

**Sembcorp Salalah Power &
Water Company SAOG**

Financial statements

30 September 2014

Registered office:

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

Principal place of business:

Salalah
Sultanate of Oman

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Financial statements

30 September 2014

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Independent Auditor's Report to the Shareholders of Sembcorp Salalah Power and Water Company SAOG

Report on the financial statements

We have audited the accompanying financial statements of Sembcorp Salalah Power and Water Company SAOG ("the Company"), which comprise the statement of financial position as at 30 September 2014, the statement of profit and loss and other comprehensive income for the three month and nine month period ended 30 September 2014, changes in equity and cash flows for the nine months period then ended 30 September 2014, and a summary of significant accounting policies and other explanatory notes, as set out on pages 2 to 26.

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.

Auditor's 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 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 judgment, 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 of 30 September 2014, and its financial performance for the three month and nine month period ended 30 September 2014, and its cash flows for the nine months period ended 30 September 2014, in accordance with International Financial Reporting Standards.

Report on legal and regulatory requirements

In our opinion, the financial statements of the Company as at and for the nine months period ended 30 September 2014, in all material respects, comply with

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

21 October 2014


Ahmed Tufail

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Statement of profit and loss and other comprehensive income for the

	Notes	Quarter ended 30 September 2014 RO	Nine month period ended 30 September 2014 RO	Unaudited Quarter ended 30 September 2013 RO	Unaudited Nine month period ended 30 September 2013 RO
Revenue	3	15,493,574	47,631,497	15,501,510	46,793,759
Cost of sales	4	(7,368,068)	(21,932,264)	(7,482,942)	(21,446,308)
Gross profit		8,125,506	25,699,233	8,018,568	25,347,451
Administrative and general expenses	5	(193,062)	(669,623)	(143,986)	(550,945)
Other income	6	2,914	1,683,569	-	6,184,592
Profit before interest and tax		7,935,358	26,713,179	7,874,582	30,981,098
Finance income	13	43,491	110,648	15,218	24,447
Finance costs	7	(4,976,835)	(14,878,886)	(5,208,899)	(18,843,431)
Profit before tax		3,002,014	11,944,941	2,680,901	12,162,114
Income tax expense	16	(362,102)	(1,436,521)	(677,155)	(3,171,662)
Profit after tax for the period		2,639,912	10,508,420	2,003,746	8,990,452
Other comprehensive income, net of income tax:					
Items that will be reclassified to profit or loss					
Effective portion of change in fair value of cash flow hedge	10	1,535,732	(570,724)	2,938,654	16,969,788
Total comprehensive income for the period		4,175,644	9,937,696	4,942,400	25,960,240
Earnings per share:					
Basic earnings per share	22	0.028	0.110	0.021	0.094

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

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

SEMBICORP SALALAH POWER & WATER COMPANY SAOG

Statement of financial position

As at

	Notes	30 September 2014 RO	31 December 2013 RO
Non-current assets			
Property, plant and equipment	8	331,705,042	339,401,525
Intangible assets	9	13,165	9,352
Deferred tax asset	10&16	2,861,326	2,783,500
Total non-current assets		334,579,533	342,194,377
Current assets			
Trade and other receivables	11	7,026,026	7,504,646
Inventory	12	3,540,060	2,847,993
Cash and cash equivalents	13	27,211,761	35,526,941
Total current assets		37,777,847	45,879,580
Total assets		372,357,380	388,073,957
Equity			
Share capital	14 (a)	95,457,195	95,457,195
Retained earnings		10,717,932	8,706,015
Legal reserve	14 (b)	2,254,721	1,203,879
Shareholders' funds		108,429,848	105,367,089
Hedging reserve	10&14 (c)	(20,983,058)	(20,412,334)
Total equity		87,446,790	84,954,755
Non-current liabilities			
Term loan	18	235,202,201	247,564,593
Asset retirement obligation	19	460,158	437,421
Deferred tax liability	16	7,722,461	6,285,940
Derivative instruments	10	23,844,384	23,195,834
Total non-current liabilities		267,229,204	277,483,788
Current liabilities			
Current portion of term loan	18	13,212,581	12,309,156
Trade and other payables	15	4,468,805	13,326,258
Total current liabilities		17,681,386	25,635,414
Total liabilities		284,910,590	303,119,202
Total equity and liabilities		372,357,380	388,073,957
Net assets per share	23	1.14	1.10

The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 21 October 2014.


