Sembcorp Salalah Power & Water Company SAOG

Financial statements

30 September 2015

Registered office:	Principal place of business:
P.O. Box 299 Postal Code 134 Jawharat Al Shatti Sultanate of Oman	Salalah Sultanate of Oman

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Financial statements
30 September 2015

Contents *Page*

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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 accompanying financial statements of Sembcorp Salalah Power and Water Company SAOG ("the Company"), which comprise the statement of financial position as at 30 September 2015, the statement of profit and loss and other comprehensive income, changes in equity and cash flows for the nine months period then ended 30 September 2015, and a summary of significant accounting policies and other explanatory notes, as set out on pages 2 to 27. Quarter ended figures are unaudited and are for disclosure purpose only.

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 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 2015, and its financial performance and its cash flows for the nine months period ended 30 September 2015, 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 2015, in all material respects, comply with

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

27 October 2015

Ahmed Tufail

C.R. No. 1/30936/6

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Statement of profit and loss and other comprehensive income

for the

	Notes	**Unaudited Quarter ended 30 September 2015 RO**	**Nine month period ended 30 September 2015 RO**	Unaudited Quarter ended 30 September 2014 RO	Nine month period ended 30 September 2014 RO
Revenue	*3*	**18,137,035**	**55,033,487**	15,493,574	47,631,497
Cost of sales	*4*	**(9,911,173)**	**(29,110,513)**	(7,368,068)	(21,932,264)
Gross profit		**8,225,862**	**25,922,974**	8,125,506	25,699,233
Administrative and general expenses	*5*	**(62,096)**	**(384,499)**	(193,062)	(669,623)
Other income	*6*	**-**	**1,583**	2,914	1,683,569
Profit before interest and tax		**8,163,766**	**25,540,058**	7,935,358	26,713,179
Finance income		**24,184**	**72,221**	43,491	110,648
Finance costs	*7*	**(4,436,734)**	**(13,545,635)**	(4,976,835)	(14,878,886)
Profit before tax		**3,751,216**	**12,066,644**	3,002,014	11,944,941
Income tax expense	*16*	**(451,525)**	**(1,451,408)**	(362,102)	(1,436,521)
Profit after tax for the period		**3,299,691**	**10,615,236**	2,639,912	10,508,420
Other comprehensive (loss) 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*	**(3,691,779)**	**(1,555,789)**	1,535,732	(570,724)
Total comprehensive (loss) income for the period		**(392,088)**	**9,059,447**	4,175,644	9,937,696
Earnings per share:					
Basic earnings per share	22	**0.035**	**0.111**	0.028	0.110

The notes on pages 6 to 27 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 financial position

As at

	Notes	30 September 2015	30 September 2014	31 December 2014
		RO	RO	RO
Non-current assets				
Property, plant and equipment	8	321,177,061	331,705,042	329,102,477
Intangible assets	9	5,932	13,165	10,349
Total non-current assets		321,182,993	331,718,207	329,112,826
Current assets				
Trade and other receivables	11	8,528,900	7,026,026	6,986,535
Inventory	12	4,455,532	3,540,060	3,620,071
Cash and cash equivalents	13	27,156,918	27,211,761	28,589,113
Total current assets		40,141,350	37,777,847	39,195,719
Total assets		361,324,343	369,496,054	368,308,545
Equity				
Share capital	14 (a)	95,457,195	95,457,195	95,457,195
Retained earnings		9,554,772	10,717,932	4,010,262
Legal reserve	14 (b)	3,546,733	2,254,721	2,485,209
Shareholders' funds		108,558,700	108,429,848	101,952,666
Hedging reserve	10 & 14 (c)	(25,232,072)	(20,983,058)	(23,676,283)
Total equity		83,326,628	87,446,790	78,276,383
Non-current liabilities				
Term loan	18	222,170,022	235,202,201	235,476,193
Asset retirement obligation	19	492,021	460,158	467,739
Deferred tax liability	16	6,048,213	4,861,135	4,808,958
Derivative instruments	10	28,672,809	23,844,384	26,904,867
Total non-current liabilities		257,383,065	264,367,878	267,657,757
Current liabilities				
Current portion of term loan	18	14,116,005	13,212,581	13,212,581
Trade and other payables	15	6,498,645	4,468,805	9,161,824
Total current liabilities		20,614,650	17,681,386	22,374,405
Total liabilities		277,997,715	282,049,264	290,032,162
Total equity and liabilities		361,324,343	369,496,054	368,308,545
Net assets per share	23	1.14	1.14	1.07

The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 27 October 2015.

