the main board of the Singapore Exchange and is a component stock of the Straits Times Index, several MSCI and FTSE indices. Its largest single shareholder is Temasek Holdings (Private) Limited (which is in turn wholly owned by the Minister for Finance, a body constituted under the Singapore Minister for Finance (Incorporation) Act (Chapter 183). The market capitalisation of Sembcorp Industries was approximately S$9.8 billion as at 31 December 2013.

For more information in relation to Sembcorp Utilities and Sembcorp Industries, please visit www.sembcorp.com.

Inma Power & Water Company LLC (IPWC) (a wholly-owned subsidiary of OIC)

IPWC is an Oman-incorporated company and wholly-

owned subsidiary of OIC, a private equity investment company whose principal activities include identifying, evaluating and executing investments in companies and projects within Oman. OIC's shareholders are Gulf Investment Corporation (50%), the State General Reserve Fund (10%), National Investment Funds Company (35%), and Bank Muscat (5%).

OIC has a diversified portfolio of investments in the oil and gas, petrochemical, utilities, construction and manufacturing sectors in Oman. OIC works closely with industrial partners to develop and invest in ventures which transfer technology, know-how and innovation to Oman and provides growth capital to support the development of Omani businesses. Other than the Project, its investment portfolio includes Octal Holding SAOC, V2 Trenching & Co LLC, TMK Gulf International Pipe Industries LLC and Ultra Electronics in collaboration with Oman Investment Corporation LLC.

For more information in relation to OIC, please visit www.omaninvcorp.com.

BDCC Investment Company (BDCC) (managed by Instrata)

BDCC is a Cayman Islands-incorporated company managed by Instrata, an asset management firm which was established in Bahrain in February 2007 and specialises in infrastructure investment in the MENA region. Instrata's strategy is to identify, structure and manage, on behalf of its investors, infrastructure investments fundamental to regional economic development. Instrata is regulated by the Central Bank of Bahrain as a Business Investment Firm holding Licence Category 2. Instrata's team of investment professionals has broad international and regional infrastructure investment experience having invested and/or advised in excess of US$180 billion of infrastructure projects. Instrata is backed by leading regional shareholders such as the Kuwait Investment Company SAK (a subsidiary of the Kuwait Investment Authority) and SAGE Capital Management Group WLL.

For more information in relation to Instrata, please visit www.instrata.com.

Industry Structure and Developments

Sector Overview

The Oman power system is divided into three regional systems, partially connected via interconnectors:

- the MIS, which is the largest part of the system and covers the northern area of Oman
- the Salalah System, located in the Dhofar Governornate, of which the Plant's capacity constitutes approximately 70 % of the power dispatch and 100 % of the net installed water capacity as at the end of 2013
- the Rural Areas Electricity System, operated by RAECO, which serves the rest of Oman

Oman Power and Water Procurement Company

OPWP is the single buyer of power and water for all IPP/IWPP projects within Oman. OPWP is responsible for ensuring that there is sufficient electricity and water production capacity available at the lowest cost to meet growing demands in Oman. OPWP undertakes long-term generation planning and publishes an annual seven-year statement, which identifies new IPP/IWPP projects to be competitively tendered and developed by private sector entities, in order to meet the future power generation and water desalination requirements of Oman. These projects are critical to the reliable and sustainable development of the power sector and the economic development of Oman.

OPWP was established under the Sector Law, Article 74 of which specifies its functions and duties (a complete list of which can be found on OPWP's website), including:

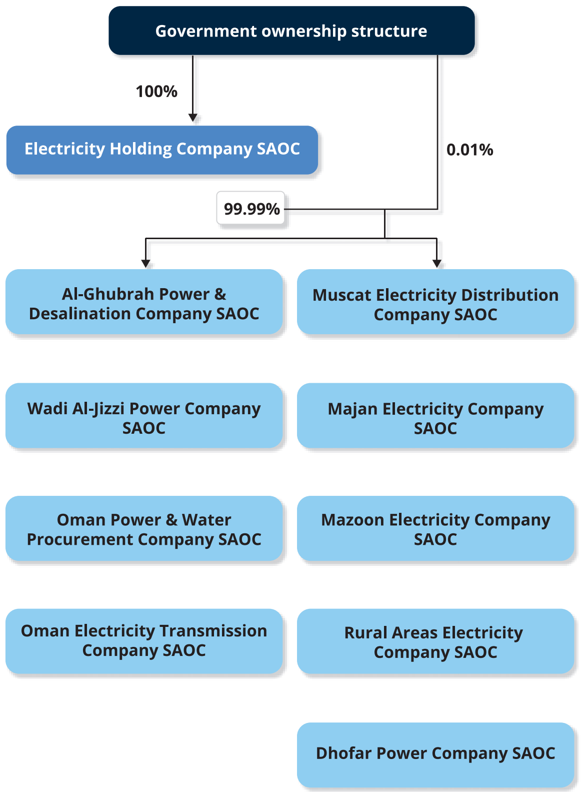
- To secure production capacity and output to meet demand for electricity in the MIS and the Salalah System, in coordination with RAECO.
- To secure production capacity and output to meet demand for desalinated water in Oman.
- To meet requirements for new electricity and desalinated water capacity in Oman, with new projects to be designed, constructed, financed, owned and operated by local and foreign investors.

- The purchase, procurement, and management of production capacity and output, ancillary services and all goods and other services on the basis of economic purchase.

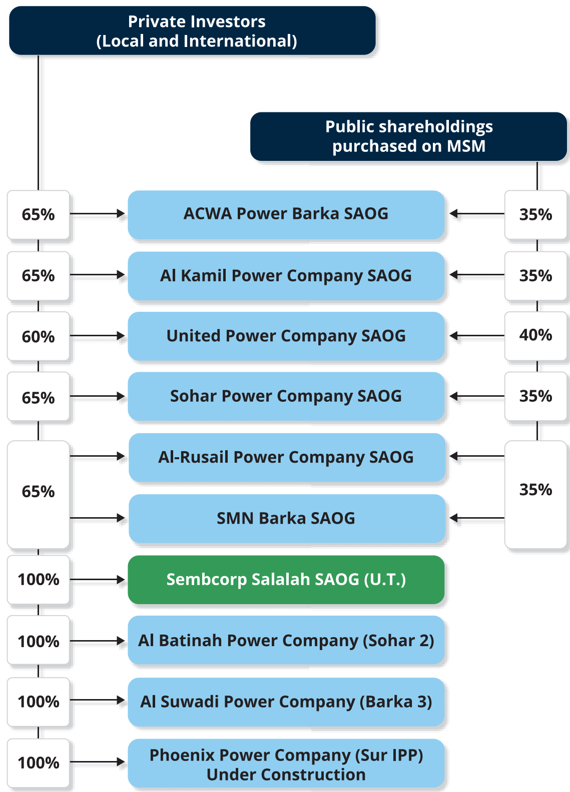
The Omani electricity and water sector is partly government-owned and partly privatised. The chart below displays the ownership structure of the electricity and water sector in Oman:

Electricity & Water Sector Ownership

Government ownership structure



Private ownership structure



Contracted Capacity

OPWP's present portfolio of contracted capacity in Oman comprises long-term contracts with 12 operational plants, 11 of which are in the MIS and one of which (being Sembcorp Salalah) is in the Salalah System. Total contracted capacity is 7,681 MW and 131 MiGD.

Salalah System

The Salalah System covers the city of Salalah and surrounding areas in the Governorate of Dhofar. The Salalah System serves approximately 70,000 electricity customers. The Salalah System comprises the generation, transmission and distribution of power and the water desalination capabilities of:

- Sembcorp Salalah, contracted for 445 MW electricity generation capacity and 15 MiGD desalinated water capacity;
- New Power Station located in Raysut, operated by DPC and DGC pursuant to a concession agreement with the Government and comprising eight OCGT units with a total net capacity of 276 MW; and
- the transmission and distribution system owned and operated by OETC, pursuant to a concession agreement signed with the Government in 2001.

OPWP has also announced plans for a new IPP in Raysut with electricity generation capacity of 300-400 MW alongside restructuring of the existing DPC.

The Salalah System also has contingency reserves via the interconnection with the 132 kV link between Thumrait and Harweel, owned by PDO and completed in 2012. Its purpose is to support reserve-sharing between the two systems, providing improved reliability by allowing each system access to unused reserves in contingency scenarios. The transfer capacity of the interconnection is currently 100 MW of import/export capability though this is expected to increase over time.

OPWP acts as counter-party to the concession agreement on the Government's behalf. OPWP procures the required power and desalinated water in bulk from generation and production facilities connected to the Salalah System and PDO interconnected system. OPWP is required to ensure that sufficient power generation resources are available to meet OETC's demands and, wherever beneficial, to procure desalinated water to meet the needs of the water department in the Dhofar Governorate.

OPWP is required by the Sector Law and its licence to ensure the adequacy of generation resources in the Salalah System to meet future power demands. The Sector Law establishes OPWP's general responsibility to secure sufficient generation resources to meet demand. Although the OPWP licence does not stipulate a specific generation security standard for the Salalah System (as it does for the MIS), it requires OPWP to ensure that electricity customers in the Salalah System receive a service generally of equivalent quality to that received by customers in the MIS.

Salalah System Electricity Demand

According to OPWP, peak demand for electricity in the Salalah System is expected to grow from 424 MW in 2013 to 848 MW by 2019, at an average growth rate of 12 % per annum. The demand drivers in the Salalah System include population-driven residential growth, construction of commercial and government buildings, infrastructure development, new tourism projects, and industrial growth in designated economic zones. In the near term, committed industrial projects are expected to have a strong impact, although all sectors are growing rapidly.

Salalah System Water Demand

The OMSGD, which is responsible for the water system in the Dhofar Governorate, has provided projections for total water demand in the Dhofar Governorate to OPWP, which are set out in the current Seven-Year Statement. Desalinated water is expected to supply the aggregated potable water demands of the wilayats of Salalah, Taqah and Mirbat. Water demand in the Salalah/Taqah/Mirbat area is expected to increase at an average rate of nearly 6 % per annum. The main growth drivers are increasing population and economic development.

