Driving
Sustainable Returns

Report to Unitholders 2016

Contents

OVERVIEW

OPERATIONS REVIEW

SUSTAINABILITY REPORT

FINANCIAL STATEMENTS

GOVERNANCE

OTHER INFORMATION

Driving
Sustainable Returns

Keppel is a multi-business company committed to providing robust solutions for sustainable urbanisation. As Trustee-Manager of Keppel Infrastructure Trust, we are driving sustainable returns by sharpening our competitive edge and growing our diversified portfolio of infrastructure assets.

Vision

To be the preferred infrastructure business trust, serving as a trusted partner to our stakeholders.

Mission

Guided by the Keppel Group's operating principles and core values, we will create value for our investors by growing a well-diversified portfolio of infrastructure assets that generates long-term, regular and sustainable distributions.

Keppel Group's Operating Principles

1. Best value propositions to customers.
2. Tapping and developing best talents from our global workforce.
3. Cultivating a spirit of innovation and enterprise.
4. Executing our projects well.
5. Being financially disciplined to earn best risk-adjusted returns.
6. Clarity of focus and operating within our core competence.
7. Being prepared for the future.

View our report online:
www.kepinfratrust.com

Key Figures for 2016

Distribution per Unit	3.72cts	Total distribution per Unit for FY 2016 was 3.72 cents.
Funds from Operations	$177.2m	Funds from operations for FY 2016 were $177.2 million.
Distributable Cash Flows	$149.5m	Distributable cash flows for FY 2016 were $149.5 million.
Distribution Yield	7.8%	Total distribution per Unit of 3.72 cents for FY 2016, which translated to a distribution yield of 7.8% based on the Unit closing price of $0.48 on the last trading day for the financial year.
Net Asset Value per Unit	32.5cts	Net asset value per Unit as at 31 December 2016 was 32.5 cents.
Gearing	37.4%	Gearing as at 31 December 2016 was 37.4%.
Hedged Loans	85.0%	85.0% of the Group's total loans were hedged as at 31 December 2016.

Financial Highlights

Financial Summary
(for the financial year from 1 January 2016 to 31 December 2016)

	For the 12 months ended 31 December 2016 $'000	For the 9 months ended 31 December 2015[1] $'000	% Change
Total distribution	**143,484**	150,892[2]	(4.9)
Distribution per Unit (cents)	**3.72**	5.67[2]	(34.4)
Distribution yield[3]	**7.8%**	7.3%[5]	6.8
Funds from operations[4]	**177,225**	95,361	85.8
Distributable cash flows	**149,493**	90,668	64.9

1 On 19 October 2015, Keppel Infrastructure Trust announced the change of its financial year end from 31 March to 31 December.
2 This includes the special distribution of 3.03 cents paid in 2015.
3 Based on total distribution per Unit divided by closing Unit price as at the last trading day for the financial year.
4 Funds from Operations is defined as profit after tax adjusted for reduction in concession/lease receivables, transaction costs, non-cash interest and current cash tax, maintenance capex, non-cash adjustments and non-controlling interests adjustments.
5 Based on annualised distribution per Unit of 1.86 cents for 2H 2015.

Balance Sheet

	As at 31 December 2016 $'000	As at 31 December 2015 $'000	% Change
Total assets	**4,118,642**	4,115,478	0.1
Total liabilities	**2,664,672**	2,514,692	6.0
Unitholders' funds	**1,255,390**	1,359,788	(7.7)
Market capitalisation[6]	**1,851,391**	1,967,035	(5.9)
Number of Units in issue ('000)	**3,857,064**	3,856,932	0.0
Net asset value per Unit (cents)	**32.5**	35.3	(7.9)
Adjusted net asset value per Unit (cents)[7]	**38.5**	41.2	(6.6)

6 Based on closing Unit price as at the last trading day for the financial year.
7 Based on total issued Units before hedging and translation reserves.

Distribution per Unit

	For the 12 months ended 31 December 2016 cents	For the 9 months ended 31 December 2015 cents
For the period from April 1, 2015 to May 17, 2015	**–**	0.42
For the period from May 18, 2015 to May 28, 2015	**–**	0.11
For the period from May 29, 2015 to June 30, 2015	**–**	0.25
For the period from July 1, 2015 to September 30, 2015	**–**	0.93
For the period from October 1, 2015 to December 31, 2015	**–**	0.93
Special distribution	**–**	3.03
For the period from January 1, 2016 to March 31, 2016	**0.93**	–
For the period from April 1, 2016 to June 30, 2016	**0.93**	–
For the period from July 1, 2016 to September 30, 2016	**0.93**	–
For the period from October 1, 2016 to December 31, 2016	**0.93**	–
	3.72	5.67

Chairman's Statement

Keppel Infrastructure Trust continues to generate long-term, regular and sustainable returns for Unitholders despite market volatilities and a highly challenging and uncertain economic environment.

Koh Ban Heng
Chairman

Dear Unitholders,

On behalf of the Board and management of the Trustee-Manager, Keppel Infrastructure Fund Management Pte. Ltd. (KIFM), I am pleased to present Keppel Infrastructure Trust's (KIT) annual report for the twelve months ended 31 December 2016 (FY 2016).

Delivering Stable Distributions
KIT has maintained distribution per Unit (DPU) of 3.72 cents for FY 2016, which translates to a distribution yield of 7.8% based on the Unit closing price of $0.48 on the last trading day of the financial year. This demonstrates the Trust's commitment and reliability to pay out stable distributions against the backdrop of market volatilities and a highly challenging and uncertain economic environment.

KIT's diversified portfolio of core infrastructure assets, ranging from waste management, water and wastewater treatment concessions, piped gas production and retailing to power tolling arrangement and electricity transmission, generate long-term and predictable cash flows that are substantially uncorrelated to economic conditions.

During the year, the Senoko Waste-to-Energy (WTE) and Keppel Seghers Tuas WTE Plants both continued to meet the required performance and customer service standards under their respective Incineration Services Agreements with the National Environment Agency (NEA). On 1 September 2016, the Senoko WTE Plant capacity upgrade was completed on budget and ahead of schedule, raising the contracted incineration capacity of the plant by 10% to 2,310 tonnes per day. The capacity payment from NEA has been correspondingly increased.