Director — Chief Executive Officer — Director

The notes on pages 6 to 27 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 2015	For nine month period ended 30 September 2014
	RO	RO
Cash flows from operating activities:		
Profit before tax for the period	**12,066,644**	11,944,941
Adjustment for:		
Depreciation and amortisation	**8,092,900**	8,103,207
Amortisation of deferred financing cost	**809,834**	850,189
Finance costs	**12,734,318**	14,025,572
Unwinding of discount on site restoration provision	**24,282**	22,737
Changes in working capital:		
Inventories	**(835,461)**	(692,067)
Trade and other receivables	**(1,542,365)**	478,620
Trade and other payables	**1,962,112**	(373,727)
	33,312,264	34,359,472
Finance cost paid	**(17,312,202)**	(18,819,429)
Net cash flow from operating activities	**16,000,062**	15,540,043
Cash flows from investing activities:		
Payment on account of acquisition for property, plant and equipment	**(207,985)**	(4,087,331)
Payment on account of acquisition for intangible assets	**(2,489)**	(13,075)
Net cash used in investing activities	**(210,474)**	(4,100,406)
Cash flows from financing activities:		
Repayment of term loan	**(13,212,581)**	(12,309,156)
Dividend paid	**(4,009,202)**	(7,445,661)
Net cash used in financing activities	**(17,221,783)**	(19,754,817)
Net decrease in cash and cash equivalents	**(1,432,195)**	(8,315,180)
Cash and cash equivalents as at 1 January *(note 13)*	**28,589,113**	35,526,941
Cash and cash equivalents as at 30 September *(note 13)*	**27,156,918**	27,211,761

The notes on pages 6 to 27 are an integral part of these financial statements.

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SEMBCORP 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
At 1 January 2014	95,457,195	8,706,015	1,203,879	(20,412,334)	84,954,755
Total comprehensive Income for the period					
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					
Final dividend paid	-	(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
At 1 January 2015	**95,457,195**	**4,010,262**	**2,485,209**	**(23,676,283)**	**78,276,383**
Total comprehensive Income for the period					
Profit for the period	**-**	**10,615,236**	**-**	**-**	**10,615,236**
Changes in fair value of cash flow hedge, net of income tax	**-**	**-**	**-**	**(1,555,789)**	**(1,555,789)**
Total comprehensive income for the period	**-**	**10,615,236**	**-**	**(1,555,789)**	**9,059,447**
Transactions with owners of the Company, recognised directly in equity					
Final dividend paid	**-**	**(4,009,202)**	**-**	**-**	**(4,009,202)**
Transfer to legal reserve	**-**	**(1,061,524)**	**1,061,524**	**-**	**-**
Transactions with owners of the Company, recognised directly in equity	**-**	**(5,070,726)**	**1,061,524**	**-**	**(4,009,202)**
At 30 September 2015	**95,457,195**	**9,554,772**	**3,546,733**	**(25,232,072)**	**83,326,628**

The notes on pages 6 to 27 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)

1 Legal status and principal activities

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

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

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

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

<u>Significant agreements:</u>

The Company has entered into the following major agreements:

(i) Power and Water Purchase Agreement (" the PWPA") dated 23 November 2009 with Oman Power & Water Procurement Company SAOC ("OPWP") for a period of fifteen years commencing from the date of commercial operations ("Operation period") to procure the power and water produced by the Company;

(ii) Natural Gas Sales Agreement ("NGSA") dated 23 November 2009 with the Ministry of Oil and Gas ("MOG") of the Government for the supply of natural gas;