Desalination Capacity Requirements

Historically, demand for potable water in the Dhofar Governorate has been met exclusively from groundwater resources, but now that Sembcorp Salalah has achieved full commercial operation, the Plant has sufficient capacity to meet current requirements for desalinated water in the Dhofar Governorate. However, OPWP has indicated that, in the future, with increasing consumption, groundwater sources may also be required to supplement this capacity during peak periods by as early as 2015. OPWP is forecasting that the Salalah System's water demand will grow by 37.5 % by 2019.

OPWP has indicated that current Government policy is to minimise the use of groundwater, under normal circumstances, and reserve groundwater resources for contingency purposes. This would indicate that additional water desalination capacity is needed in the near future. Given Sembcorp Salalah's current position as the sole provider of desalinated water to the Salalah System and its ability to expand its facility to increase water capacity to meet all forecast increased demand in a cost efficient manner, Sembcorp Salalah has a near-term opportunity to contract further with OPWP and add further capacity to its current operations in order to satisfy near-term expected system demand. Such an expansion would be expected to result in both increased capacity charges and variable charges. It would also require investment by Sembcorp Salalah in order to construct the necessary expansion facilities. Sembcorp Salalah expects to discuss this expansion investment opportunity of its water desalination capacity with OPWP in the near-term.

Management Discussion and Analysis

We are pleased to present the audited financial statements of Sembcorp Salalah for the year ended 31 December 2013 (2013). In 2013, the Company recorded a profit after tax of RO 11.14 million compared to a profit after tax of RO 0.90 million in 2012, while Earnings before interest and tax ("EBIT") was RO 38.75 million in 2013 compared to RO 24.01 million in 2012.

Business overview

The Company's core business activity is to provide electricity and water in the region of Dhofar. Contracted capacity for the power plant is 445 MW and for the water plant is 15 MiGD. The Company receives revenue based on the availability of its plant, which ensures that its business model is stable. There are no material changes to the projections included in the Company's IPO prospectus.

Performance overview

Operating performance

The company has shown strong operating and financial performance in 2013. Plant load factor has increased over the period for both power and water. Currently, the Company is contributing approximately 70% of the total electricity demand and 100% of the desalinated water demand in the Dhofar Governorate. Key operating performance is characterised by high reliability of the power and water plants. Key operating parameters for 2013 are noted below:

	Unit	2013	2012
Water Reliability	(%)	99.1%	100.0%
Power Reliability	(%)	99.5%	96.7%
Quantity of Water Sold	(Thousand m^3)	16,754	Nil
Quantity of Power Sold [1]	(MWh)	1,860,152	1,356,715
Plant Load Factor (Power)	(%)	47.7%	45.9%
Plant Load Factor (Water)[2]	(%)	67.3%	Nil

[1] 2012 figure includes power sold before Commercial Operation Date of 25 May

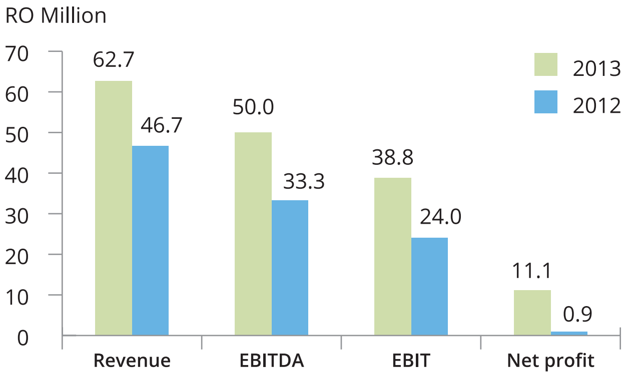
[2] The Company started dispatching water in 1Q2013 when the water transmission system was ready.

Financial performance

Key financial performance indicators are shown below:

	2013	2012
	RO million	RO million
Revenue	62.71	46.65
EBITDA	49.96	33.25
EBIT	38.75	24.01
Net profit	11.14	0.90

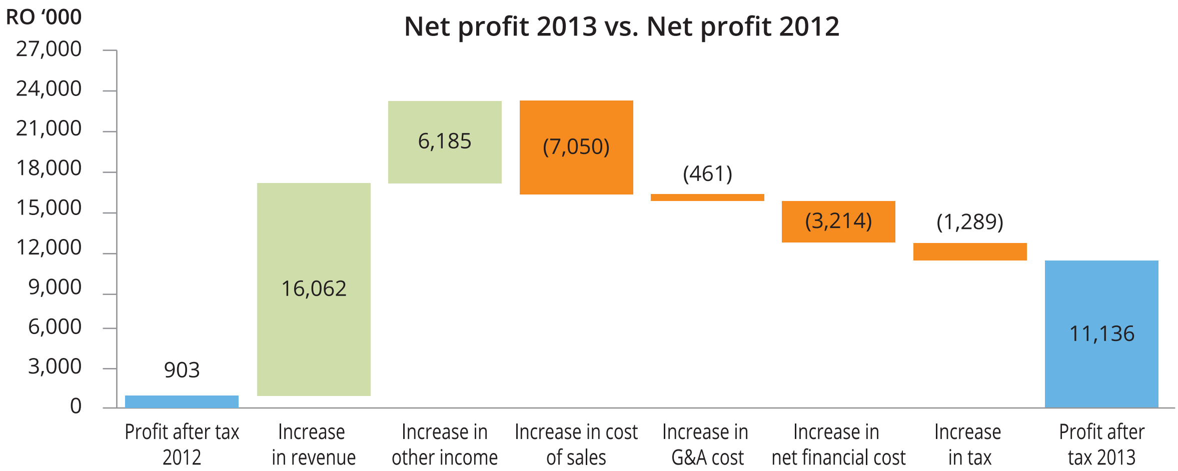
Key financial performance



2013 financial performance has shown significant improvement over 2012 as the Company has been fully operational throughout 2013 whereas in 2012 the Company achieved full commercial operation on 25 May 2012. Hence 2013 is the first year of full commercial operation.

2013 Profit after tax

Profit after tax increased significantly from RO 0.9 million in 2012 to RO 11.14 million in 2013. The significant variances are elaborated in the following waterfall chart.



Due to the achievement of full commercial operations on 25 May 2012, Management believes that no meaningful comparison can be given between profit after tax for 2013 and 2012. However a brief analysis and characteristics of the major components of the profit or loss is presented below:

Revenue

Power contributes 58% (excluding fuel charge) and water contributes 26% to overall revenue. Fuel charge revenue is a pass through and is calculated based on consumption of natural gas calculated by the Plant model.

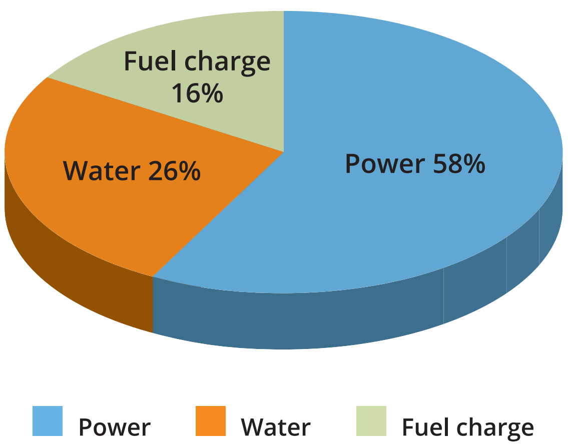
The increase in revenue is mainly due to the Plant operating fully in 2013 versus partial operation in 2012.

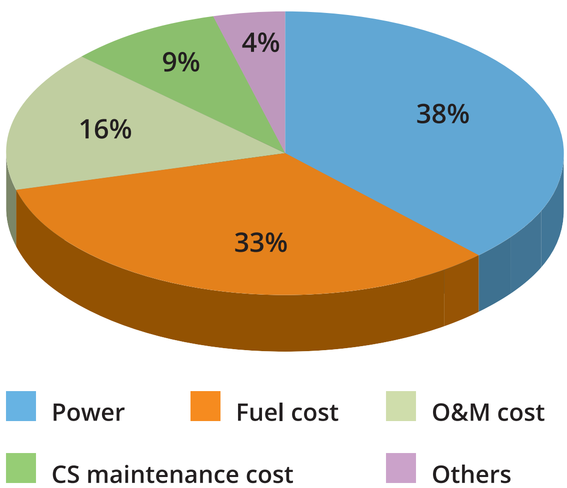
Other income

Shareholders waived interest due on shareholder loans from 29 March 2012 to 30 June 2013 which led to other income of RO 6. 17 million for 2013.

Cost of sales

Cost of sales mainly comprises depreciation of property, plant and equipment and fuel cost which is pass through in nature. The increase in cost of sales in 2013 compared to 2012 is mainly due to the increase in operations.





Net finance cost

Net finance cost increased in 2013 compared to 2012 because loan interest in 2012 was capitalised in property, plant and equipment during the construction period.

Dividend

The Board of Directors will propose a final dividend of 78 baizas per share for the year ended 31 December 2013, giving a total dividend 91 baizas per share for the year.

Risks and concerns

In addition to the normal operating risks as prevailing in the Power and Water industry in Oman, the Company is yet to settle the liquidated damages with OPWP which has been described below:

Liquidated damages

Please refer to note 22 of the financial statements which gives further details of Liquidated Damages ("LDs") arising from delay in achievement of certain Commercial Operation Dates ("COD") during construction. Management is still in discussion with the buyer Oman Power and Water Procurement Company ("OPWP") and has reached agreement with its EPC contractor SEPCO III Construction Company ("SEPCO III") and believes that the final settlement of its disputes with OPWP and SEPCO III should result in at least a neutral position for the Company.

Business Outlook

The Company is expected to meet its forecast profit after tax forecast for 2014 of RO 10.94 million as projected in its IPO Prospectus.

Sustainability - Caring for the Environment

The Company undertakes its activities with the deepest respect to the environment in mind. It is fully committed to promote and maintain the highest standards of health, safety and environment in all of its activities to minimise its impact on the environment.