The Keppel Seghers Ulu Pandan NEWater and SingSpring Desalination Plants continue to play a critical role in Singapore's water security. Both plants saw comparable levels of despatch amidst the dry conditions experienced in the country in early-2016.

The Keppel Merlimau Cogen Plant recorded several unplanned outages in one of its four generating units, which marginally affected its availability levels and reduced its capacity payments in 2016. The Trustee-Manager is working closely with the Operations & Maintenance (O&M) contractor to improve the plant's availability.

City Gas continued to deliver stable growth in 2016. Its customer base increased by 4.6% to about 783,300 as at end-2016, with approximately 1.7 billion kWh of town gas sold during the year. Meanwhile, the Senoko Gasworks plant continued to achieve 100% plant availability.

DataCentre One completed construction of the 1-Net North Data Centre and handed over the premises on 12 April 2016. With the handover, the 20-year triple net lease agreement with 1-Net Singapore Pte. Ltd., a wholly-owned subsidiary of Mediacorp Pte Ltd, is effective with an option for further extension.

The Basslink Interconnector experienced an unplanned outage on 20 December 2015. The tireless efforts of Basslink and the team of international cable experts to repair the Interconnector saw it return to service on 13 June 2016. The repair costs incurred and revenue lost during the outage are covered by insurance, subject to the relevant terms of the insurance policy. Basslink announced the completion of its investigations into the cause of the outage on 5 December 2016. Based on current circumstances and the independent investigation results, Basslink believes the outage was a force majeure event. However, this is being disputed by Basslink's customer, Hydro Tasmania, and commercial discussions are ongoing to resolve this. As KIT does not rely on Basslink for distributions, the outage had no impact on KIT's distributions in FY 2016.

On a positive note, the Commercial Risk Sharing Mechanism (CRSM), which had been chiefly responsible for the historical fluctuations in Basslink's operational cash flows, had been adjusted to a narrower range in 2016. This change will reduce the maximum CRSM adjustment to 12.5% of the annual facility fee, from the previous

Distribution per Unit

3.72cts

Sustainable distribution per Unit of 3.72 cents for FY 2016.

Distribution Yield

7.8%

Continued to deliver attractive distribution yield of 7.8% in end-2016.

Key Developments in 2016

Completed the capacity upgrade of the Senoko WTE Plant. The capacity payment from NEA has been correspondingly increased.

DataCentre One handed over 1-Net North and commenced its lease to the client for a period of 20 years.

Adjusted the Basslink Commercial Risk Sharing Mechanism to a narrower range, thereby improving the stability of Basslink's future operating cash flows.

With the Senoko WTE Plant's contracted incineration capacity raised by 10% to 2,310 tonnes per day, the capacity payment from NEA has been correspondingly increased.

Chairman's Statement

range of 20-25%. This change will significantly improve the stability of Basslink's future operating cash flows.

Creating Long Term Value
Looking ahead, KIT will continue its disciplined approach of seeking acquisition opportunities for core and core-plus infrastructure assets.

In 2016, there was strong competition for infrastructure assets as pension funds, insurance companies and sovereign wealth funds were rapidly increasing allocation to such assets in search of yields. Given the long lead time to develop new infrastructure assets in the face of strong demand and lower financing costs, asset prices remained high, thus eroding investment returns.

The 25 basis points interest hike by the US Federal Reserve in December 2016, with more anticipated in 2017, may have a moderating effect on price movements of infrastructure assets. On a related note, the rate hikes will have limited impact on KIT's cash flows as a substantial portion of the Group's loan portfolio is hedged.

With sustainability at the forefront of international agendas, we are pleased to include in this annual report KIT's first sustainability report that was prepared in accordance with the Global Reporting Initiative guidelines.

Increasing protectionism, disenfranchisement with globalisation in developed economies and higher geopolitical risks are expected to create headwinds in the international environment.

With its larger scale after the combination, a diversified portfolio of core infrastructure assets, a strong sponsor and balance sheet, KIT is well positioned to capitalise on suitable investment opportunities to create long-term value and deliver steady distributions to Unitholders. In addition, KIT will over the medium term, have access to a pipeline of assets developed by the Keppel Group.

Driving Sustainability
With sustainability at the forefront of international agendas, we are pleased to include in this annual report KIT's first sustainability report that was prepared in accordance with the Global Reporting Initiative (GRI) guidelines. The alignment with the internationally-recognised GRI standards is part of the Trustee-Manager's efforts in gearing towards the Singapore Exchange's mandated requirement for listed entities to report their sustainability performance by 2018.

KIT is unique in the sense that we are already in the business of supporting sustainability. For instance, the WTE plants in our portfolio generate green energy from waste and help in landfill diversion by as much as 90% through reduction in the volume of waste disposed. Our NEWater plant recycles waste water for industrial use, and City Gas supplies Singapore with environmentally-friendly town gas for cooking, drying and heating water.

As a member of Keppel Capital, KIFM can leverage and grow further with the increased scale, larger investor base, wider geographical coverage and greater resources.

As part of the Keppel Group's efforts to grow its asset management business, in July 2016, Keppel Corporation consolidated its interests in business trust, real estate investment trust and fund management businesses under Keppel Capital Holdings Pte. Ltd. (Keppel Capital). This included Keppel Infrastructure Holdings Pte Ltd's interest in KIFM.

As a member of Keppel Capital, KIFM can leverage and grow further with the increased scale, larger investor base, wider geographical coverage and greater resources. The larger platform will also enhance talent recruitment and retention, facilitate sharing of best practices and improve operating efficiency.

Acknowledgements
On that note, we welcome Ms Christina Tan, CEO of Keppel Capital and Managing Director of Alpha Investment Partners, who joined the Board as a non-executive and non-independent director. The Board looks forward to working with Ms Tan to realise the benefits of being a member of Keppel Capital.