(iii) Usufruct Agreement ("Usufruct Agreement") dated 23 November 2009 with the Ministry of Housing for grant of Usufruct rights over the project site;

(iv) Long Term Service Agreement ("LTSA") with General Electric International LLC ("GEIL") for maintenance services on gas turbines and generators;

(v) EPC Turnkey Engineering, Procurement and Construction ("EPC") Contract dated 20 August 2009 with SEPCOIII Electric Power Construction Corporation ("SEPCOIII") for the construction of the Plant;

(vi) Government Guarantee Agreement ("Government Guarantee") dated 23 November 2009 with the Government represented by the Ministry of Finance ("MOF"), whereby the MOF is prepared to guarantee the payment by the OPWP of its financial obligations to the Company's Senior Lenders under the PWPA; and

(vii) Operation and Maintenance ("O&M") agreement with Sembcorp Salalah O&M Services Company LLC ("SSOM") dated 8 February 2010 for a period of 15 years from the scheduled commercial operation date.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

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 the 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 and asset retirement obligations. .

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.

a) 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.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

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

(a) 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)*

(b) 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.

(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.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

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

(c) 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.

(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.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

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

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is determined on the weighted average cost basis and includes expenditure incurred in acquiring and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

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 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.

(l) Dividend

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

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

(m) New standards and interpretation not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015 and earlier application is permitted; however, the Company has not early applied the following new or amended standards in preparing these financial statements.

New or amended standards	**Summary of the requirements**	**Possible impact on financial statements**
IFRS 9 *Financial Instruments*	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Company is assessing the potential impact on its the application of IFRS 9
IFRS 15 *Revenue from Contracts with Customers*	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *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 2018, with early adoption permitted.	The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

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

New or amended standards	**Summary of the requirements**	**Possible impact on financial statements**
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	These amendments require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of IAS 16 *Property, Plant and Equipment*, instead of IAS 41 *Agriculture*. The amendments are effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted.	None. The Company does not have any bearer plants.

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

- IFRS 14 Regulatory Deferral Accounts.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 & IAS 38).
- Equity Method in Separate Financial Statements (Amendments to IAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).
- Disclosure Initiative (Amendments to IAS 1).

3 Revenue

	Unaudited Quarter ended 30 September 2015	**Nine month period ended 30 September 2015**	Unaudited Quarter ended 30September 2014	Nine month period ended 30September 2014
Fixed capacity charge - Power	**8,602,964**	**27,222,198**	8,691,972	27,202,588
Fixed capacity charge - Water	**3,966,190**	**11,699,122**	3,917,434	11,703,031
Energy charge	**279,904**	**815,013**	238,381	762,637
Water output charge	**228,422**	**713,826**	213,263	629,402
Fuel charge	**5,059,555**	**14,583,328**	2,432,524	7,333,839
	18,137,035	**55,033,487**	15,493,574	47,631,497

4 Cost of sales

Fuel cost	**5,006,092**	**14,447,208**	2,426,516	7,311,969
Operation and maintenance cost	**1,293,263**	**3,880,142**	1,359,929	3,810,940
Contractual services maintenance cost	**637,627**	**1,919,801**	623,707	1,864,877
Depreciation	**2,712,724**	**8,055,914**	2,707,093	8,031,871
Insurance cost	**149,394**	**439,463**	165,636	534,509
Incentive payment	**55,736**	**193,693**	34,801	220,796
Security charges	**22,948**	**72,175**	21,297	64,830
Electricity import cost	**3,927**	**14,330**	4,756	16,303
Unwinding of discount on site restoration provision	**8,094**	**24,282**	7,581	22,737
License and permits	**20,866**	**62,598**	16,706	50,118
Other overheads	**502**	**907**	46	3,314
	9,911,173	**29,110,513**	7,368,068	21,932,264

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

5 Administrative and general expenses

	Unaudited Quarter ended 30 September 2015	**Nine month period ended 30 September 2015**	Unaudited Quarter ended 30September 2014	Nine month period ended 30September 2014
Staff costs	**41,180**	**123,940**	90,768	257,165
Legal and professional charges (write back)	**(20,428)**	**32,344**	19,380	22,927
Depreciation and amortisation	**8,781**	**36,986**	21,281	71,336
Directors' remuneration and sitting fees	**6,250**	**16,750**	42,750	176,510
Charity and donations	**-**	**39,010**	-	-
Fee and subscription	**16,705**	**78,441**	480	37,185
Travelling expenses	**3,063**	**30,524**	15,284	67,251
Other admin and general expenses	**6,545**	**26,504**	3,119	37,249
	62,096	**384,499**	193,062	669,623

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.