The Company's power and desalination plant utilises gas turbine technology for power generation and Reverse Osmosis technology for the production of desalinated water. Natural gas is the Plant's primary fuel.

The power generation plant utilises combined cycle technology which enables maximum power generation from the combustion of natural gas, while the desalination plant enables the region's natural water resources to renew over the long term whilst making use of the readily available seawater.

Maximum power generation from natural gas

The Company recognises that natural gas is a scarce resource and that it is crucial that power generation per unit of natural gas used is maximised.

The technology employed at the Plant utilises high grade heat from the gas turbine exhausts to generate high pressure steam which powers a steam turbine. As a result of this process, a further 46 % of power can be generated for no additional usage of gas.

Low Emissions and Effluent Discharge

The Company's gas turbines are equipped with a Dry low NOx system which is a leader in pollution prevention and ensures that international environmental standards are adhered to by achieving a concentration of nitrous oxides of approximately 15 parts per million (15 ppm NOx).

Chemicals are used in various parts of the generation and production processes. Effluents resulting from chemical usage are collected and treated so that all discharges from the Plant are in compliance with the regulatory limits.

World Environment Day

In June, the Company welcomed several local dignitaries in celebration of World Environment Day the theme of which was THINK EAT SAVE. As well as the celebration of this year's World Environment Day, there are many further collaborations in the pipeline with the Ministry of Environment and Climate Affairs to promote environmentally friendly practices and to create a sense of environmental responsibility.

Sustainability - Corporate Social Responsibility

Company's Philosophy

As well as providing a catalyst for growth in the Dhofar Governorate, Sembcorp Salalah aims to contribute positively to, and build a mutually beneficial relationship with, the local community. The key areas in which it makes these contributions are local recruitment, environmental management and mitigation and social and community welfare. Sembcorp Salalah is committed to internationally recognised corporate governance practices and ethical business conduct. The Board of Directors and Management understand that their implementation of good governance practices and ethical business conduct results in sound business decisions. They also have a positive impact on public perceptions of Sembcorp Salalah and benefit the wider economic and social development of Oman.

Sembcorp Salalah's human resource strategy supports the Ministry of Manpower's Omanisation Plan, by recruiting graduate engineers from local colleges and providing a structured training programme including on-the-job exposure and apprenticeships. Sembcorp Salalah collaborates with technical institutions to promote programmes that build skillsets of local youths. The Company also supports regional social development activities that encourage and create awareness in relation to social issues.

The Company also implements responsible environmental practices and procedures. In 2010, prior to the construction of its Plant, Sembcorp Salalah commissioned an environmental impact assessment which included a review of the environmental impact of the Plant on the local community, as well as a social impact management plan, which has been implemented. Sembcorp Salalah is committed to protecting the environment through its stipulated environment management programme and operates within the limits of all applicable environmental legislation. The Company has established green belts within the Plant for environmental rejuvenation and improved aesthetics.

2013 Corporate Social Responsibility (CSR) Initiatives

Sembcorp Salalah has also been involved with various social and community welfare initiatives in collaboration with government departments and non-governmental organisations. These initiatives include sponsorship of the road traffic safety campaign in Oman, assistance and support to handicapped children and the less privileged, and offering an internship programme to the top performing students in local schools and colleges.

In January 2014 the Company also entered into a five year Memorandum of Understanding (MOU) with the Wali Mirbat to provide RO 32,000 per year for 5 years (total RO 160,000) in support of CSR related projects in the Mirbat area, subject to shareholder approval at the Annual General Meeting on 17 March 2014.

Road Traffic Safety Campaign

During the year the Company sponsored a major road safety campaign in Mirbat launched by the Wali of Mirbat, Sheikh Saif Ahmed Said Al Ghribi. The campaign, lasting four months, raised awareness of unsafe driving practices by educating drivers on speeding, overtaking, techniques for crossing wadis and on the importance of adhering to road and traffic regulations.

The campaign was also supported by the Royal Oman Police and various local businesses and government departments.

The campaign included an exhibition of road safety messages, posters and videos. A specially designed traffic park for children to increase awareness on traffic safety was also launched. In addition, numerous new sign-boards displaying safety messages were erected along the highways of Salalah-Mirbat. The Mirbat Road Safety Campaign has been ranked No. 1 amongst other campaigns in the Dhofar region.

Support for the less privileged

During the year the Company's management visited a handicap centre in Mirbat and donated an air conditioning unit and IT equipment.

Five year CSR MOU

In January 2014, the Company agreed to fund a number of projects in the Wilayat Mirbat which is local to its Plant subject to shareholder approval as noted above. The CSR MOU will cover the period from 2014 to 2018. The Company has agreed to provide RO 160,000 of funding over that period to cover projects which will benefit the general public in the Mirbat area. The funds will be managed by a committee comprising representatives of the Company and local government officials.

Internship Programme

In May the Company launched its internship programme for local students. Seven engineering students from Salalah College of Technology worked at the Plant as part of the programme which lasted eight weeks.

The students, from the College's Electrical and Mechanical courses, undertook an intense and in depth programme working full time during the internship.

The first four weeks of the programme focused on equipping students with a thorough understanding of the Plant's HSE practices, as well as introducing them to specific features of the workplace environment. All students were required to show an understanding of the mechanism of operating equipment and apparatus and finally to acquire a broader knowledge of the Plant's processes, inputs and outputs as well as quality issues. The second four weeks included exposure to the operational parameters of the Plant, further interaction with people throughout the business, and getting acquainted with the functionalities of all services and departments of the Company.

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Report to the Shareholders of Sembcorp Salalah Power and Water Company SAOG ("the Company") of Factual Findings in connection with the Corporate Governance Report of the Company and application of the Corporate Governance practices in accordance with Capital Market Authority Code of Corporate Governance

We have performed the procedures prescribed in the Capital Market Authority ("CMA") Circular No. 16/2003 dated 29 December 2003 ("the Procedures") with respect to the Corporate Governance Report of the Company ("the Report") and its application of the Corporate Governance practices in accordance with the CMA Code of Corporate Governance ("the Code") issued under Circular No. 11/2002 dated 3 June 2002 and the CMA Rules and Guidelines on disclosure, issued under CMA Administrative Decision 5/2007, dated 27 June 2007. The Report is set out on pages 35 to 41.

Our engagement was undertaken in accordance with the International Standards on Auditing applicable to agreed-upon procedures engagements. The Procedures were performed solely to assist you in evaluating the Report.

We found the Report reflects, in all material respects, the Company's application of the provisions of the Code and is free from any material misrepresentation.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing, we do not express any assurance on the Company's Corporate Governance Report. Had we performed additional procedures or had we performed an audit or review of this Report in accordance with International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

This report is solely for the purpose set forth in the second paragraph above, and for inclusion, with the Report, in the Company's annual report, and is not to be used for any other purpose. This report relates only to the Report included in the Company's annual report for the year ended 31 December 2013 and does not extend to the financial statements or any other reports of Company, taken as a whole.

KPMG

24 February 2014

Ahmed Tufail

C.R. No. 1/30936/6

Corporate Governance Report

Company's Philosophy

Sembcorp Salalah Power & Water Company firmly believes that good corporate governance is key to delivering long-term shareholder value by adhering to high standards of management, internal controls and accountability.

The Company adheres to the corporate governance code issued by the Capital Market Authority and takes all steps necessary to fulfil the objective of good corporate governance.

The membership of the Company's Board of Directors (the Board) ensures that it is independent whilst it also brings the level of practical and professional expertise required by the Company.

Corporate Governance activities during 2013

During the year the Board approved the following items in order to strengthen corporate governance within the Company:

- A Board Committee structure comprising an Audit Committee, Nomination Committee and Remuneration Committee.
- A number of new policies and procedures including:
  - Dividend Policy;
  - Investor Relations Policy;
  - Minimum Information to be placed before the Board Policy;
  - Directors Remuneration Policy, and
  - Related Party Transactions Policy.

As well as the above the Board welcomed a comprehensive audit by Sembcorp Industries Group Internal Audit which focused on the sales and procurement cycles, IT and Operating systems as well as an organisational scan and financial review of the Company. The result of the audit confirmed the adequacy of the Company's controls in those areas. Any actions required by the audit have been completed.

The Company's management team also established an Enterprise Risk Management (ERM) framework across the Company. The ERM framework ensures a comprehensive and consistent approach to the identification and management of the risks the Company faces. Critical and major risks have been identified and assessed to determine the appropriate type of plans to be implemented.

The Company also implemented a Whistle-Blowing Policy in 2013 and its executive team attended a Fraud Awareness course during the year.

The Board of Directors and its committees

The members of the Board were appointed at an Ordinary General Meeting held on 3 November 2013. The Board members, and their attendance at the above OGM, and the Board meeting which immediately followed are shown below.

Board of Directors		Category	OGM	Board meeting
Chairman	Tang Kin Fei	Non-Executive	✓	✓
Deputy Chairman	Kalat Al Bulooshi	Non-Executive	✓	✓
Director	Abdul Amir Said Mohammed	Non-Executive	✓	✓
Director	Hassan Al Nassay	Non-Executive and Independent		
Director	Richard Quek Hong Liat	Non-Executive	✓	✓
Director	Tan Cheng Guan	Non-Executive		
Director	Ng Meng Poh	Non-Executive	✓	✓
Director	Tariq Al Amri	Non-Executive and Independent		
Director	Ahmed Al Bulooshi*	Non-Executive and Independent	✓	✓

* In addition to Sembcorp Salalah, Ahmed Al Bulushi is also a director of Oman National Engineering and Investment Company and the Muscat Securities Market, both SAOG companies in Oman.

Board membership and attendance at Board meetings prior to the OGM on 3 November 3013 is shown below.

Board of Directors		Category	Pre IPO Board meetings				
			26 Mar	18 May	19 Jun	2 Oct	AGM
Chairman	Tang Kin Fei	Non-Executive	✓	✓	✓	✓	✓
Deputy Chairman	Kalat Al Bulooshi	Non-Executive	✓	✓	✓	✓	✓
Director	Abdul Amir Said Mohammed	Non-Executive	✓	✓	✓	✓	✓
Director	Richard Quek Hong Liat	Non-Executive	✓	✓		✓	✓
Director	Tan Cheng Guan	Non-Executive	✓	✓	✓	✓	✓

The Board established three Board Committees at the Board meeting on 3 November and agreed the membership as shown below.