We also extend our sincere appreciation to the outgoing non-executive and independent director, Ms Quek Soo Hoon, for her contributions and invaluable advice to the Board since 2010.

In August 2016, Mr Kenny Tan was appointed CEO of City Gas. Mr Teo Kwan Hai, who had been Acting CEO since 2014 will continue in his current role as Head, Regulations & Technical Support Division and Project Director, Special Projects Division. The Board looks forward to working with the management team to continue to grow City Gas.

I would like to take this opportunity to thank my fellow Board members, as well as management and staff for their continued dedication and contributions. I would also like to thank our Unitholders and business partners for their continued confidence and support as we strive towards delivering sustainable returns for all our stakeholders.

Yours sincerely,

Koh Ban Heng
Chairman
Keppel Infrastructure Fund Management Pte. Ltd. (as Trustee-Manager of Keppel Infrastructure Trust)
24 February 2017

DataCentre One completed construction of 1-Net North and handed over the premises to the client.

City Gas' customer base grew 4.6% to about 783,300 as at end-2016.

Board of Directors

The Board of Directors of the Trustee-Manager comprises individuals with relevant credentials, expertise and experience in various fields and regional markets.

Mr Koh Ban Heng age 68
Chairman
Independent Director

Date of first appointment as a director:
1 May 2015
Length of service as a director
(as at 31 December 2016):
1 year 8 months

Board Committee(s) served on:
Audit Committee (Member);
Nominating and Remuneration Committee (Member)

Academic & Professional Qualification(s):
Bachelor of Science (Applied Chemistry), Post-Graduate Diploma in Business Administration, University of Singapore

Present Directorships (as at 1 January 2017):
Listed entities
Keppel Infrastructure Fund Management Pte. Ltd.; (the Trustee-Manager of Keppel Infrastructure Trust) Tipco Asphalt Company PLC (listed on the Stock Exchange of Thailand); Cue Energy Resources Limited (listed on the Australian Securities Exchange)

Other principal directorships
Keppel Infrastructure Holdings Pte. Ltd.; Chung Cheng High School Ltd

Major Appointments (other than directorships):
Advisor to the Chairman and CEO of Dialog Group Berhad

Past Directorships held over the preceding 5 years (from 1 January 2012 to 31 December 2016):
Keppel Energy Pte. Ltd.; Singapore Petroleum Venture Private Limited; Singapore Refining Company Private Limited; Linc Energy Ltd

Others:
Nil

Mr Thio Shen Yi age 50
Independent Director

Date of first appointment as a director:
11 February 2010
Length of service as a director
(as at 31 December 2016):
6 years 11 months

Board Committee(s) served on:
Nominating and Remuneration Committee (Chairman);
Conflicts Resolution Committee (Member)

Academic & Professional Qualification(s):
Bachelor of Arts, Master of Arts, University of Cambridge
Senior Counsel
Fellow of Singapore Institute of Arbitrators
Fellow of Singapore Academy of Law

Present Directorships (as at 1 January 2017):
Listed entities
Keppel Infrastructure Fund Management Pte. Ltd. (the Trustee-Manager of Keppel Infrastructure Trust);
CWG International Limited

Other principal directorships
TSMP Law Corporation (Joint Managing Director); OUE Realty Pte Ltd; Obiter Dicta Pte Ltd; Camembert Holdings Pte Ltd;
The Community Justice Centre Limited;
St John's Cambridge (Singapore); Law Society Pro Bono Services Limited

Major Appointments (other than directorships):
Immediate Post President, Law Society of Singapore; Panel arbitrator of the Singapore International Arbitration Centre and the Kuala Lumpur Regional Centre for Arbitration;
Chairman, Corporate and Social Responsibility Committee, Singapore Academy of Law;
Member, Legal Education and Studies Committee, Singapore Academy of Law

Past Directorships held over the preceding 5 years (from 1 January 2012 to 31 December 2016):
Allens Arthur Robinson TSMP

Others:
Nil

Mr Mark Andrew Yeo Kah Chong age 54
Independent Director

Date of first appointment as a director:
1 August 2015
Length of service as a director
(as at 31 December 2016):
1 year 5 months

Board Committee(s) served on:
Audit Committee (Chairman)

Academic & Professional Qualification(s):
Master of Arts, Oxford University
Master of Laws, National University of Singapore
Advanced Management Programme, INSEAD

Present Directorships (as at 1 January 2017):
Listed entities
Keppel Infrastructure Fund Management Pte. Ltd. (the Trustee-Manager of Keppel Infrastructure Trust)

Other principal directorships
IP Global Ltd; Complete Holdings Limited; IP Investment Management Holdings Limited (BVI)

Major Appointments (other than directorships):
Adviser, Paris Gallery LLC (Dubai)

Past Directorships held over the preceding 5 years (from 1 January 2012 to 31 December 2016):
CitySpring Infrastructure Management Pte Ltd (the Trustee-Manager of CitySpring Infrastructure Trust)

Others:
Nil

Mr Daniel Cuthbert Ee Hock Huat age 64
Independent Director

Date of first appointment as a director:
18 May 2015
Length of service as a director
(as at 31 December 2016):
1 year 7 months

Board Committee(s) served on:
Conflicts Resolution Committee (Chairman);
Audit Committee (Member)

Academic & Professional Qualification(s):
Bachelor of Science (Systems Engineering) (First Class Honours), University of Bath, UK
Master of Science (Industrial Engineering), National University of Singapore

Present Directorships (as at 1 January 2017):
Listed entities
Keppel Infrastructure Fund Management Pte. Ltd. (the Trustee-Manager of Keppel Infrastructure Trust)

Other principal directorships
Singapore Institute of Directors;
Singapore Mediation Centre

Major Appointments (other than directorships):
Worldwide Marriage Encounter

Past Directorships held over the preceding 5 years (from 1 January 2012 to 31 December 2016):
Citibank Singapore Limited; Surface Mount Technology (Holdings) Limited; National Environment Agency; CitySpring Infrastructure Management Pte Ltd (the Trustee-Manager of CitySpring Infrastructure Trust)