7 Finance costs

Interest expense on project financing	**2,236,744**	**6,920,088**	2,624,619	7,862,034
Interest expense on interest rate swap	**1,931,677**	**5,814,230**	2,069,905	6,163,538
Deferred financing cost	**267,921**	**809,834**	281,442	850,189
Commission and bank charges	**392**	**1,483**	869	3,125
	4,436,734	**13,545,635**	4,976,835	14,878,886

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 2015	48,024,534	25,998,788	285,731,911	183,925	286,289	195,645	380,000	360,801,092
Additions during the period	-	1,750	113,012	7,729	1,601	16,486	20,000	160,578
Transfer during the period	400,000	-	-	-	-	-	(400,000)	-
At 30 September 2015	48,424,534	26,000,538	285,844,923	191,654	287,890	212,131	-	360,961,670
Accumulated depreciation								
At 1 January 2015	4,129,319	2,270,606	24,988,753	74,967	70,006	164,964	-	31,698,615
Charge for the period	1,087,965	590,739	6,330,419	32,288	23,730	20,853	-	8,085,994
At 30 September 2015	5,217,284	2,861,345	31,319,172	107,255	93,736	185,817	-	39,784,609
Carrying amount								
At 30 September 2015	**43,207,250**	**23,139,193**	**254,525,751**	**84,399**	**194,154**	**26,314**	**-**	**321,177,061**
At 30 September 2014	44,259,602	23,926,959	262,874,493	112,546	193,628	37,814	300,000	331,705,042
At 31 December 2014	43,895,215	23,728,182	260,743,158	108,958	216,283	30,681	380,000	329,102,477

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

9 Intangible assets

	30 September 2015	30 September 2014	31 December 2014
	RO	RO	RO
Opening balance	**10,349**	9,352	9,352
Purchased during the period/year	**2,489**	13,075	13,075
Amortisation during the period/year	**(6,906)**	(9,262)	(12,078)
	5,932	13,165	10,349

Intangible assets mainly represent the purchase of software.

10 Hedging reserve

Interest rate swaps:			
SMBC Capital Market Limited	**(6,004,769)**	(5,114,878)	(5,719,630)
Standard Chartered Bank	**(17,516,551)**	(14,401,687)	(16,295,431)
KfW-IPEX	**(5,151,489)**	(4,327,819)	(4,889,806)
Hedging instrument at the end of the period	**(28,672,809)**	(23,844,384)	(26,904,867)
Deferred tax asset (note 16)	**3,440,737**	2,861,326	3,228,584
Hedging reserve at the end of the period (net of tax)	**(25,232,072)**	(20,983,058)	(23,676,283)
Less: Hedging reserve at the beginning of the period	**(23,676,283)**	(20,412,334)	(20,412,334)
Effective portion of change in fair value of cash flow hedge for the period	**(1,555,789)**	(570,724)	(3,263,949)

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 receivable	**6,284,270**	4,959,973	5,073,835
Advances to vendors	**1,807,111**	1,507,617	1,607,329
Prepayments	**391,699**	460,759	274,547
Other receivable	**45,820**	97,677	30,824
	8,528,900	7,026,026	6,986,535

12 Inventory

Fuel inventory	**1,081,123**	839,927	819,385
Spare parts and consumables	**3,374,409**	2,700,133	2,800,686
	4,455,532	3,540,060	3,620,071

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

13 Cash and cash equivalents

	30 September 2015	30 September 2014	31 December 2014
	RO	RO	RO
Cash in hand	**982**	222	894
Cash at bank	**27,155,936**	27,211,539	28,588,219
	27,156,918	27,211,761	28,589,113

Cash at bank includes balances in Debt Service Reserve Account in the amount of RO 14,250,027 (30 September 2014: 14,726,213 and 31 December 2014: 14,726,213).