Committee	Chairman	Members
Audit Committee	Tariq Al Amri	Richard Quek Hong Liat and Ahmed Al Bulooshi
Nomination Committee	Tang Kin Fei	Tan Cheng Guan and Abdul Amir Said Mohammed
Remuneration Committee	Kalat Al Bulooshi	Ng Meng Poh and Hassan Al Nassay

The above committees did not meet between the above appointments and the end of the year.

Terms of Reference of the Board Committees

Audit Committee

The Audit Committee (AC) comprises directors who are both independent and non-executive as highlighted above.

Authority and duties of the AC

The AC assists the Board in fulfilling its fiduciary responsibilities relating to the internal controls, audit, accounting and reporting practices of the Company. Its main responsibilities are to review the Company's policies and control procedures with the external auditors, internal auditors and management and act in the interest of the shareholders in respect of interested person transactions as well as any matters or issues that affect the financial performance of the Company. The AC reviews the quarterly, half-yearly and full year results announcements and accompanying press releases as well as the financial statements of the Company for adequacy and accuracy of information disclosed prior to submission to the Board for approval.

The AC has explicit authority to investigate any matter within its Terms of Reference and enjoys full access to and co-operation from management to enable it to discharge its function properly.

Where relevant, the AC is guided by Appendix 3 - Role of the Audit Committee - detailed in the CMA's Code of Corporate Governance.

External auditors

Each year, the AC reviews the independence of the company's external auditors and makes recommendations to the board on the re-appointment of the company's external auditors.

The AC reviews and approves the external audit plan to ensure the adequacy of audit scope. It also reviews the external auditors' management letter and monitors the timely implementation of the required corrective or improvement measures. The AC meets the external and internal auditors at least once a year without the presence of management. The AC has reviewed the nature and extent of non-audit services provided by the external auditors to the Company and is satisfied that the independence of the external auditors has not been impaired by their provision of non-audit services. Details of non-audit fees payable to the external auditors are found later in this report

Whistle-blowing policy

The AC also oversees the Company's whistle-blowing policy implemented by the Company to strengthen corporate governance and ethical business practices. Employees are provided with accessible channels to the Company's Internal Auditor and the Sembcorp Group Internal Audit department to report suspected fraud, corruption, dishonest practices or other misdemeanours. The aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will, to the extent possible, be protected from reprisal.

Nomination Committee

The Nomination Committee (NC) members are highlighted above.

The NC is charged with the responsibility of ensuring that Sembcorp Salalah's Board is reviewed to ensure strong, independent and sound leadership for the continuous success of the Company. It ensures that the Board has a balance of skills, attributes, background, knowledge and experience in business, finance and related industries, as well as management skills critical to the Company.

The NC reviews and makes recommendations to the Board on independence of the directors, new appointments, re-appointments and re-elections to the Board and Board Committees to ensure the Board maintains an appropriate size. The NC is also responsible for reviewing the succession plans for the Board, developing a process for performance evaluation of the Board and Board Committees, and reviewing training and professional development programmes for the Board.

Appointment & re-appointment of directors

When the need for a new director is identified, the NC will prepare a shortlist of candidates with the appropriate profile and qualities for nomination. The Board reviews the recommendation of the NC and appoints the new director. In accordance with the company's Articles of Association, the new director will hold office until the next AGM, and if eligible, the director can stand for re-appointment.

The company's Articles of Association require all directors to apply for re-election at the AGM after three years.

The NC reviews succession planning for key management personnel in the Company. Potential internal and external candidates for succession are reviewed for different time horizons according to immediate, medium-term and long-term needs.

Remuneration Committee

The Remuneration Committee (RC) members are highlighted above.

The RC is responsible for developing, reviewing and recommending to the Board the framework of remuneration for the Board and key management personnel. It assists the Board to ensure that competitive remuneration policies and practices are in place. The RC also reviews and recommends to the Board the specific remuneration packages for each director as well as for key management personnel. The RC's recommendations are submitted to the Board for endorsement. No RC member or any director is involved in deliberations in respect of any remuneration, compensation or any form of benefits to be granted to himself.

The RC has access to expert professional advice on human resource matters whenever there is a need for such external consultations. In engaging external consultants, the Company ensures that the relationship, if any, between the Company and its external consultants will not affect the independence and objectivity of the external consultants.

Remuneration Matters

The Board of Directors approved the remuneration structure detailed below at its meeting on 2 October 2013.

Directors' Remuneration Structure

In light of the CMA rules and the need to deliver value to shareholders in line with, or better than the projections disclosed in its IPO prospectus, the Company proposes directors fees and remuneration as follows:

Remuneration	Performance based up to RO 15,000 per director
Board sitting fees	RO 500 per meeting attended
Board committee sitting fees	RO 250 per meeting attended

Remuneration will be payable as a bonus based on dividends payable to shareholders being higher than dividends forecast in the IPO prospectus on an annual basis. The Board will receive 5% of any increased dividends payable which will be shared equally among the directors, subject to:

1) a maximum of RO 15,000 per director and,

2) CMA rules detailed in Administrative Decision 11/2005.

A director may nominate his/her employer as the recipient of any remuneration or fee.

The Board recommends the implementation of the above structure for Board meetings after the OGM on 3 November 2013. This recommendation will be placed before the Company's shareholders at its AGM on 17 March 2014.

No director remuneration or sitting fees has been paid during the year 2013.

Executive Management Remuneration

The Company employs the CEO. All other executive posts are provided by Sembcorp Salalah O&M Services Co. LLC.

The aggregate remuneration paid to the Company's top five executives (including those paid through Sembcorp Salalah O&M Services) amounted to RO 491,120. The remuneration paid is commensurate with the qualification, role, responsibility and performance of the executive team in 2013.

Details of Non-Compliance by the Company

There have been no instances of non-compliance on any matter relating to the CMA's code of corporate governance for MSM listed companies, CMA regulations or the MSM listing agreements. There were no penalties or strictures imposed on the Company by the CMA, MSM or any other statutory authority on any matter related to capital markets since its transformation to a SAOG in October 2013.

Means of Communication with Shareholders and Investors

The Company recognises:

a) the importance of providing shareholders, investors and analysts with easy access to clear, reliable and meaningful information on its business and operations in order to make informed investment decisions;

b) that accurate, coherent and balanced communications help to establish its reputation; and

c) the disclosure rules required by the CMA according to Part VII of the CMA Executive Regulations issued in 2009.

As noted above, the Company has an Investor Relations Policy the objectives of which are to uphold high standards of corporate transparency and disclosure and promote clear and open communication with shareholders, investors and analysts by providing a disciplined, professional approach to the flow of information from the Company at all times.

The Company communicates with its shareholders and investors through the MSM website and its own website, www.sembcorpsalalah.com.om. Quarterly financial and operating data and all material information is posted on both websites in a timely fashion as required by the CMA.

The Company's executive management is also available to meet shareholders and analysts as and when requested.

Market Price Data

The Company was listed on the Muscat Securities Market (MSM) on 8 October 2013. The share price was set at RO 1.59 per share at the IPO and has traded at between RO 1.89 and RO 2.00 since being listed on the MSM. Over 11,000 trades of the Company's shares were made during the year ended 31 December 2013 with turnover of approximately RO 44.6m.

	Trade		Share price	Share price
Period	Shares	Value	High	Low
October	17,798,590	35,030,892	2.000	1.910
November	3,200,255	6,169,287	1.950	1.915
December	1,515,671	2,884,020	1.925	1.885

Below is a comparison of how the Company's performance compares to the MSM market over the period since its listing.

Date	Sembcorp Salalah share price	Cummulative change from 8 October	MSM Index	Cummulative change from 8 October
8 Oct	1.590		6,643.93	
31 Oct	1.945	22.3%	6,674.070	0.45%
30 Nov	1.920	20.7%	6,726.290	1.24%
31 Dec	1.905	19.8%	6,834.56	2.37%

A shareholder who continued to hold shares at the end of the year which he had acquired at IPO has seen an increase in the value of his shareholding of 19.8 %. as well as receiving a dividend of 13 bzs per share in November.

Distribution of Shareholding as at 31 December 2013

The table below shows the shareholder distribution at the end of December 2013.

Percentage holding	Number of shareholders	Value of shares	Percentage of total shares
Less than 5%	3,930	31,620,196	33.125%
5% to 10%	1	4,772,860	5.000%
Above 10%	2	59,064,139	61.875%
Total	3,933	95,457,195	100%

Professional profile of statutory auditors

The shareholders of the Company appointed KPMG as the Company's auditors for the year 2013. KPMG is a leading accounting firm in Oman and is a part of KPMG Lower Gulf that was established in 1974. KPMG in Oman employs more than 130 people, amongst whom are 4 Partners, 5 Directors and 20 Managers, including Omani nationals and is a member of the KPMG network of independent firms affiliated with KPMG International Co-operative. KPMG is a global network of independent firms providing Audit, Tax and Advisory services and has more than 155,000 people working together in 155 countries worldwide.

KPMG is accredited by the CMA to audit joint stock companies (SAOGs). During the year KPMG billed the Company RO 53,275 for the following services:

Service	RO
IPO related services	36,000
Tax advice	1,475
Audit Fee for financial statements for the period ended 31 December 2013	9,000
Audit Fee for financial statements for the period ended 30 June 2013	4,000
Review of code of corporate governance	500
Group reporting	1,000
Other services	1,300
Total	**53,275**

Acknowledgement of the Board of directors

The Directors confirm their responsibility for the preparation of the financial statements in line with International Financial Reporting Standards to fairly reflect the financial position of the Company and its performance during the relevant financial period. The Board confirms that it has reviewed the efficiency and adequacy of the internal control systems of the Company and is pleased to inform the shareholders that adequate and appropriate internal controls are in place, which are in compliance with the relevant rules and regulations.