Others:
Member, Securities Industry Council
(2006 – 2015)
Deputy Chairman, Securities Industry Council
(2012 – 2015)
Member, Corporate Governance Council
(2010 – 2012)

Board of Directors

Mr Kunnasagaran Chinniah age 59
Independent Director

Date of first appointment as a director:
1 August 2015
Length of service as a director
(as at 31 December 2016):
1 year 5 months

Board Committee(s) served on:
Nominating and Remuneration Committee (Member); Conflicts Resolution Committee (Member)

Academic & Professional Qualification(s):
Bachelor of Engineering (Electrical), National University of Singapore
Master of Business Administration, University of California (Berkeley)

Present Directorships (as at 1 January 2017):
Listed entities
Keppel Infrastructure Fund Management Pte. Ltd. (the Trustee-Manager of Keppel Infrastructure Trust)

Other principal directorships
Changi Airports International Pte Ltd; Edelweiss Financial Services Limited; Edelweiss Capital (Singapore) Pte Ltd; Edelweiss Commodities Services Limited; Edelweiss Agri Value Chain Limited; Hindu Endowments Board; Greenko Energy Holdings; Nirlon Limited; Azalea Asset Management Pte. Ltd.; Azalea Investment Management Pte. Ltd.; Astrea III Pte. Ltd.

Major Appointments (other than directorships):
Consultant, Pavilion Capital International Pte Ltd

Past Directorships held over the preceding 5 years (from 1 January 2012 to 31 December 2016):
AIG Infrastructure Fund LP; AIG Asian Infrastructure Management Ltd; AIG Asian Infrastructure Fund II LP; AIG Asian Infrastructure Management II Ltd; Ballapur International Graphic Paper Holdings B.V.; CDH China Holdings Company Limited; CDH China Management Company Limited; CDH Venture Holdings II Company Limited; India Newbridge Coinvestment Limited; Newbridge India Investments II Limited; Reid & Taylor (India) Limited

Others:
Nil

Dr Ong Tiong Guan age 58
Non-Executive and Non-Independent Director

Date of first appointment as a director:
1 June 2014
Length of service as a director
(as at 31 December 2016):
2 years 7 months

Board Committee(s) served on:
Nominating and Remuneration Committee (Member)

Academic & Professional Qualification(s):
Bachelor of Engineering (First Class Honours), Monash University
Doctor of Philosophy (Ph.D.) under Monash Graduate Scholarship, Monash University, Australia

Present Directorships (as at 1 January 2017):
Listed entities
Keppel Infrastructure Fund Management Pte. Ltd. (the Trustee-Manager of Keppel Infrastructure Trust)

Other principal directorships
Keppel Infrastructure Holdings Pte. Ltd.; Keppel Energy Pte. Ltd.; Keppel Electric Pte Ltd; Keppel Gas Pte Ltd; Keppel DHCS Pte Ltd; Keppel Infrastructure Services Pte. Ltd.; Keppel Seghers Pte Ltd; Keppel Capital Holdings Pte. Ltd.

Major Appointments (other than directorships):
Chief Executive Officer, Keppel Infrastructure Holdings Pte. Ltd.

Past Directorships held over the preceding 5 years (from 1 January 2012 to 31 December 2016):
Keppel Merlimau Cogen Pte Ltd; GE Keppel Energy Services Pte Ltd

Others:
Member, Energy Studies Institute

Mr Alan Tay Teck Loon age 47
Non-Executive and Non-Independent Director

Date of first appointment as a director:
1 May 2015
Length of service as a director
(as at 31 December 2016):
1 year 8 months

Board Committee(s) served on:
Nil

Academic & Professional Qualification(s):
Bachelor of Business Administration (Second Upper Honours),
National University of Singapore

Present Directorships (as at 1 January 2017):
Listed entities
Keppel Infrastructure Fund Management Pte. Ltd. (the Trustee-Manager of Keppel Infrastructure Trust)

Other principal directorships
Nil

Major Appointments (other than directorships):
Executive Director (Business Development),
Keppel Infrastructure Holdings Pte. Ltd.

Past Directorships held over the preceding 5 years (from 1 January 2012 to 31 December 2016):
J.P. Morgan Asset Management Real Assets (Singapore) Pte Ltd; Eco Management Korea Holdings Inc; GE Keppel Energy Services Pte Ltd

Others:
Nil

Ms Christina Tan Hua Mui age 51
Non-Executive and Non-Independent Director

Date of first appointment as a director:
15 September 2016
Length of service as a director
(as at 31 December 2016):
4 months

Board Committee(s) served on:
Nominating and Remuneration Committee (Member)

Academic & Professional Qualification(s):
Bachelor of Accountancy (Honours),
National University of Singapore
CFA® Charterholder

Present Directorships (as at 1 January 2017):
Listed entities
Keppel Infrastructure Fund Management Pte. Ltd. (the Trustee-Manager of Keppel Infrastructure Trust); Keppel REIT Management Limited (the manager of Keppel REIT); Keppel DC REIT Management Pte. Ltd. (the manager of Keppel DC REIT)

Other principal directorships
Keppel Capital Holdings Pte. Ltd.;
Alpha Investment Partners Limited

Major Appointments (other than directorships):
Chief Executive Officer, Keppel Capital Holdings Pte. Ltd.; Managing Director, Alpha Investment Partners Limited

Past Directorships held over the preceding 5 years (from 1 January 2012 to 31 December 2016):
Asia Real Estate Fund Management Limited; Hillsborough Limited; Growth Partners IV Holdings Ltd; Sino-Sing Alpha Partners HK Limited; AAJ Investment Pte Ltd; Myrick Investment Private Limited; Chiba Investment Private Limited; D. L. Properties Ltd; Dattson Pte. Ltd.; Divine (AMT) Pte. Ltd.; Katong AMC Pte. Ltd.; Growth Partners Pte Ltd; Growth Partners Group II Limited; Growth Partners III Holdings Ltd; Growth Partners V Holdings Ltd; Growth Partners IX Holdings Ltd; Growth Partners VII Holdings Ltd; Growth Partners VIII Holdings Ltd; Growth Partners X Holdings Ltd; Growth Partners XI Holdings Ltd; Growth Partners XII Holdings Ltd; Growth Partners XIII Holdings Ltd; Canyonwater Limited; Pacific Champion Group Limited; AIBJ Investment Pte. Ltd.; Ginza 3 (CP) Private Limited, Sound Investments Limited; Music Square (AMT) Limited; Kinetic (AMT) Limited; Alpha Investment Partners (Brazil) Pte. Ltd.; Alpha Reits Manager Ltd.; Daikanyama (CP) Investment Private Limited; ANOF Korea 1 Private Limited; Capital Square Pte. Ltd; Street Square Pte. Ltd.