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**	1,799,641	1,799,641
Trade payable	**39,745**	73,030	75,153
Due to related parties (note 17)	**1,295,474**	504,490	512,102
Other Creditors	**377,870**	377,870	377,870
Interest payable	**73,007**	79,638	4,650,891
Accrued expenses and other payable	**2,912,908**	1,634,136	1,746,167
	6,498,645	4,468,805	9,161,824

SEMBCORP 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 2015 was 12.03% (nine month period ended 30 September 2014: 12.03%). 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).

	Unaudited Quarter ended 30 September 2015 RO	**Nine month period ended 30 September 2015 RO**	Unaudited Quarter ended 30 September 2014 RO	Nine month period ended 30 September 2014 RO
a) Recognised in profit or loss				
Deferred tax expense for the period	**451,525**	**1,451,408**	362,102	1,436,521

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	**3,751,216**	**12,066,644**	3,002,014	11,944,941
Income tax as per rates mentioned above	**(450,146)**	**(1,447,997)**	(360,242)	(1,433,393)
Expenses not deductible for tax purposes	**(1,379)**	**(3,411)**	(1,860)	(3,128)
Deferred tax expense for the year	**(451,525)**	**(1,451,408)**	(362,102)	(1,436,521)

c) Deferred tax asset (liability)

	At 1 January RO	Recognised during the period RO	**At 30 September 2015 RO**	At 30 September 2014 RO
Charged to profit or loss				
Property, plant and equipment	(10,737,469)	(1,816,238)	**(12,553,707)**	(10,234,058)
Tax losses	2,699,927	364,830	**3,064,757**	2,511,597
	(8,037,542)	(1,451,408)	**(9,488,950)**	(7,722,461)
Deferred tax recognised in equity				
Derivative instrument	3,228,584	212,153	**3,440,737**	2,861,326
Deferred tax liability (net)	(4,808,958)	(1,239,255)	**(6,048,213)**	(4,861,135)

d) Status of prior year returns

The Company's assessment for the tax years 2009 to 2014 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 2015.

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:

	Unaudited Quarter ended 30 September 2015 RO	**Nine month period ended 30 September 2015 RO**	Unaudited Quarter ended 30 September 2014 RO	Nine month period ended 30 September 2014 RO
Sembcorp Industries Limited				
- Reimbursement of expenses	**-**	**2,283**	10,715	31,383
- Project bonus	**-**	**-**	92,448	92,448
SSOM				
- Operation and maintenance cost	**1,293,263**	**3,880,142**	1,192,691	3,810,940
- Incentive payment	**55,736**	**193,693**	85,123	220,796
OIC				
- Reimbursement of expenses	**-**	**5,463**	3,038	8,456
- Project bonus		**-**	53,928	53,928
Sembcorp Utilities (UK) Limited (SUUK)				
- Reimbursement of expenses from SUUK	-	**625**	-	754
Sembcorp Bournemouth Water Limited (SBWL)				
- Reimbursement of expenses from SBWL	**-**	**943**	**-**	2,159

	30 September 2015 RO	30 September 2014 RO	31 December 2014 RO
Balances due to related parties at the period end comprised:			
SSOM	1,295,474	504,490	512,102

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:

	Unaudited Quarter ended 30 September 2015 RO	**Nine month period ended 30 September 2015 RO**	Unaudited Quarter ended 30 September 2014 RO	Nine month period ended 30 September 2014 RO
Directors' remuneration	**-**	**-**	42,750	157,010
Directors' sitting fees	**6,250**	**16,750**	-	19,500
Short term employee benefits	**67,854**	**275,086**	95,620	394,002
Social security and gratuity	**3,248**	**12,636**	-	14,030
	77,352	**304,472**	138,370	584,542