 Deputy Chairman


 Director

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

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

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Statement of cash flows

for nine month period ended 30 September

	2014 RO	Unaudited 2013 RO
Cash flows from operating activities:		
Profit before tax for the year	11,944,941	12,162,114
Adjustment for:		
Depreciation and amortisation	8,103,207	8,483,960
Amortisation of deferred financing cost	850,189	1,012,894
Interest payable written off	-	(6,174,592)
Finance costs	14,025,572	17,830,537
Unwinding of discount on site restoration provision	22,737	20,888
<i>Changes in working capital:</i>		
Inventories	(692,067)	(591,999)
Trade and other receivables	478,620	(7,365,833)
Trade and other payables	(373,727)	705,442
	34,359,472	26,083,411
Finance cost paid	(18,819,429)	(21,571,281)
Net cash flow from operating activities	15,540,043	4,512,130
Cash flows from investing activities:		
Payment on account of acquisition for property, plant and equipment	(4,087,331)	(5,345,777)
Payment on account of acquisition for intangible assets	(13,075)	(7,735)
Net cash used in investing activities	(4,100,406)	(5,353,512)
Cash flows from financing activities:		
Repayment of term loan	(12,309,156)	(11,518,660)
Dividend paid	(7,445,661)	-
Net cash used in financing activities	(19,754,817)	(11,518,660)
Net decrease in cash and cash equivalents	(8,315,180)	(12,360,042)
Cash and cash equivalents as at 1 January	35,526,941	38,860,806
Cash and cash equivalents as at 30 September	27,211,761	26,500,764

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

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

SEMBBCORP SALALAH POWER & WATER COMPANY SAOG

Statement of changes in equity

for nine month period ended 30 September

	Share capital RO	Retained earnings RO	Legal reserve RO	Hedging reserve RO	Total RO
Unaudited					
At 1 January 2013	500,000	(75,478)	90,275	(39,114,959)	(38,600,162)
Total comprehensive loss for the year					
Profit for the period	-	8,990,452	-	-	8,990,452
Changes in fair value of cash flow hedge, net of income tax	-	-	-	16,969,788	16,969,788
Total comprehensive income for the period	-	8,990,452	-	16,969,788	25,960,240
Transactions with owners of the Company, recognised directly in equity					
Transfer to legal reserve	-	(899,045)	899,045	-	-
Issue of ordinary shares	94,957,195	-	-	-	94,957,195
	94,957,195	(899,045)	899,045	-	94,957,195
At 30 September 2013	95,457,195	8,015,929	989,320	(22,145,171)	82,317,273
At 1 January 2014	95,457,195	8,706,015	1,203,879	(20,412,334)	84,954,755
Total comprehensive loss for the year					
Profit for the period	-	10,508,420	-	-	10,508,420
Changes in fair value of cash flow hedge, net of income tax	-	-	-	(570,724)	(570,724)
Total comprehensive income for the period	-	10,508,420	-	(570,724)	9,937,696
Transactions with owners of the Company, recognised directly in equity					
Dividend paid (note 24)	-	(7,445,661)	-	-	(7,445,661)
Transfer to legal reserve	-	(1,050,842)	1,050,842	-	-
Transactions with owners of the Company, recognised directly in equity	-	(8,496,503)	1,050,842	-	(7,445,661)
At 30 September 2014	95,457,195	10,717,932	2,254,721	(20,983,058)	87,446,790