Others:
Nil

The Trustee-Manager

Mr Khor Un-Hun
Chief Executive Officer

Mr Khor Un-Hun has been the Chief Executive Officer (CEO) of the Trustee-Manager since May 2014.

As CEO of the Trustee-Manager, he is responsible for working with the Board to determine the strategy for Keppel Infrastructure Trust (KIT). He works with other members of the Trustee-Manager's management team to execute the stated strategy of the Trustee-Manager.

Mr Khor is concurrently the Director (Group Mergers & Acquisitions) of Keppel Corporation Limited.

Mr Khor joined Keppel Infrastructure Holdings Pte Ltd (Keppel Infrastructure) as Development Director in April 2014, where he worked on Keppel Infrastructure's various business development initiatives.

Prior to joining Keppel Infrastructure, Mr Khor spent most of his career in banking, during which he was involved in a wide range of mergers and acquisitions, financial advisory, capital markets and debt transactions across different sectors throughout Asia.

Mr Khor held various positions in the corporate finance teams of Deutsche Bank and ING Bank in Singapore and Hong Kong before becoming Managing Director and Head of Corporate Finance, Asia at ING Bank, where he oversaw the origination and execution of corporate finance transactions in the region. He was also a member of ING Bank's regional management committee.

Mr Khor holds a Bachelor of Accountancy degree with First Class Honours from Nanyang Technological University, Singapore and is a CFA® Charterholder.

Mr Koh Hee Song
Senior Adviser

Mr Koh Hee Song has been a Senior Adviser to the Trustee-Manager since June 2010.

As Senior Adviser, Mr Koh works with the other members of the Trustee-Manager's management team to evaluate potential acquisitions and/or divestments and recommend and analyse potential asset enhancement initiatives from a technical perspective. He also advises the management team on technical matters relating to the business of KIT as and when circumstances require.

Prior to June 2010, Mr Koh was a Senior Adviser to Keppel Seghers Engineering Singapore Pte Ltd in matters pertaining to solid waste management projects.

Mr Koh started his career as a mechanical engineer with the Sewerage Department of the Public Works Department in 1969. In 1990, Mr Koh was appointed as the Head of the Engineering Services Department in the Ministry of the Environment and the National Environment Agency upon its formation in 2002, until his retirement in 2003.

Mr Koh was awarded the Colombo Plan Scholarship for Mechanical Engineering, Australia in 1965 and obtained a Bachelor of Engineering (Mechanical) (Second Class Honours, Division One) in 1968 from the University of Sydney.

He was also awarded the Public Administration Bronze Medal in 1981, the Public Administration Silver Medal in 2002 and the Long Service Medal in 2003 by the Government of Singapore in recognition of his contributions to public administration in Singapore. Mr Koh is a member of the Professional Engineers Board, Singapore.

Mr Lionel Chua
Chief Financial Officer

Mr Lionel Chua has been the Chief Financial Officer (CFO) of the Trustee-Manager since May 2013.

As CFO, Mr Chua is responsible for the Trustee-Manager's and KIT's financial and reporting functions, including accounting, taxation, treasury and compliance.

Mr Chua has more than 18 years of experience in financial and management accounting.

Prior to joining the Trustee-Manager, Mr Chua was the Financial Controller at Keppel REIT Management Limited, where he was responsible for the financial and reporting functions and also participated in various acquisition exercises.

Mr Chua holds a Bachelor of Accountancy (Merit) degree from Nanyang Technological University, Singapore. He is a Chartered Accountant of Singapore, or CA (Singapore), with the Institute of Singapore Chartered Accountants.

Ms Foo Chih Chi
Senior Vice President, Investment

Ms Foo Chih Chi has been with the Trustee-Manager since June 2010.

Ms Foo is responsible for identifying, evaluating and executing potential acquisitions with a view to enhance KIT's portfolio. She also carries out fundraising activities for KIT.

Ms Foo has over 16 years of experience in investment evaluation, corporate strategy and new business development. She joined Keppel Corporation in 2000, where as a part of its strategic development and planning division, she was responsible for corporate strategy and new business development.

Ms Foo obtained a Bachelor of Business Administration from the University of Michigan, School of Business Administration in 1999.

Ms Jacqueline Ong
Senior Vice President, Investment

Ms Jacqueline Ong has been with the Trustee-Manager since May 2015.

Ms Ong is responsible for origination and execution of deals. She also serves as General Manager of DataCentre One, the joint venture with Shimizu Corporation that has developed and leased out a data centre in Singapore.

Prior to joining the Trustee-Manager, Ms Ong was Vice President, Investment at CitySpring Infrastructure Management Pte. Ltd. From 2011 to 2014, she served as Acting CEO of CityNet Infrastructure Management Pte. Ltd.

Ms Ong was previously Vice President (Investments) and Economist with AIMAC, an infrastructure fund management company focused on Asian infrastructure. She was responsible for deal-sourcing, due diligence, deal finalisation, post-investment management, divestments, and analysis of country/sector development in areas of interest.

Ms Ong was previously a Senior Regional Economist with IDEAglobal, where she helped lead the emerging market research team in macroeconomic analysis and formulating strategies, and regularly conducted seminars and talks for the banking community on various economic issues.

Ms Ong holds a Master's degree in Applied Economics and a Bachelor of Arts degree in Economics/Statistics from the National University of Singapore.

Mr Marc Liu
Vice President, Asset Management

Mr Marc Liu has been with the Trustee-Manager since May 2015.