The Board of Directors confirms that there are no material matters that would affect the continuity of the Company, and its ability to continue its operations during the next financial year.

Brief profiles of the Board of Directors and Executive Management

Board of Directors

Tang Kin Fei, Chairman

Mr. Tang is the Chairman of Sembcorp Salalah. He is also Group President & CEO of Sembcorp Industries. With 25 years at Sembcorp Industries, he is credited with spearheading its growth into a focused energy, water and marine group with operations across six continents.

Mr. Tang is Vice Chairman of the Singapore Business Federation and a council member of the Singapore Chinese Chamber of Commerce & Industry. He serves on several China-Singapore, Saudi-Singapore and Abu Dhabi-Singapore business councils and is a director and member of the governing board of the Cambridge Centre for Advanced Research in Energy Efficiency in Singapore, a research centre set up by the University of Cambridge in collaboration with Singapore universities and the National Research Foundation to study carbon assessment and abatement for the petrochemical industry. In addition, Mr. Tang is the Council Chairman of Ngee Ann Polytechnic, as well as Vice Chairman and a trustee of the Kwong Wai Shiu Hospital, a charitable hospital which provides care for needy patients.

Mr. Tang holds a First Class Honours degree in Mechanical Engineering from the University of Singapore and completed the Advanced Management Programme at INSEAD.

Kalat Al-Bulooshi, Deputy Chairman

Mr. Al-Bulooshi is the Deputy Chairman of Sembcorp Salalah.

He is also the Chief Executive Officer of Oman Investment Corporation. Prior to joining Oman Investment Corporation, Mr. Al-Bulooshi held a number of key positions in leading organisations in Oman, such as Sohar Aluminium, Sohar Industrial Ports Company and Petroleum Development of Oman.

Mr. Al-Bulooshi has experience in the oil and gas, utilities, ports, infrastructure, metal and manufacturing industries. He has managed multi-billion dollar projects from concept stage to commissioning and operation.

Mr. Al-Bulooshi is an entrepreneur and is the founder and board member of a number of companies.

In addition to Sembcorp Salalah, Mr. Al-Bulooshi is also a director of the following companies: V2 Trenching & Co. LLC; Ultra Electronics Ithra LLC; Oman Gas Company SAOC; Oman National Transport Company SAOC; and Gulf International Pipe Industries LLC.

Mr. Al-Bulooshi holds a Mechanical Engineering degree from the University of Bradford, UK.

Tan Cheng Guan, Non-Executive Director

Mr. Tan is a director of Sembcorp Salalah.

Mr. Tan is the Executive Vice President & Head of Group Business Development & Commercial at Sembcorp Industries. He is responsible for business and strategic development and drives business development for Sembcorp's energy and water businesses globally.

He brings with him broad experience in strategy, business and project development for the utilities industry. Mr Tan started his career with Sembcorp in 1990 and was the Managing Director of Vopak China between 2004 to 2007 in Shanghai. Prior to that, he spent 12 years with Brown & Root Far East in the Oil & Gas sector. While at Sembcorp, Mr Tan pioneered the early development of the Group's Utilities business on Jurong Island and drove the business' expansion into China, the UK and the Middle East. Most recently, he also led Sembcorp's acquisition of Cascal's global municipal water business and the Group's Utilities business' expansion into India.

Mr. Tan holds a Bachelor of Civil Engineering (Honours) from the University of Liverpool, UK, and completed the Advanced Management Programme at Harvard Business School, USA.

Abdul Amir Saied Mohammed, Non-Executive Director

Mr. Mohammed is a director of Sembcorp Salalah.

He is also a director of Oman Investment Corporation, representing the State General Reserve Fund, which is a shareholder of Oman Investment Corporation. Mr. Mohammed is the Deputy Chief Executive Officer at the State General Reserve Fund. He is responsible for the functions of operation units and assists the Chief Executive Officer in the day-to-day operations.

Mr. Mohammed holds a Masters in Business Administration from the Oxford Brookes University, UK. He has also been a Member of the Association of Accounting Technicians since 1979.

Tariq Al Amri, Independent Non-Executive Director

Mr. Al Amri is one of three independent directors of Sembcorp Salalah and is the Chairman of the Audit Committee.

He is also the Chief Executive Officer of Oman Environmental Services Holding Company (be'ah), a company with the objective of transforming the solid waste management sector in Oman. Prior to joining Oman Environmental Services Mr. Al Amri held a number of key positions in Oman Telecommunications Company, Oman LNG and the Royal Office Pension Fund.

Mr. Al Amri has experience in the telecoms and oil and gas sectors and successfully negotiated a number of major commercial agreements while at Oman Telecommunications as well as taking a role in Omantel's IPO in 2005. At Oman LNG he was involved in the economic and financial feasibility studies of a project which has since evolved into Qalhat LNG.

Mr. Al Amri holds an Electrical Engineering degree from Temple University, USA and a MBA from the University of Dayton, USA.

Richard Quek Hong Liat, Non-Executive Director

Mr. Quek is a director of Sembcorp Salalah.

He is also the Executive Vice President & Head of Commercial at Sembcorp Industries. Mr. Quek is responsible for mergers & acquisitions and project financing at Sembcorp. He was previously responsible for corporate finance activities in the Group. Mr. Quek is also a director on the boards of various Sembcorp companies.

Mr. Quek led the transaction team for Sembcorp's acquisition of Cascal's global municipal water business and project financing teams for the Fujairah and Salalah projects. He also led the divestments of Sembcorp's logistics and engineering & construction businesses.

Prior to joining Sembcorp, he held corporate and project finance positions at various entities, including Enron International, UBS AG and BP Asia Pacific.

Mr. Quek holds a Masters in Business Administration from the University of Oregon, USA.

Ahmed Al Bulushi, Independent Non-Executive Director

Mr. Al Bulushi is one of three independent directors of Sembcorp Salalah and is a member of the Audit Committee.

He is also the Director of Internal Audit at the Royal Court Affairs where he is responsible for the operation of the risk management, control and governance systems. Prior to joining Internal Audit at the Royal Court Affairs Mr Al Bulushi held a number of key positions in the finance department of the Royal Yachts, Royal Court Affairs, where he was the Director of Financial Affairs, managing all financial aspects of the organization.

In addition to Sembcorp Salalah, Mr. Al Bulushi is also a director and member of the Audit Committee of the following companies: Oman National Engineering and Investment Company SAOG and the Muscat Securities Market.

Mr. Al Bulushi holds an Information Technology degree and a Master of IT Management from Bond University, Australia.

Hassan Al Nassay, Independent Non-Executive Director

Mr. Al Nassay is one of three independent directors of Sembcorp Salalah and is a member of the Remuneration Committee.

Mr. Al Nassay has held a number of senior positions at the Abu Dhabi Water and Electricity Authority ("ADWEA") including General Director of Power and Transmission, Deputy Managing Director of TRANSCO and was attached to the ADWEA's chairman's office from 2006 till 2010.

Mr. Al Nassay has 39 years of experience in the water and power sectors. In addition to Sembcorp Salalah, Mr. Al Al Nassay was a member of the of board of directors of the following companies: Emirates CMS Power Company, Abu Dhabi Distribution Company, Sharjah Water and Electricity Authority and the GCC Power Interconnection Authority. Mr. Al Nassay was also a member in various important government decision making committees including classification of contractors committees. He was also the Chairman of Emirates Sembcorp Company and Union Holding Company.

Mr. Al Nassay holds an Electrical and Electronics Technology degree from the University of Southern Colorado, USA.

Ng Meng Poh, Non-Executive Director

Mr. Ng is a director of Sembcorp Salalah and is also the Chairman of Sembcorp Salalah O&M Services Company LLC.

Mr. Ng is responsible for managing Sembcorp's Utilities businesses in Singapore, ASEAN and Australia, Middle East and Africa, UK and the Americas. He also sits on the boards of various companies within the Group.

He has over 25 years of experience in the energy industry and has held both government and private sector appointments. Prior to joining Sembcorp, Mr. Ng was part of the executive management team of Senoko Power and also spent over a decade at Singapore's Public Utilities Board. In the course of his career, he was actively involved in the restructuring and liberalisation of Singapore's power and gas markets, as well as in negotiations for the importation of piped natural gas from Malaysia and Indonesia into Singapore.

Mr. Ng holds a Bachelor of Mechanical Engineering from the National University of Singapore and a Masters of Science in Energy Resources from the University of Pittsburgh, USA.

Executive Management

Lim Yeow Keong, Chief Executive Officer

Mr. Lim is the CEO of Sembcorp Salalah having joined the Company in 2009. Mr. Lim joined Sembcorp Industries in 1997 after he was awarded a company scholarship. Over the course of his career, Mr. Lim has been actively involved in the development of Sembcorp Industries' utilities businesses in the GCC region, in particular the United Arab Emirates and Oman. Mr. Lim was the lead developer for the Project and oversaw its development from the tender phase to completion.

Mr. Lim holds a First Class Honours degree in Chemical Engineering in collaboration with Environmental Engineering from the University of Toronto, Canada.

David Guy, Chief Financial Officer and Company Secretary

Mr. Guy is the CFO and Company Secretary of Sembcorp Salalah. Mr. Guy has extensive sector experience after 17 years in the power and water industries. In 2010, Mr. Guy was appointed as regional Group Chief Financial Officer of SembCorp Utilities (Netherlands) NV (formerly Cascal NV), following its acquisition by Sembcorp Industries. From 2003 to 2010, Mr. Guy was Senior Vice President – Finance of Sembcorp Utilities (UK) Ltd., where he led the financing of Wilton 10, the UK's largest biomass boiler at the time, as well as leading the restructuring of the local pension scheme. Prior to joining Sembcorp Industries in 2003, Mr. Guy was Financial Director for Enron Teeside Operations Ltd.