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

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

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

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

Foreign currency *(continued)*

Financial instruments

(i) Non derivative financial instruments

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

(ii) Derivative financial instruments, including hedge accounting

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

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

(iii) Cash flow hedges

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

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

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.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

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

Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

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

(iii) Depreciation

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

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

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.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

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

(c) Property, plant and equipment (continued)

(iv) Capital work in progress

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

(v) Site restoration

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

(d) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

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

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

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

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

(d) Impairment *(continued)*

(ii) Non financial assets

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

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

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

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

(e) Financial liabilities

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

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

(f) Employee terminal benefits

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

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

(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.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

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

(h) Revenue recognition

Revenue from the sale of variable 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 the PWPA.

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

(i) Financing income

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

(j) Borrowing costs

Interest expense and similar charges are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale. The interest component of finance lease payments is recognised in the income statement using the effective interest rate method.

(k) Income tax expense

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss. The measurement of deferred tax reflects the consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity.

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.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

2 Basis of preparation and significant accounting policies (continued)

(m) 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.

(n) New standards and interpretation not yet effective

A number of relevant new standards, amendments to standards and interpretations are not yet effective for the period ended 30 September 2014, and have not been applied in preparing these financial statements as follows.

None of these will have an effect on the financial statement of the Company, with the exception of:

- IFRS 9, Financial Instruments, published on 12 November 2009 as part of Phase 1 of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard present a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains the two primary measurement categories of financial assets: amortised cost and fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans receivables.

The standard is effective for annual periods beginning on or after 1 January 2018.

- IFRS 15, Revenue from contracts with customers, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 revenue, IAS 11 construction contracts and IFRIC 13 customer loyalty programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The Company is currently in the process of evaluating the potential effect of this standard.

3 Revenue

	Quarter ended 30 September 2014	Nine month period ended 30 September 2014	Unaudited Quarter ended 30 September 2013	Unaudited Nine month period ended 30 September 2013
Fixed capacity charge - Power	8,691,972	27,202,588	8,373,531	26,733,089
Fixed capacity charge - Water	3,917,434	11,703,031	3,899,577	11,639,941
Energy charge	238,381	762,637	281,087	763,353
Water output charge	213,263	629,402	206,925	404,010
Fuel charge	2,432,524	7,333,839	2,740,390	7,253,366
	<u>15,493,574</u>	<u>47,631,497</u>	<u>15,501,510</u>	<u>46,793,759</u>

4 Cost of sales

Fuel cost	2,426,516	7,311,969	2,681,946	7,222,300
Operation and maintenance cost	1,359,929	3,810,940	1,215,875	3,168,971
Contractual services				
maintenance cost	623,707	1,864,877	657,362	1,818,289
Depreciation	2,707,093	8,031,871	2,697,320	8,404,418
Insurance cost	165,636	534,509	191,570	548,290
Incentive payment	34,801	220,796	-	122,850
Security charges	21,297	64,830	14,016	42,816
Electricity import cost	4,756	16,303	5,162	49,302
Unwinding of discount on site				
restoration provision	7,581	22,737	6,963	20,888
License and permits	16,706	50,118	12,143	41,070
Other overheads	46	3,314	585	7,114
	<u>7,368,068</u>	<u>21,932,264</u>	<u>7,482,942</u>	<u>21,446,308</u>

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

5 Administrative and general expenses

	Quarter ended 30 September 2014	Nine month period ended 30 September 2014	Unaudited Quarter ended 30 September 2013	Unaudited Nine month period ended 30 September 2013
Staff costs	90,768	257,165	41,708	133,677
Legal and professional charges	19,380	22,927	52,437	125,561
Depreciation and amortisation	21,281	71,336	24,835	79,542
Directors' remuneration and sitting fees (note 17)	42,750	176,510	-	-
Fees and subscriptions	480	37,185	2,059	2,199
Travelling expenses	15,284	67,251	14,406	22,430
Miscellaneous	3,119	37,249	8,541	187,536
	<u>193,062</u>	<u>669,623</u>	<u>143,986</u>	<u>550,945</u>

6 Other income

In 2014, other income mainly represents net liquidated damages income. The net income is partial compensation for lost operating profit in 2012 due to delays in construction of the plant. In 2013, other income mainly represents write off of interest on shareholders' loans from 29 March 2012 to 30 June 2013.