Mr Liu implements asset management plans for KIT's asset portfolio and works on asset enhancement and upgrading projects.

Mr Liu also serves as General Manager of SingSpring Pte Ltd, the trustee-manager of SingSpring Trust.

Prior to joining the Trustee-Manager, Mr Liu was Vice President, Investment at CitySpring Infrastructure Management Pte. Ltd. Before that, he was Senior Manager, Business Development at City Gas from 2005 to 2006.

Mr Liu earned his Bachelor of Economics degree from Shanghai University and received his Masters in Finance from San Diego State University, where he graduated with honours as Beta Gamma Sigma. He is a CFA® Charterholder.

Mr Kenny Tan
Chief Executive Officer, City Gas
(effective 1 August 2016)

Mr Kenny Tan was appointed CEO of City Gas Pte Ltd, as trustee of City Gas Trust, with effect from 1 August 2016.

Mr Tan brings with him more than 20 years of experience in the energy industry. He began his career at PowerGas Ltd, which was subsequently divested to City Gas Pte Ltd, holding several engineering and marketing positions. He moved on to join Gas Supply Pte Ltd as Deputy General Manager in Marketing/Supply and Operations/Engineering.

Mr Tan has held senior appointments as Director of Gas System Operations in SP PowerGrid Ltd, and Head of Energy and Feedstock (Asia Pacific) at Linde Gas Asia Pte Ltd.

Mr Tan holds a Master's Degree in Mechanical Engineering from Nanyang Technological University, Singapore and a Bachelor's Degree in Mechanical Engineering with First Class Honours from the University of Bradford, United Kingdom.

Mr Malcolm Eccles
Chief Executive Officer, Basslink

Mr Malcolm Eccles has been with Basslink since April 2005. Mr Eccles is responsible for determining the overall business and operational strategies of Basslink.

Before his appointment as CEO, Mr Eccles was responsible for all operational and engineering functions on the Basslink Interconnector, including leading the commissioning of the facility.

Prior to joining Basslink, Mr Eccles worked on various projects in Europe, North America and Asia for Siemens Power Services (2002-2005) and British Nuclear Fuels Ltd (1986-2002).

Mr Eccles is a non-executive director of Gippsland Water in Australia and a director of the International Cable Protection Committee Ltd.

Mr Eccles is a Chartered Engineer and member of the Institute of Engineering Technology and the Institute of Electrical & Electronic Engineers. He holds a Master of Science degree in Electrical Engineering and Management Studies from Trinity College, Dublin, Ireland. He also holds post-graduate diplomas in project management and strategic management.

Operations Review

Portfolio Overview

Keppel Infrastructure Trust is the largest Singapore infrastructure-focused business trust listed on the Singapore Exchange with total assets in excess of $4.1 billion.

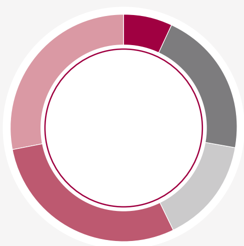
KIT is committed to ensuring smooth operations in the day-to-day management of its assets. The Trustee-Manager actively engages and works closely with its Sponsor Keppel Infrastructure Holdings and its subsidiaries, and external operators and contractors for technical, operations and maintenance, as well as engineering support.

In doing so, KIT is able to:
- build sustainable earnings through proactive asset management;
- improve operational performances and efficiencies;
- leverage technology to improve operational performances;
- uphold safety and environmental standards; and
- strengthen risk management practices through robust business continuity plans.

Keppel Infrastructure Trust's (KIT) portfolio comprises:

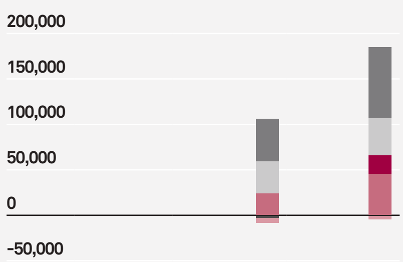
Asset	KIT's Interest	Business	Customer	Contract Terms
City Gas	100% City Gas Trust owns 51% interest in City-OG Gas	Sole producer and retailer of piped town gas	Over 780,000 residential, commercial and industrial customers	n.a.
Senoko Waste-to-Energy (WTE) Plant	100%	2,310 tonnes/day waste incineration concession	NEA, Singapore government agency	2024
Keppel Seghers Tuas WTE Plant	100%	800 tonnes/day waste incineration concession	NEA, Singapore government agency	2034
SingSpring Desalination Plant	70%	136,380m^3/day seawater desalination concession	PUB, Singapore government agency	2025 *(underlying land lease till 2033)*
Keppel Seghers Ulu Pandan NEWater Plant	100%	148,000m^3/day NEWater concession	PUB, Singapore government agency	2027
Keppel Merlimau Cogen	51%	1,300 MW combined cycle gas turbine power plant capacity tolling agreement	Keppel Electric	2030, with option for 10-year extension *(underlying land lease till 2035, with 30-year extension)*
DataCentre One	51%	Data Centre	1-Net, 100% subsidiary of MediaCorp, national broadcaster	2036, with option for 8-year extension
Basslink	100% Basslink owns 100% interest in Basslink Telecoms	Owner and Operator of the Basslink Interconnector between the States of Victoria and Tasmania	Hydro Tasmania *(Owned by Tasmania state government)*	2031, with option for 15-year extension

Total Assets
as at 31 Dec 2016



	%
Corporate	2.4
Concessions	20.6
City Gas	17.7
Basslink	31.7
KMC[1]	27.6
Total	**100.0**

Funds from Operations ($'000)



	FY 2015	**FY 2016**
Concessions	46,977	**77,480**
City Gas	34,745	**40,558**
Basslink	(789)	**20,160**
KMC	23,302	**44,580**
Others	(8,874)	**(5,553)**
Total	95,361	**177,225**

[1] Based on KIT's 51% stake in KMC.

City Gas

Revenue

$288.0m

Funds from Operations

$40.6m

Key Developments in 2016

Customer base grew by 4.6% to about 783,300 as at end-2016.