Mr. Guy holds a Bachelor of Arts (Honours) from Durham University, UK and is a member of the Institute of Chartered Accountants in England and Wales.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Report on the financial statements

We have audited the financial statements of Sembcorp Salalah Power & Water Company SAOG ("the Company"), set out on pages 48 to 76, which comprise the statement of financial position as at 31 December 2013, and the statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the disclosure requirements of the Capital Market Authority and the Commercial Companies Law of 1974, as amended, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements of the Company as at and for the year ended 31 December 2013, in all material respects, comply with

- the relevant disclosure requirement of the Capital Market Audthoriy; and
- the Commercial Companies Law of 1974, as amended.

KPMG

24 February 2014

Ahmed Tufail

Statement of profit and loss and other comprehensive income
for the year ended 31 December

	Notes	2013 RO	2012 RO
Revenue	3	62,711,862	46,649,938
Cost of sales	4	(29,074,676)	(21,959,323)
Gross profit		33,637,186	24,690,615
Administrative and general expenses	5	(1,073,617)	(678,021)
Other income	6	6,184,900	-
Operating profit		38,748,469	24,012,594
Finance income		54,117	-
Finance costs	7	(23,977,012)	(20,709,372)
Profit before tax		14,825,574	3,303,222
Income tax	16	(3,689,533)	(2,400,473)
Profit after tax		11,136,041	902,749
Other comprehensive income, net of tax			
Item that are or may be reclassified to profit and loss			
Cash flow hedge - effective portion of changes in fair value	10	18,702,625	(2,030,432)
Total comprehensive income (loss) for the year		29,838,666	(1,127,683)
Earnings per share:			
Basic earnings per share (2012 restated)	24	0.12	0.01

The notes on pages 52 to 76 are an integral part of these financial statements.

The report of the Independent Auditors is set forth on page 47.

Statement of financial position
as at 31 December

	Notes	2013 RO	2012 RO
Assets			
Non-current assets			
Property, plant and equipment	*8*	**339,401,525**	350,305,973
Intangible assets	*9*	**9,352**	37,555
Deferred tax asset	*10&16*	**2,783,500**	5,333,858
Total non-current assets		**342,194,377**	355,677,386
Current assets			
Trade and other receivables	*11*	**7,504,646**	11,034,297
Inventory	*12*	**2,847,993**	1,790,617
Cash and cash equivalents	*13*	**35,526,941**	38,860,806
Total current assets		**45,879,580**	51,685,720
Total assets		**388,073,957**	407,363,106
Equity and liabilities			
Share capital	*14 (a)*	**95,457,195**	500,000
Retained earnings / (accumulated losses)		**8,706,015**	(75,478)
Legal reserve	*14 (b)*	**1,203,879**	90,275
Shareholders' funds		**105,367,089**	514,797
Hedging reserve	*10&14 (c)*	**(20,412,334)**	(39,114,959)
		84,954,755	(38,600,162)
Liabilities			
Non-current liabilities			
Term loan	*19*	**247,564,593**	258,641,887
Asset retirement obligation	*20*	**437,421**	409,570
Deferred tax liability	*16*	**6,285,940**	2,596,407
Derivative instruments	*10*	**23,195,834**	44,448,817
Total non-current liabilities		**277,483,788**	306,096,681
Current liabilities			
Shareholders loan	*17*	-	94,832,393
Current portion of term loan	*19*	**12,309,156**	11,575,124
Trade and other payables	*15*	**13,326,258**	33,459,070
Total current liabilities		**25,635,414**	139,866,587
Total liabilities		**303,119,202**	445,963,268
Total equity and liabilities		**388,073,957**	407,363,106
Net assets per share:			
Net assets per share (2012 restated)	*25*	**1.10**	1.00

The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 24 February 2014.

Deputy Chairman **Director**

The notes on pages 52 to 76 are an integral part of these financial statements.

The report of the Independent Auditors is set forth on page 47.

Statement of cash flows

for the year ended 31 December

	2013	2012
	RO	RO
Cash flows from operating activities		
Profit before tax	14,825,574	3,303,222
Adjustment for:		
Depreciation and amortization	11,208,836	9,235,213
Amortisation of deferred financing cost	1,300,200	1,047,068
Interest written off	(6,174,592)	-
Finance costs	22,618,979	19,662,304
Unwinding of discount - asset retirement obligation	27,851	16,313
Provision for doubtful debt	136,550	-
	43,943,398	33,264,120
Changes in working capital:		
Inventories	(1,057,376)	(1,120,957)
Trade and other receivables	3,393,101	(8,084,366)
Trade and other payables	(9,388,915)	2,223,313
Cash generated from operating activities	36,890,208	26,282,110
Interest paid	(21,566,912)	(10,739,719)
Net cash from operating activities	15,323,296	15,542,391
Cash flows from investing activities		
Acquisition of property, plant and equipment	(5,888,365)	(54,985,285)
Acquisition of intangible assets	(9,192)	(48,383)
Net cash used in investing activities	(5,897,557)	(55,033,668)
Cash flows from financing activities		
Proceeds from term loan	-	76,622,800
Repayment of term loan	(11,518,660)	(2,399,721)
Dividend paid	(1,240,944)	-
Net cash (used in) from financing activities	(12,759,604)	74,223,079
Net (decrease) increase in cash and cash equivalents	(3,333,865)	34,731,802
Cash and cash equivalents as at 1 January	38,860,806	4,129,004
Cash and cash equivalents as at 31 December	35,526,941	38,860,806

The notes on pages 52 to 76 are an integral part of these financial statements.
The report of the Independent Auditors is set forth on page 47.

Statement of changes in equity

for the year ended 31 December

	Share capital	Retained Earnings/ (losses)	Legal reserve	Hedging reserve	Total
	RO	RO	RO	RO	RO
Balance as at 1 January 2012	500,000	(887,952)	-	(37,084,527)	(37,472,479)
Total comprehensive income					
Net Profit	-	902,749	-	-	902,749
Other comprehensive income	-	-	-	(2,030,432)	(2,030,432)
Total comprehensive loss	-	902,749	-	(2,030,432)	(1,127,683)
Transactions with owners of the Company Contribution and distribution					
Transfer to legal reserve	-	(90,275)	90,275	-	-
Total transactions with owners of the Company	-	(90,275)	90,275	-	-
Balance as at 31 December 2012	500,000	(75,478)	90,275	(39,114,959)	(38,600,162)
Balance at 1 January 2013	**500,000**	**(75,478)**	**90,275**	**(39,114,959)**	**(38,600,162)**
Total comprehensive income					
Profit	**-**	**11,136,041**	**-**	**-**	**11,136,041**
Other comprehensive income	**-**	**-**	**-**	**18,702,625**	**18,702,625**
Total comprehensive income	**-**	**11,136,041**	**-**	**18,702,625**	**29,838,666**
Transactions with owners of the Company					
Contribution and distribution					
Conversion of equity bridge and shareholder loans	**94,957,195**	**-**	**-**	**-**	**94,957,195**
Interim dividend	**-**	**(1,240,944)**	**-**	**-**	**(1,240,944)**
Transfer to legal reserve	**-**	**(1,113,604)**	**1,113,604**	**-**	**-**
Total transactions with owners of the Company	**94,957,195**	**(2,354,548)**	**1,113,604**	**-**	**93,716,251**
Balance as at 31 December 2013	**95,457,195**	**8,706,015**	**1,203,879**	**(20,412,334)**	**84,954,755**

The notes on pages 52 to 76 are an integral part of these financial statements.

The report of the Independent Auditors is set forth on page 47.

Notes
(forming part of the 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"). The Company achieved Commercial Operation Date ("COD") on 25 May 2012.

On 7 July 2013, in an Extraordinary General Meeting it was resolved that the Company will offer 35% of its shares to the public through an initial public offering ("IPO") on the Muscat Securities Market ("MSM").

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.

2) Basis of preparation and significant accounting policies

Basis of preparation

a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and applicable requirements of the Oman Commercial Companies Law of 1974 (as amended) and the disclosure requirement of Capital market Authority of the Sultanate of Oman.

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.

Change in accounting estimates

Useful life of the property, plant and equipment

Details of property, plant and equipment are set out in note 8. During the year, the Company has conducted and considered an operational efficiency review of its plant and machinery, which resulted in changes in the expected useful lives of items of property, plant and equipment.

The plant and machinery, buildings and pipelines related to the power plant which Management previously expected to be in use for 30 years is now expected to remain in operation for 35 years. Roads which Management previously expected to be in use for 10 years are now expected to remain in operation for 20 years. As a result, the expected useful lives of these assets have increased. The effect of these changes on actual and expected depreciation expenses, included in statement of profit or loss and other comprehensive income, in current and future years, respectively, is as follows:

	2013	2014	2015	2016	2017	Later
	RO	RO	RO	RO	RO	RO
Decrease (increase) in depreciation expense	1,165,283	1,546,648	1,546,648	1,550,886	1,546,648	(7,356,113)

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.

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

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. 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

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

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.

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.

c) 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.

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

c) Property, plant and equipment *(continued)*

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:

Land and 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

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.

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

d) Impairment *(continued)*

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.

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.

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

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.

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.

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

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 or 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.

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) Estimation of fair value

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using quoted market prices in the active market for similar instruments, quoted market prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments that are valued based on quoted prices of similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

n) New standards and interpretation not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2013, and have not been applied in preparing these financial statements. None of these are expected to have any material impact on the financial statements of the Company.

o) New standards and interpretation effective and adopted

During the period, the Company has adopted the following standards effective for the annual period beginning on or after 1 January 2013. The new standards do not have any material impact to the Company, but they have resulted in no additional disclosures:

- IAS 1 (amendment) - Presentation of items of other comprehensive income; and
- IFRS 13 - Fair value measurement

3 Revenue

	2013 RO	2012 RO
Fixed capacity charge – Power	**35,624,854**	25,947,573
Fixed capacity charge – Water	**15,575,145**	12,707,141
Energy charge	**1,037,727**	680,681
Water output charge	**617,119**	-
Fuel charge	**9,857,017**	7,314,543
	62,711,862	46,649,938

4 Cost of sales

	2013 RO	2012 RO
Fuel cost	**9,736,665**	7,278,764
Operation and maintenance cost	**4,542,768**	2,814,930
Contractual services maintenance cost	**2,496,882**	1,893,002
Depreciation	**11,104,382**	9,152,636
Insurance cost	**735,508**	455,139
Incentive payment	**251,840**	123,057
Security charges	**65,262**	28,837
Electricity import cost	**54,764**	99,178
Spare parts, consumables and supplies	**581**	39,895
Unwinding of discount - asset retirement obligation	**27,851**	16,313
License and permits	**53,238**	24,136
Other overheads	**4,935**	33,436
	29,074,676	21,959,323

5 Administrative and general expenses

	2013	2012
	RO	RO
Staff costs	220,739	141,663
Legal and professional charges	266,983	384,881
Depreciation and amortisation	104,454	82,577
Provision for doubtful debts	136,550	-
Opening ceremony expenses	180,363	-
Fee and subscription	87,162	1,541
Travelling expenses	36,599	37,931
Other administrative and general expenses	40,767	29,428
	1,073,617	678,021

6 Other income

Other income mainly comprises write back of interest on shareholders loan for the period from 29 March 2012 to 30 June 2013 (see note 17).