7 Finance costs

Interest expense on equity bridge loan	-	-	-	2,977,930
Interest expense on project financing	2,624,619	7,862,034	2,814,663	8,689,992
Interest expense on interest rate swap	2,069,905	6,163,538	2,098,542	6,158,246
Deferred financing cost	281,442	850,189	294,197	1,012,894
Commission and bank charges	869	3,125	1,497	4,369
	<u>4,976,835</u>	<u>14,878,886</u>	<u>5,208,899</u>	<u>18,843,431</u>

8 Property, plant and equipment

Cost	Buildings RO	Roads and pipelines RO	Plant and machinery RO	Office equipment RO	Motor vehicles RO	Computer equipment RO	Capital work in progress RO	Total RO
At 1 January 2014	48,010,442	25,998,788	285,666,650	160,045	256,589	165,040	-	360,257,554
Additions during the period	14,092	-	41,694	17,016	-	24,660	300,000	397,462
At 30 September 2014	48,024,534	25,998,788	285,708,344	177,061	256,589	189,700	300,000	360,655,016
Accumulated depreciation								
At 1 January 2014	2,683,832	1,481,980	16,512,270	36,212	42,715	99,020	-	20,856,029
Charge for the period	1,081,100	589,849	6,321,581	28,303	20,246	52,866	-	8,093,945
At 30 September 2014	3,764,932	2,071,829	22,833,851	64,515	62,961	151,886	-	28,949,974
Carrying amount								
At 30 September 2014	<u>44,259,602</u>	<u>23,926,959</u>	<u>262,874,493</u>	<u>112,546</u>	<u>193,628</u>	<u>37,814</u>	<u>300,000</u>	<u>331,705,042</u>
At 31 December 2013	45,326,610	24,516,808	269,154,380	123,833	213,874	66,020	-	339,401,525

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

9 Intangible assets

	30 September 2014 RO	31 December 2013 RO
Opening balance	9,352	37,555
Purchased during the period/ year	13,075	9,192
Amortisation during the period/ year	(9,262)	(37,395)
	<u>13,165</u>	<u>9,352</u>

Intangible assets mainly represent the purchase of software.

10 Hedging reserve

Interest rate swaps:

SMBC Capital Market Limited	(5,114,878)	(5,092,038)
Standard Chartered Bank	(14,401,687)	(13,802,338)
KfW-IPEX	(4,327,819)	(4,301,458)
Hedging instrument at the end of the period	(23,844,384)	(23,195,834)
Deferred tax asset (note 16)	2,861,326	2,783,500
Hedging reserve at the end of the period (net of tax)	(20,983,058)	(20,412,334)
Less: Hedging reserve at the beginning of the period	20,412,334	39,114,959
Effective portion of change in fair value of cash flow hedge for the period/ year	<u>(570,724)</u>	<u>18,702,625</u>

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

11 Trade and other receivables

Trade receivables	4,959,973	5,554,784
Due from related parties	-	85,384
Advances to vendors	1,507,617	1,526,817
Prepayments	460,759	307,301
Other receivables	97,677	30,360
	<u>7,026,026</u>	<u>7,504,646</u>

12 Inventory

Fuel inventory	839,927	914,394
Spare parts and consumables	2,700,133	1,933,599
	<u>3,540,060</u>	<u>2,847,993</u>

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

13 Cash and cash equivalents

	30 September 2014 RO	31 December 2013 RO
Cash in hand	222	1,730
Cash at bank	27,211,539	35,525,211
	<u>27,211,761</u>	<u>35,526,941</u>

Cash at bank includes balances in Debt Service Reserve Account in the amount of RO 16,233,153 (31 December 2013: 14,963,479).