Achieved 100% plant availability in FY 2016.

Overview

City Gas has a history that spans more than a century. It is the sole producer and retailer of town gas and also the sole user of the low-pressure piped town gas supply network in Singapore. Its production facility, Senoko Gasworks, is the country's only town gas production facility.

Through its facilities, City Gas provides safe, reliable and clean energy solutions including a variety of energy-efficient gas applications to its broad customer base in the residential, commercial and industrial segments. Residential customers for piped town gas make up the majority of City Gas' customer base.

Since 2003, City Gas has been supplying natural gas to industrial customers in Jurong, Mandai, Senoko, Tuas and Woodlands. Its industrial customers are from diversified industries including asphalt production, food, laundry, manufacturing and printing.

City Gas completed the divestment of its 49% interest in City-OG Gas Energy Services (City-OG Gas) to Osaka Gas in August 2013. The City-OG Gas joint venture allows City Gas to leverage Osaka Gas' technology and expertise in cogeneration systems and industrial furnaces to grow the natural gas retail business, while contributing City Gas' own customer knowledge and network in Singapore.

Operating Review

During the course of the financial year, City Gas was granted four gas tariff adjustments by the Energy Market Authority of Singapore. The gas tariffs are reviewed quarterly and adjusted in line with changes in the cost of feedstock for gas production, which in turn is pegged to the price of high sulphur fuel oil. Senoko Gasworks maintained 100% gas production availability throughout the financial year.

City Gas' town gas sales grew by 2.7% in 2016. The demand for town gas in the commercial segment saw an improvement despite the challenging business environment. The total number of customers grew by 4.6% to about 783,300 as at end-2016.

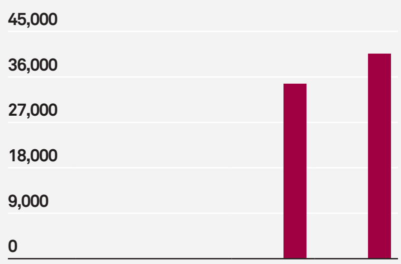
Sales of town gas to the residential segment grew by 2.6% in 2016. Besides a strong pipeline in Housing Development Board (HDB) and private condominium projects, the steady growth in sales can be attributed to the expanded usage of town gas beyond cooking to include water heating and clothes drying.

In 2016, about 4,100 gas water heaters were installed in HDB flats under the Build-to-Order sales scheme. HDB homeowners are increasingly choosing eco-friendly gas water heaters over conventional electric water heaters to reap the benefits of lower utility bills while protecting the environment through reduced carbon emissions.

In the private housing segment, around 15,000 homes across 54 condominium projects using town gas were completed, with about 9,100 homes adopting gas water heaters. This marked another record year for private condominium developments using town gas, with about 60% of all homes having gas water heaters installed by the developers.
In 2016, City Gas received and approved gas plan submissions for 23 condominium projects with a total of about 8,700 homes using town gas. Of these, about 6,100 homes adopted the use of gas water heaters, translating to an adoption rate of about 70.1%.

In 2016, City Gas continued to execute its Reach, Education, Awareness, Customer Service and Harmonise (REACH) Partnership market development strategy. Through the REACH platform, City Gas continued with efforts to promote greater gas application awareness among homeowners through its marketing campaigns. A series of campaigns was successfully launched, including the "Go Green, Go City Gas" annual roadshow held at the City Gas Gallery in October 2016. These integrated campaigns were effective in communicating the benefits of gas water heaters compared to electric water heaters, including space-saving

Funds from Operations ($'000)



	FY 2015	**FY 2016**
City Gas	34,745	**40,558**

Operations Review

City Gas

features, ability to deliver continuous hot water on demand, and lower utilities bills and carbon emissions. To better engage industry stakeholders, City Gas organised a series of technical workshops in August 2016 and a technical seminar in October 2016. These events were attended by more than 200 industry professionals and government agencies.

Despite weak economic growth, 2016 was an encouraging year for the Commercial and Industrial (C&I) business with the restaurant and hawker centre segments as key growth drivers. Coupled with higher visitor arrivals to Singapore, total C&I sales volume grew by 2.7% in 2016 compared to the previous year. Town gas sales to large users had also remained fairly stable despite the tepid global demand.

There was also a significant increase in the number of Food & Beverage (F&B) establishments during the year with new and refurbished shopping malls such as Waterway Point, Compass One and The Centrepoint coming on stream.

In addition, existing mall operators are also converting existing retail space to cater to the increased demand in the F&B sector. With more hawker centres built since 2015, City Gas has experienced stable growth in this segment with more hawker centres supplied with town gas expected to be ready in 2017 and beyond. The latest to come online is Our Tampines Hub, which has been operational since November 2016.

Despite the steady growth registered in 2016, the outlook for 2017 remains challenging due to new and existing uncertainties on the global front. The declining business sentiment in the domestic segment is expected to continue into 2017. City Gas is cautiously optimistic on the gas demand growth in the C&I sector for 2017. Weak economic indicators, intense market competition, the tight labour market and high business costs faced by local F&B businesses remain key challenges for the C&I segment. Nevertheless, City Gas will continue to seek growth opportunities through its diversified customer base and will continue to explore new applications and growth initiatives for the C&I business.

City Gas' production facility, Senoko Gasworks, achieved 100% availability in FY 2016.

Concessions

The Concessions consist of the Senoko WTE, Keppel Seghers Tuas WTE, SingSpring Desalination and Keppel Seghers Ulu Pandan NEWater Plants in Singapore.

Revenue

$113.3m

Funds from Operations

$77.5m

Key Developments in 2016

Fulfilled all contractual obligations in FY 2016.

The Senoko WTE Plant capacity upgrade was completed on 1 September 2016, raising the plant's contracted incineration capacity by 10% to 2,310 tonnes per day.