7 Finance costs

	2013	2012
Interest expense on equity bridge loan	2,977,930	4,569,295
Interest expense on project financing	11,390,859	8,989,896
Interest expense on interest rate swap	8,250,190	5,996,826
Deferred financing cost	1,300,200	1,047,068
Commission and bank charges	57,833	106,287
	23,977,012	20,709,372

8 Property, plant and equipment

	Land and buildings	Roads and pipelines	Plant and machinery	Office equipment	Motor vehicles	Computer equipment	Total
Cost	RO	RO	RO	RO	RO	RO	RO
At 1 January 2013	47,998,922	25,998,788	285,535,849	68,122	229,320	159,560	359,990,561
Additions during the year	11,520	-	130,801	91,923	27,269	5,480	266,993
At 31 December 2013	48,010,442	25,998,788	285,666,650	160,045	256,589	165,040	360,257,554
Accumulated depreciation							
At 1 January 2013	1,200,442	642,136	7,772,494	7,386	18,557	43,573	9,684,588
Charge for the year	1,483,390	839,844	8,739,776	28,826	24,158	55,447	11,171,441
At 31 December 2013	2,683,832	1,481,980	16,512,270	36,212	42,715	99,020	20,856,029
Carrying amount							
At 31 December 2013	45,326,610	24,516,808	269,154,380	123,833	213,874	66,020	339,401,525
At 31 December 2012	46,798,480	25,356,652	277,763,355	60,736	210,763	115,987	350,305,973

9 Intangible assets

	2013	2012
	RO	RO
Opening balance	37,555	26,402
Purchased during the period	9,192	48,383
Amortisation during the period	(37,395)	(37,230)
	9,352	37,555

Intangible assets mainly represent the purchase of ERP software.

10 Hedging reserve

Interest rate swaps:		
SMBC Capital Market Limited	(5,092,038)	(9,318,935)
Standard Chartered Bank	(13,802,338)	(27,081,333)
KfW-IPEX	(4,301,458)	(8,048,549)
Hedging instrument at the end of the year	(23,195,834)	(44,448,817)
Deferred tax asset (note 16)	2,783,500	5,333,858
Hedging reserve at the end of the year (net of tax)	(20,412,334)	(39,114,959)
Less: Hedging reserve at the beginning of the year	39,114,959	37,084,527
Effective portion of change in fair value of cash flow hedge for the year	18,702,625	(2,030,432)

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.

The corresponding hedged notional amount outstanding as of 31 December 2013 is approximately USD 436 million and approximately USD 114 million respectively, at a fixed interest rate of 4.345% and 3.8% per annum respectively.

11 Trade and other receivables

Trade receivables	5,554,784	4,692,602
Advances to vendors	1,526,817	1,573,727
Prepayments	307,301	303,181
Other receivables	30,360	4,373,566
Retentions	-	90,299
Due from related parties	85,384	922
	7,504,646	11,034,297

12 Inventory

	2013	2012
	RO	RO
Fuel inventory	914,394	993,568
Spare parts and consumables	1,933,599	797,049
	2,847,993	1,790,617

13 Cash and cash equivalents

Cash in hand	1,730	1,925
Cash at bank	35,525,211	38,858,881
	35,526,941	38,860,806

Cash at bank includes Debt Service Reserve Account in the amount of RO 14,963,479.

The Company has also made a placement in the amount of RO 15,733,879 at a weighted average interest rate of 0.68% per annum. The fixed deposit will mature in March 2014.

14 Equity

(a) Share capital

During the year, the Company has increased its authorised share capital from RO 2 million to RO 100 million. The Company's registered capital (issued and fully paid) comprised 500,000 shares of RO1 each at the beginning of the year.

On 3 July 2013, the Ministry of Commerce and Industry approved an increase to the Company's registered capital (issued and fully paid) from RO 500,000 (500,000 shares of RO 1 each) to RO 95,457,195 (95,457,195 shares of RO 1 each). Registered capital was increased by converting the shareholders' loan in the amount of RO 94,957,195 (note 17).

	Share capital before conversion of Shareholders' loan	Shareholders' loan converted to share capital	Share capital after conversion of Shareholders' loan
	RO	RO	RO
SOFIH	200,000	37,982,878	38,182,878
SOIHL	100,000	18,991,439	19,091,439
IPWC	175,000	33,235,018	33,410,018
BDCC Investment Company ("BDCC")	25,000	4,747,860	4,772,860
	500,000	94,957,195	95,457,195

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.

14 Equity *(continued)*

(a) Share capital *(continued)*

The shareholding after the IPO is as follows:

Shareholder	Number of shares held	%	Aggregate nominal value of shares held RO
SOFIH	38,182,878	40.000%	38,182,878
IPWC	20,881,261	22.875%	20,881,261
BDCC	2,983,037	3.125%	2,983,037
Public	33,410,019	35.000%	33,410,019
	95,457,195	**100.000%**	**95,457,195**

(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 10).

15 Trade and other payables

	2013	2012
	RO	RO
Payables to EPC contractor	**4,334,151**	5,383,992
Trade payables	**443,813**	661,319
Due to related parties (note 18)	**730,460**	642,853
Retentions and deductions	**1,553,503**	14,783,649
Interest payable	**4,873,495**	9,996,020
Accrued expenses and other payables	**1,390,836**	1,991,237
	13,326,258	33,459,070

16 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.

A deferred tax asset has been recognised directly in equity in respect of the changes in fair values of interest rate swaps (note 10).

	2013	2012
	RO	RO
a) Recognised in profit or loss		
Deferred tax expense for the year	**3,689,533**	2,400,473

b) Reconciliation

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

	2013	2012
Profit before tax	**14,825,574**	3,303,222
Income tax as per rates mentioned above	**(1,779,069)**	(396,387)
Current year loss for which no deferred tax asset is recognized	**(2,378,972)**	(1,455,771)
Expenses not deductible for tax purposes	**(360,693)**	(548,315)
Non taxable income	**740,951**	-
Change in estimates from prior years	**88,250**	-
Deferred tax expense for the year	**(3,689,533)**	(2,400,473)

c) Deferred tax asset (liability)

	At 1 January	Recognised during the year	**At 31 December**
	RO	RO	**RO**
Charged to profit or loss			
Property, plant and equipment	(4,493,394)	(3,382,513)	**(7,875,907)**
Tax losses	1,896,987	(307,020)	**1,589,967**
	(2,596,407)	(3,689,533)	**(6,285,940)**
Deferred tax recognised in other comprehensive income			
Derivative instrument	5,333,858	(2,550,358)	**2,783,500**

d) Status of prior year returns

The Company's assessment for the tax years 2009 to 2012 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 December 2013.

17 Shareholders loan

On 20 November 2009, the Company, its shareholders and the lenders under the Common Term Agreement ("CTA"), entered into a Project Support Agreement ("the PSA") under which shareholders are required to provide subordinated advances ("the Shareholders loan"). The actual drawdown amount is described below:

	Currency	Draw down amount	2013 RO	2012 RO
SOFIH	USD	**98,605,600**	**-**	37,982,878
SOIHL	USD	**49,302,800**	**-**	18,991,439
IPWC	RO	**33,235,018**	**-**	33,235,018
BDCC*	RO	**4,747,860**	**-**	4,747,860
			-	94,957,195

The Shareholders loan of RO 94,957,195 as at 31 December 2012 is stated before unamortised transaction costs of RO 124,800.

Repayment

According to the PSA, the Shareholders and the Company were required to convert the Shareholders' loan into equity prior to a Public Offer for sale or listing. On 3 July 2013, Shareholders' loan was converted into share capital. Shareholders' loan converted to share capital is as follows:

	Shareholders' loan converted to share capital RO
SOFIH	37,982,878
SOIHL	18,991,439
IPWC	33,235,018
BDCC	4,747,860
	94,957,195

Interest on shareholders' loan written back

Shareholders of the Company waived their equitable right of interest on shareholders' loan from 29 March 2012 to 30 June 2013 and authorised the Company to write back the same. The breakup of interest waived is as follows:

	Equitable right interest rate	RO
SOFIH	5.1%	2,469,837
SOIHL	5.1%	1,234,918
BDCC	5.1%	308,730
IPWC	5.1%	2,161,107
		6,174,592

18 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 year:

	2013	2012
	RO	RO
Sembcorp Industries Limited (SCI)		
- Reimbursement of expenses	98,092	360,291
- Claims by the Company	(21,929)	-
SSOM		
- Operation and maintenance cost	4,542,768	2,814,930
- Incentive payment	251,840	123,057
SOFIH		
- Finance cost(1)	973,944	1,969,412
SOIHL		
- Finance cost (1)	486,972	984,706
IPWC		
- Finance cost(1)	1,395,271	2,821,376
OIC		
- Reimbursement of expenses	11,982	11,612
- Project support service cost	104,004	-
Sembcorp Utilities (UK) Limited (SUUK)	308	-

Balances due to related parties at the year end comprised:		
SSOM	645,384	389,650
Sembcorp Industries Ltd	-	253,203
	645,384	642,853
Balance due from related party is as follows:		
SUUK	308	-
Emirates Sembcorp Water & Power Company PJSC	-	922
	308	922

The shareholder waived equitable right of shareholders interest from 29 March 2012 to 30 June 2013 and authorised the Company to write off the same (note 17).