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

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

18 Term loan

	Maturity	**30 September 2015 RO**	30 September 2014 RO	31 December 2014 RO
Non-current				
Project financing loan (USD)	2012-2026	**201,069,402**	212,007,503	212,007,503
Project financing loan (Rials)	2012-2026	**41,810,580**	44,085,060	44,085,060
		242,879,982	256,092,563	256,092,563
Less: Unamortised transaction cost		**(6,593,955)**	(7,677,781)	(7,403,789)
		236,286,027	248,414,782	248,688,774
Less: Current portion of term loan		**(14,116,005)**	(13,212,581)	(13,212,581)
		222,170,022	235,202,201	235,476,193

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	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 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	4.25%

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

18 Term loan *(continued)*

Interest *(continued)*

Other fees

The Company was required to pay front end fees to the Mandated Lead Arranger. In addition, the Company paid commitment fees at 1.3% of undrawn Dollar Commercial facilities and Sinosure Covered facilities and 0.4% of undrawn Rial Omani facilities. As at 30 September 2015, 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 2015 RO	30 September 2014 RO	31 December 2014 RO
At 1 January	**467,739**	437,421	437,421
Provision made during the period/ year	**24,282**	22,737	30,318
At period/year end	**492,021**	460,158	467,739

20 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.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

20 Financial risk management *(continued)*

(a) Market risk

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

Interest rate risk

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

	Interest rate %	**30 September 2015 RO**	30 September 2014 RO	31 December 2014 RO
Financial assets				
Bank balances (note 13)		**27,155,936**	27,211,539	28,588,219
Financial liabilities				
Term loan (note 18)				
- USD variable rate loans	Libor + 3.00%	**(111,677,608)**	(117,752,828)	(117,752,828)
- USD variable rate loans	Libor + 2.85%	**(89,391,794)**	(94,254,675)	(94,254,675)
- RO fixed rate loans	7%	**(41,810,580)**	(44,085,060)	(44,085,060)
		(242,879,982)	(256,092,563)	(256,092,563)

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					
	30 September 2015		30 September 2014		31 December 2014	
	100 bps Increase RO	**100 bps Decrease RO**	100 bps increase RO	100 bps Decrease RO	100 bps increase RO	100 bps decrease RO
Interest rate swap	**12,511,412**	**(12,511,412)**	13,834,361	(13,834,361)	14,152,507	(14,152,507)

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 2015.

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 2015 RO	30 September 2014 RO	31 December 2014 RO
Break down of financial assets (at carrying amount)			
Cash and cash equivalents	**27,155,936**	27,211,539	28,588,219
Trade receivable	**6,284,270**	4,959,973	5,073,835
Retention and other receivable	**45,820**	97,677	30,824
	33,486,026	32,269,189	33,692,878

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

	30 September 2015		30 September 2014		31 December 2014	
	RO	**Allowance for impairment**	RO	Allowance for impairment	RO	Allowance for impairment
Not past due	**6,327,637**	**-**	5,057,650	-	5,103,174	-
Past due 0 to 3 months	**2,036**	**-**	-	-	850	-
Past due 3 to 6 months	**417**	**-**	-	-	635	-
	6,330,090	**-**	5,057,650	-	5,104,659	-

(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:

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

20 Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

		Cash flows			
	Carrying amount	**Contractual cash flow**	**Less than 1 year**	**More than 1 to 5 years**	**More than 5 years**
30 September 2015	**RO**	**RO**	**RO**	**RO**	**RO**
Derivatives					
Interest rate swaps used for hedging	**28,672,809**	**(29,708,655)**	**(6,940,440)**	**(16,703,824)**	**(6,064,391)**
Non-derivatives Financial liabilities					
Term loan	**236,286,027**	**(318,390,128)**	**(23,075,048)**	**(112,677,562)**	**(182,637,518)**
Trade and other payables	**6,498,645**	**(6,498,645)**	**(6,498,645)**	**-**	**-**
	271,457,481	**(354,597,428)**	**(36,514,133)**	**(129,381,386)**	**(188,701,909)**
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 2014					
Derivatives					
Interest rate swaps used for hedging	26,904,867	(28,137,944)	(5,750,775)	(15,400,322)	(6,986,847)
Non-derivatives Financial liabilities					
Term loan	248,688,774	(346,302,052)	(20,228,888)	(107,485,611)	(218,587,553)
Trade and other payables	9,161,824	(9,161,824)	(9,161,824)	-	-
	284,755,465	(383,601,820)	(35,141,487)	(122,885,933)	(225,574,400)