The Company has also made a placement in the amount of RO 16,233,154 (31 December 2013: RO 15,733,879) at a weighted average interest rate of 0.89% per annum (31 December 2013: 0.68% per annum). The fixed deposit will mature on 1 October 2014.

14 Equity

(a) Share capital

The Company's registered capital (issued and fully paid) comprises 95,457,195 shares of RO 1 each.

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

(b) Legal reserve

In accordance with the Commercial Companies Law of 1974 (as amended), 10% of the Company's net profits after the deduction of taxes will be transferred to a non-distributable legal reserve each year until the amount of such legal reserve has reached a minimum one-third of the Company's issued share capital. This reserve is not available for distribution to shareholders as dividends.

(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

Payables to EPC Contractor	1,799,641	4,334,151
Trade payables	73,030	443,813
Due to related parties (note 17)	504,490	730,451
Retentions and deductions	377,870	1,553,503
Interest payable	79,638	4,873,495
Accrued expenses and other payable	1,634,136	1,390,845
	<u>4,468,805</u>	<u>13,326,258</u>

SEMBICORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

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.

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

The Company's effective tax rate for the nine month period ended 30 September 2014 was 12.03% (nine month period ended 30 September 2013: 26.08%). The change in effective tax rate was caused by the reduction in tax losses expired.

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

	Quarter ended 30 September 2014	Nine month period ended 30 September 2014	Unaudited Quarter ended 30 September 2013	Unaudited Nine month period ended 30 September 2013
a) Recognised in profit or loss				
Deferred tax expense for the year	<u>362,102</u>	<u>1,436,521</u>	<u>677,155</u>	<u>3,171,662</u>

b) Reconciliation

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

Profit before tax	<u>3,002,014</u>	<u>11,944,941</u>	<u>2,680,901</u>	<u>12,162,114</u>
Income tax as per rates mentioned above	12% (360,242)	12% (1,433,393)	12% (321,708)	12% (1,459,454)
Current year losses for which no deferred tax asset is recognized	-	-	31% (849,348)	17% (2,027,408)
Expenses not deductible for tax purposes	0.1% (1,860)	0.1% (3,128)	4% (114,932)	2% (293,633)
Income not taxable	-	-	(23%) 608,833	(5%) 608,833
Deferred tax expense for the year	12% <u>(362,102)</u>	12% <u>(1,436,521)</u>	25% <u>(677,155)</u>	26% <u>(3,171,662)</u>

c) Deferred tax asset (liability)

	At 1 January 2014 RO	Recognised during the period RO	At 30 September 2014 RO
<i>Charged to profit or loss</i>			
Property, plant and equipment	(7,875,907)	(2,358,151)	<u>(10,234,058)</u>
Tax losses	<u>1,589,967</u>	<u>921,630</u>	<u>2,511,597</u>
	<u>(6,285,940)</u>	<u>(1,436,521)</u>	<u>(7,722,461)</u>
<i>Deferred tax recognised in equity</i>			
Derivative instrument	<u>2,783,500</u>	<u>77,826</u>	<u>2,861,326</u>

d) Status of prior year returns

The Company's assessment for the tax years 2009 to 2013 have not yet been finalised with the Secretariat General for Taxation at the Ministry of Finance. Management of the Company believes that additional taxes, if any, in respect of open tax years, would not be significant to the Company's financial position as at 30 September 2014.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

17 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 nine months period ended:

	30 September 2014 RO	Unaudited 30 September 2013 RO
Sembcorp Industries Limited (SCI)		
- Reimbursement of expenses to SCI	31,383	17,416
- Project Bonus	92,448	-
SSOM		
- Operation and maintenance cost	3,810,940	3,168,971
- Incentive to SSOM	220,796	167,691
SOFIH		
- Interest expense	-	973,944
SOIHL		
- Interest expense	-	486,972
IPWC		
- Interest expense	-	1,395,271
Oman Investment Corporation SAOC (OIC)		
- Reimbursement of expenses to OIC	8,456	8,511
- Project Bonus	53,928	-
Sembcorp Bournemouth Water Limited (SBWL)		
- Reimbursement of expenses from SBWL	2,159	-
Sembcorp Utilities (UK) Limited (SUUK)		
- Reimbursement of expenses from SUUK	754	-
	4,074,488	6,218,776
	30 September 2014 RO	31 December 2013 RO
Balances due to related parties at the period/ year end comprised:		
SSOM (note 15)	504,490	645,384
Balance due from related party is as follows:		
SUUK	-	308

In 2013, the shareholders waived equitable right of shareholders interest from 29 March 2012 to 30 June 2013 and authorised the Company to write off the same.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

17 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). Following are the total compensations paid to key management personnel for the nine month period ended:

	30 September 2014 RO	Unaudited 30 September 2013 RO
Directors' remuneration (note 5)	157,010	-
Sitting fees (note 5)	19,500	-
Short term employee benefits	394,002	332,856
Post-employment benefits	14,030	17,629
	<u>584,542</u>	<u>350,485</u>

Compensation of some of the Key Management personnel has been paid through Sembcorp Salalah O&M Services Co. LLC. Directors' remuneration represents includes accruals for the period as per the policy.

18 Term loan

	30 September 2014 RO	31 December 2013 RO
Non-current		
Project financing loan (USD)	212,007,503	222,197,699
Project financing loan (Rials)	44,085,060	46,204,020
	<u>256,092,563</u>	<u>268,401,719</u>
Less: Unamortised transaction cost	(7,677,781)	(8,527,970)
	<u>248,414,782</u>	<u>259,873,749</u>
Less: Current portion of term loan	(13,212,581)	(12,309,156)
	<u>235,202,201</u>	<u>247,564,593</u>

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

The margins are indicated below:

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

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

18 Term loan (continued)

Interest (continued)

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

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

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 30 September 2014, 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.

19 Asset retirement obligation ("ARO")

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

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

	30 September 2014 RO	31 December 2013 RO
At 1 January	437,421	409,570
Unwinding of discount on site restoration provision	22,737	27,851
At the end of the period/ year	<u>460,158</u>	<u>437,421</u>

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

20 Financial risk management (continued)

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 %	30 September 2014 RO	31 December 2013 RO
Financial assets			
Bank balances (note 13)		<u>27,211,539</u>	<u>35,525,211</u>
Financial liabilities			
<i>Term loan</i> (note 18)			
- USD variable rate loans	Libor + 3.00%	(117,752,828)	(123,412,649)
- USD variable rate loans	Libor + 2.85%	(94,254,675)	(98,785,050)
- RO fixed rate loans	7%	(44,085,060)	(46,204,020)
		<u>(256,092,563)</u>	<u>(268,401,719)</u>

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

Cash flow sensitivity analysis for variable rate instruments

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

	Equity			
	100 bps Increase	100 bps Decrease	100 bps Increase	100 bps Decrease
	30 September 2014 RO	30 September 2014 RO	31 December 2013 RO	31 December 2013 RO
Interest rate swap	<u>13,834,361</u>	<u>(13,834,361)</u>	<u>15,457,094</u>	<u>(15,457,094)</u>

Currency risk

The majority of the transactions and balances are in either RO or USD. As the RO is pegged to the USD, balances in USD are not considered to represent significant currency risk. The Company is not exposed to significant currency risk as at 30 September 2014.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

20 Financial risk management (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and cash balances held with banks. Under the terms of the PWPA, the Company's sales are billed wholly to OPWP. The Company manages its credit risk with OPWP by monitoring its credit rating. 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:

	30 September 2014 RO	31 December 2013 RO
Break down of financial assets (at carrying amount)		
Cash at bank	27,211,539	35,525,211
Trade receivables	4,959,973	5,554,784
Other receivables	97,677	30,360
	<u>32,269,189</u>	<u>41,110,355</u>