Project bonus commitment

Project bonus in the amount of RO 92,448 (2012: RO 92,448) and RO 53,928 (2012: RO 53,928) payable to SCI and OIC respectively has been approved by the board of directors and is payable after the settlement of liquidated damages.

18 Related party transactions *(continued)*

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 year ended is as follows:

	2013	2012
	RO	RO
Short term employee benefits	**435,121**	351,594
Post-employment benefits	**23,130**	13,389
Other long term benefits	**32,869**	26,925
	491,120	391,908

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

19 Term loan

	Maturity	**2013**	2012
Non-current		**RO**	RO
Project financing loan (USD)	2012-2026	**222,197,699**	231,733,480
Project financing loan (RO)	2012-2026	**46,204,020**	48,186,900
		268,401,719	279,920,380
Less: Unamortised transaction cost		**(8,527,970)**	(9,703,369)
		259,873,749	270,217,011
Less: Current portion of term loan		**(12,309,156)**	(11,575,124)
		247,564,593	258,641,887

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 Sinosure 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.

19 Term loan *(continued)*

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	3.95%

ii) Interest on Sinosure 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	4.25%

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 December 2013, 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.

20 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.

20 Asset retirement obligation ("ARO") *(continued)*

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:

	2013	2012
	RO	RO
At 1 January	409,570	260,284
Provision	-	132,973
Unwinding of discount	27,851	16,313
At 31 December	437,421	409,570

21 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.

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	2013	2012
	%	RO	RO
Financial assets			
Bank balances		35,525,211	38,858,881
Financial liabilities			
Shareholders loan			
- USD fixed rate loans	*5.10%*	-	(56,974,317)
- RO fixed rate loans	*5.10%*	-	(4,747,860)
- RO fixed rate loans	*8.35%*	-	(33,235,018)
Term loan			
- USD variable rate loans	*Libor+3.00%*	(123,412,649)	(231,733,480)
- USD variable rate loans	*Libor+2.85%*	(98,785,050)	-
- RO fixed rate loans	*7%*	(46,204,020)	(48,186,900)
		(268,401,719)	(374,877,575)

21 **Financial risk management** *(continued)*

a) Market risk *(continued)*

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			
	100 bps Increase	**100 bps Decrease**	100 bps Increase	100 bps Decrease
	31 December 2013	**31 December 2013**	31 December 2012	31 December 2012
	RO	**RO**	RO	RO
Interest rate swap	**15,457,094**	**(15,457,094)**	17,643,561	(17,643,561)

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 December 2013.

(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:

	2013	2012
	RO	RO
Break down of financial assets (at carrying amount)		
Cash and cash equivalents	**35,525,211**	38,858,881
Trade receivable	**5,554,784**	4,692,602
Due from related parties	**-**	922
Retention and other receivable	**30,360**	4,463,865
	41,110,355	48,016,270

21 Financial risk management *(continued)*

(b) Credit risk *(continued)*

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

	2013		2012	
	RO	Allowance for impairment	RO	Allowance for impairment
Not past dues	5,370,694	136,550	4,791,389	-
Past due 0 to 3 months	-	-	3,000,000	-
Past due 3 to 6 months	-	-	1,366,000	-
Past due 6 to 12 months	351,000	-	-	-
	5,721,694	136,550	9,157,389	-

(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:

		Cash flows			
	Carrying amount	Contractual cash flow	Less than 1 year	More than 1 to 5 years	More than 5 years
31 December 2013	RO	RO	RO	RO	RO
Derivatives					
Interest rate swaps used for hedging	23,195,834	(19,749,693)	(6,090,796)	(16,824,750)	3,165,853
Non-derivatives financial liabilities					
Term loan	259,873,749	(388,103,721)	(20,248,174)	(103,334,782)	(264,520,765)
Trade and other payables	13,326,258	(13,326,258)	(13,326,258)	-	-
	296,395,841	(421,179,672)	(39,665,228)	(120,159,532)	(261,354,912)
31 December 2012					
Derivatives					
Interest rate swaps used for hedging	44,448,817	(46,144,726)	(6,678,670)	(31,680,445)	(7,785,611)
Non-derivatives financial liabilities					
Shareholders loan	94,832,393	(97,810,323)	(97,810,323)	-	-
Term loan	270,217,011	(380,958,941)	(20,788,411)	(98,043,720)	(262,126,810)
Trade and other payables	33,459,070	(33,459,070)	(33,459,070)	-	-
	442,957,291	(558,373,060)	(158,736,474)	(129,724,165)	(269,912,421)

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

21 Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

Fair values

a) Accounting classification and fair values

The following table shows the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				Fair value
	Fair value - hedging instrument	Loans and receivables	Other financial liabilities	Total	Level 2
31 December 2013	RO	RO	RO	RO	RO
Financial assets not measured at fair value					
Trade and other receivables	-	5,585,144	-	5,585,144	-
Cash and cash equivalents	-	35,526,941	-	35,526,941	-
	-	41,112,085	-	41,112,085	-
Financial liabilities measured at fair value					
Derivative instrument	(23,195,834)	-	-	(23,195,834)	(23,195,834)
Financial liabilities not measured at fair value					
Term loan	-	-	(259,873,749)	(259,873,749)	(252,450,784)
Trade and other payables	-	-	(13,326,258)	(13,326,258)	-
	-	-	(273,200,007)	(273,200,007)	(275,646,618)
31 December 2012					
Financial assets not measured at fair value					
Trade and other receivables	-	9,157,389	-	9,157,389	-
Cash and cash equivalents	-	38,860,806	-	38,860,806	-
	-	48,018,195	-	48,018,195	-
Financial liabilities measured at fair value					
Derivative instrument	(44,448,817)	-	-	(44,448,817)	(44,448,817)
Financial liabilities not measured at fair value					
Term loan	-	-	(270,217,011)	(270,217,011)	(273,139,232)
Shareholders' loan	-	-	(94,832,393)	(94,832,393)	(94,957,195)
Trade and other payables	-	-	(33,459,069)	(33,459,069)	-
	-	-	(398,508,473)	(398,508,473)	(412,545,244)

21 Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

The Company has not disclosed the fair values of short term trade and other receivables, cash and cash equivalents and trade and other payables because their carrying amount are a reasonable approximation of fair values.

b) Measurement of fair values

Type	Valuation technique	Significant unobservable inputs
Derivative instrument (Interest rate swaps)	Market comparison technique: fair value is calculated by the respective financial institutions.	Not applicable
Other financial liabilities	Discounted cash flows	Not applicable

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.

22 Liquidated damages

The Company achieved Commercial Operation Date ("COD") 1 (the Phase 1 Power Milestone) on 16 July 2011 against the originally scheduled date on 6 July 2011 stated in the Power and Water Purchase Agreement ("the PWPA") with the Guaranteed Contracted Power Capacity of 61 MWH.

COD 2 (the Phase II Power and Phase II Water Milestones) was also delayed from its original scheduled date of 6 October 2011 due to the wrong termination kit installation by the Grid Operator, and procured by the grid substation, and occurrence of Cyclone Keila from 1 to 5 November 2011 that impacted construction progress. The Guaranteed Contracted Power Capacity and Guaranteed Contracted Water Capacity during Phase 2 Milestone were 173 MWH and 2841.25 m3/h respectively.

22 Liquidated damages *(continued)*

The Company achieved the Phase II Power Milestone on 2 January 2012 and Phase II Water milestone on 12 March 2012 respectively.

Final COD was achieved on 25 May 2012 against the originally scheduled date on 4 April 2012. Delay in the achievement of the milestone was primarily due to the low power grid demand. The Plant was fully operational after COD.

OPWP claimed liquidated damages from the Company and, in turn, the Company claimed liquidated damages from SEPCO III in relation to the above delays.

On 30 December 2013, Management entered into an agreement with SEPCOIII in which both parties agreed to accept the settlement sum as full and final settlement for the dispute. Discussion on settling OPWP claims has been progressing positively and Management believes that the final settlement of claims with OPWP should result in no economic outflow for the Company.

23 Guarantees

	2013	2012
	RO	RO
Performance guarantees	**1,540,800**	1,540,800

During the year, the Company has taken bank guarantees from Bank Muscat for the amount of USD 4,000,000 to Dhofar Power Company SAOG under the electrical connection agreement.

24 Basic and diluted earnings per share

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

	2013	2012
Profit for the year (RO)	**11,136,041**	902,749
Weighted average number of shares outstanding during the year (a)	**95,457,195**	95,457,195
Earnings per share - Basic and diluted (RO)	**0.12**	0.01

(a) Weighted average number of shares

Number of share outstanding as of 1 January	**500,000**	500,000
Mandatory conversion of shareholders loan to share capital	**94,957,195**	94,957,195
Weighted average number of shares outstanding as at 31 December	**95,457,195**	95,457,195

According to the PSA, the Shareholders and the Company were required to convert the Shareholders' loan into equity prior to a Public Offer for sale or listing. The mandatory nature of this conversion of the shareholders loan has been reflected in the weighted average number of shares to arrive at basic earnings per share. 2012 figures are restated for comparative purposes.

Since the Company has no potentially dilutive instruments, the basic and dilutive earnings per share are the same.

25 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.

	2013	2012
	RO	RO
Shareholders' funds	**105,367,089**	95,471,390
Number of shares at the end of the year	**95,457,195**	95,457,195
Net assets per share	**1.10**	1.00

The mandatory nature of this conversion of the shareholders loan has been reflected in the weighted average number of shares to arrive at basic earnings per share. 2012 figures are restated for comparative purposes

26 Dividend

On 24 February 2014, Board of Directors proposed the final dividend 78 baizas per share for the year ended 31 December 2013, giving a total dividend 91 baizas per share for the year.

On 3 October 2013, in an Ordinary General Meeting, shareholders approved interim dividend in the amount of baizas 13 per share.

27 Comparative information

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