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

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

20 Financial risk management *(continued)*

Embedded derivatives

The following agreements contain embedded derivatives:

(i) The PWPA between the Company and OPWP contains embedded derivatives in pricing the investment charge rate and the fixed operation and maintenance charge rate for each of the power facility and the desalination facility. Percentages of the fixed operation and maintenance charge rate for each of power facility and the desalination facility will be adjusted to reflect changes in the US price index and the Omani Consumer price index.

(ii) The O & M agreement between the Company and SSOM contains embedded derivatives in pricing the fixed operator fee. Percentages of the fixed operator fee will be adjusted to reflect changes in fixed inflation rates.

(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 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.

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.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

20 Financial risk management *(continued)*

Accounting classification and fair values *(continued)*

	Carrying amount				Fair value
	Fair value - hedging instrument	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 2**
30 September 2015	**RO**	**RO**	**RO**	**RO**	**RO**
Financial assets not measured at fair value					
Trade and other receivables	**-**	**6,330,090**	**-**	**6,330,090**	
Cash and cash equivalents	**-**	**27,156,918**	**-**	**27,156,918**	
	-	**33,487,008**	**-**	**33,487,008**	
Financial liabilities measured at fair value					
Derivative instrument	**(28,672,809)**	**-**	**-**	**(28,672,809)**	**(28,672,809)**
Financial liabilities not measured at fair value					
Term loan	**-**	**-**	**(236,286,027)**	**(236,286,027)**	**(257,285,667)**
Trade and other payables	**-**	**-**	**(6,498,645)**	**(6,498,645)**	
	-	**-**	**(242,784,672)**	**(242,784,672)**	
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)	
31 December 2014					
Financial assets not measured at fair value					
Trade and other receivables	-	5,104,659	-	5,104,659	
Cash and cash equivalents	-	28,589,113	-	28,589,113	
	-	33,693,772	-	33,693,772	
Financial liabilities measured at fair value					
Derivative instrument	(26,904,867)	-	-	(26,904,867)	(26,904,867)
Financial liabilities not measured at fair value					
Term loan	-	-	(248,688,774)	(248,688,774)	(274,349,748)
Trade and other payables	-	-	(9,161,824)	(9,161,824)	
	-	-	(257,850,598)	(257,850,598)	

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

20 Financial risk management *(continued)*

Fair values *(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

21 Guarantees

	30 September 2015 RO	30 September 2014 RO	31 December 2014 RO
Performance guarantees	**1,540,800**	1,540,800	1,540,800

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:

	Unaudited Quarter ended 30 September 2015	**Nine month period ended 30 September 2015**	Unaudited Quarter ended 30 September 2014	Nine month period ended 30 September 2014
Profit for the period (RO)	**3,299,691**	**10,615,236**	2,639,912	10,508,420
Weighted average number of shares outstanding during the year	**95,457,195**	**95,457,195**	95,457,195	95,457,195
Earnings per share - Basic and diluted (RO)	**0.035**	**0.111**	0.028	0.110

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

Notes

(forming part of the financial statements)

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 2015	30 September 2014	31 December 2014
Shareholders' funds	**108,558,700**	108,429,848	101,952,666
Number of shares at the end of the year	**95,457,195**	95,457,195	95,457,195
Net assets per share	**1.14**	1.14	1.07

24 Dividend

On 23 March 2015, in an Annual General Meeting, shareholders approved Baizas 42 (2014: Baizas 78) per share final dividend for the year ended 31 December 2014, giving a total dividend Baizas 134 per share for the year.

25 Comparative information

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

26 Quarterly information

Quarter ended figures are unaudited and are for disclosure purpose only.