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

	30 September 2014		31 December 2013	
	RO	Allowance for impairment RO	RO	Allowance for impairment RO
Not overdue	5,057,650	-	5,370,694	136,550
Overdue 6 to 12 months	-	-	351,000	-
	<u>5,057,650</u>	<u>-</u>	<u>5,721,694</u>	<u>136,550</u>

(c) Liquidity risk

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

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

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

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Notes

(forming part of the financial statements)

20 Financial risk management (continued)

(c) Liquidity risk (continued)

	Carrying amount RO	Cash flows			
		Contractual cash flow RO	Less than 1 year RO	More than 1 to 5 years RO	More than 5 years RO
30 September 2014					
Derivatives					
Interest rate swaps used for hedging	23,844,384	(24,600,671)	(7,673,858)	(12,987,890)	(3,938,923)
Non-derivatives					
Financial liabilities					
Term loan	248,414,782	(356,379,233)	(22,883,033)	(110,539,196)	(222,957,004)
Trade and other payables	4,468,805	(4,468,805)	(4,468,805)	-	-
	276,727,971	(385,448,709)	(35,025,696)	(123,527,086)	(226,895,927)
31 December 2013					
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)

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

Embedded derivatives

The following agreements contain embedded derivatives:

- 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.
- 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 rates.
- 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 the 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.

SEMBICORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

20 Financial risk management (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.

	Fair value - hedging instrument RO	Carrying amount Loans and receivables RO	Other financial liabilities RO	Total RO	Fair value Level 2 RO
30 September 2014					
Financial assets not measured at fair value					
Trade and other receivables	-	5,057,650	-	5,057,650	-
Cash and cash equivalents	-	27,211,761	-	27,211,761	-
	-	32,269,411	-	32,269,411	-
Financial liabilities measured at fair value					
Derivative instrument	(23,844,384)	-	-	(23,844,384)	(23,844,384)
Financial liabilities not measured at fair value					
Term loan	-	-	(248,414,782)	(248,414,782)	(270,496,452)
Trade and other payables	-	-	(4,468,805)	(4,468,805)	-
	-	-	(252,883,587)	(252,883,587)	(270,496,452)
31 December 2013					
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)

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

SEMBICORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

21 Guarantees

	30 September 2014 RO	31 December 2013 RO
Performance guarantees	<u>1,540,800</u>	<u>1,540,800</u>

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

22 Basic earnings per share

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

	30 September 2014	Unaudited 30 September 2013
Profit for the period (RO)	10,508,420	8,990,452
Weighted average number of shares outstanding during the year	95,457,195	95,457,195
Basic earnings per share (RO)	0.110	0.094
(a) Weighted average number of shares		
Number of share outstanding as of 1 January	95,457,195	500,000
Mandatory conversion of shareholders loan to share capital	-	94,957,195
Weighted average number of shares outstanding	<u>95,457,195</u>	<u>95,457,195</u>

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. 2013 figures are restated for comparative purposes.

23 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.

	30 September 2014	31 December 2013
Shareholders' funds	108,429,848	105,367,089
Number of shares at the end of the year	95,457,195	95,457,195
Net assets per share	<u>1.14</u>	<u>1.10</u>

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.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG**Notes**

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24 Dividend

On 21 October 2014, the Board of Directors approved an interim dividend in the amount of Baizas 92 per share in line with the authority given to the Board by the Company's Shareholders at its AGM on 29 March 2014 to the Shareholders who are registered in the Company Shareholders' register with Muscat Clearance & Depository Company SAOC on 1 November 2014.

The Shareholders approved a final dividend of 78 baizas per share for the year ended 31 December 2013 at the Company's Annual General Meeting on 29 March 2014, giving a total dividend 91 baizas per share for 2013.

25 Comparative information

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

The comparatives for 30 September 2013 have not been audited and accordingly it is presented and disclosed as unaudited figures in the financial statements.