Senoko WTE Plant and Keppel Seghers Tuas WTE Plant

Overview

The Senoko WTE and Keppel Seghers Tuas WTE Plants have the combined capacity to treat close to half of Singapore's incinerable waste. In diverting waste away from landfill, incineration plants help mitigate greenhouse gas emissions as landfills release methane gas when the organic waste decomposes. Modern incineration plants can also reduce the volume of waste by as much as 90%, thus significantly extending the lifespan of landfills. By using waste as fuel, incineration plants produce green energy, thereby reducing dependency on fossil fuels.

The Senoko WTE Plant is the only waste incineration plant located outside of Tuas to serve the eastern, northern and central parts of Singapore. It was acquired by Senoko Trust on 31 August 2009.

The Keppel Seghers Tuas WTE Plant is Singapore's fifth waste incineration plant and the first to be built under the National Environment Agency's (NEA) Public-Private Partnership initiative. The plant incorporates Keppel Seghers' proprietary technologies such as the air-cooled grate and flue gas treatment system, and is the first waste incineration plant in Singapore to showcase proprietary WTE technology from a local company.

The Senoko WTE and Keppel Seghers Tuas WTE Plants have long-term Incineration Service Agreements (ISA) with NEA for 15 years (commenced in September 2009), and 25 years (commenced in October 2009) respectively. The majority of their income is from capacity payments, which offer a stable source of income with little correlation to economic or population fluctuations.

Operating Review

The Senoko WTE and Keppel Seghers Tuas WTE Plants have met the required Performance and Customer Service Standards under the ISAs. In addition to full Fixed Capacity Payments from NEA for meeting their Contracted Incineration Capacities (CICs), the plants also received variable payments for refuse incineration service and electricity exported.

During the review period, both plants met the requirements under their respective ISAs. The Senoko WTE Plant achieved Time Availability Factor exceeding the 74.5% (for the seventh contract year ended 31 August 2016), 74.4% (upon completion of fifth incineration unit upgrade in June 2016) and 73.9% (for the eighth contract year upon completion of the Senoko WTE Plant Upgrade in September 2016) thresholds required to receive full Fixed Capacity Payments from NEA.

The Keppel Seghers Tuas WTE Plant achieved Time Availability Factor above the 75.8% (for the seventh contract year ended 29 October 2016), 82.5% (upon completion of an additional Incineration Capacity Test) and 81.8% (for the eighth contract year) thresholds required to receive full Fixed Capacity Payments from NEA.

The Senoko WTE and Keppel Seghers Tuas WTE Plants have also met all other obligations under the ISAs, including Average Total Organic Content of bottom ash, Turnaround Time of refuse trucks and electricity generation.

Both plants achieved Tested Incineration Capacities (TICs) above their CICs. The Senoko WTE Plant completed its seventh contract year on 31 August 2016. The new TIC upon completion of the Senoko WTE Plant Upgrade is 3,126 tonnes per day. The Keppel Seghers Tuas WTE Plant completed its seventh contract year on 29 October 2016. The new TIC is 978 tonnes per day.

Senoko WTE Plant Capacity Upgrade

KIT, through its wholly-owned subsidiary, entered into an agreement with NEA in September 2014 to provide additional incineration capacity to the Senoko WTE Plant. The objective was to increase its incineration capacity while maintaining its land use footprint. Keppel Seghers, the operations & maintenance (O&M) contractor for the existing facility, designed and built the upgrades.

KIT completed the plant upgrading works earlier than planned on 1 September 2016. The upgrading works were carried out progressively and scheduled with the planned annual maintenance of each incineration unit with the aim of optimising the overall operational availability of the plant during the upgrading period. It mainly involved modifications to the plant's incineration units and steam condensate system.

Total plant capacity has increased by 10% from 2,100 tonnes per day to 2,310 tonnes per day. The capacity payments from NEA were correspondingly increased with the completion of each incineration unit upgrade.

SingSpring

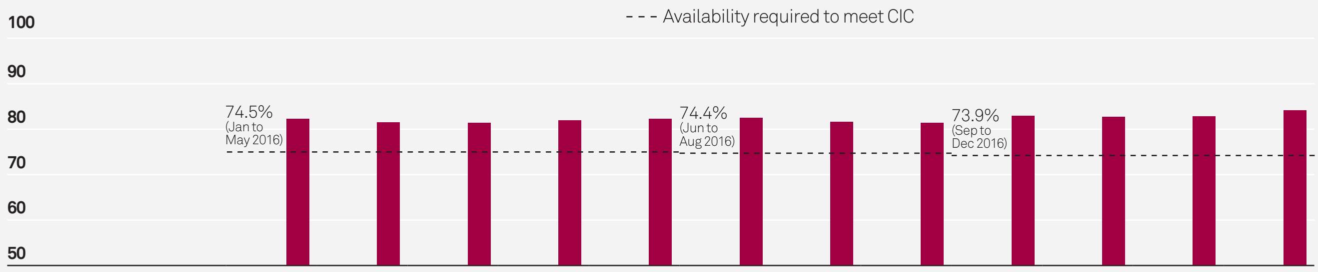
Overview

SingSpring owns and operates the SingSpring Desalination Plant (SingSpring Plant). The plant is Singapore's first

Operations Review

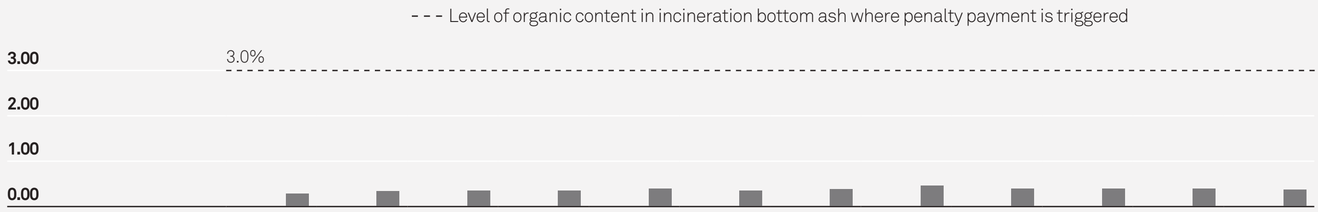
Concessions

Senoko WTE Plant
Time Availability Factor (12-month moving average) (%)



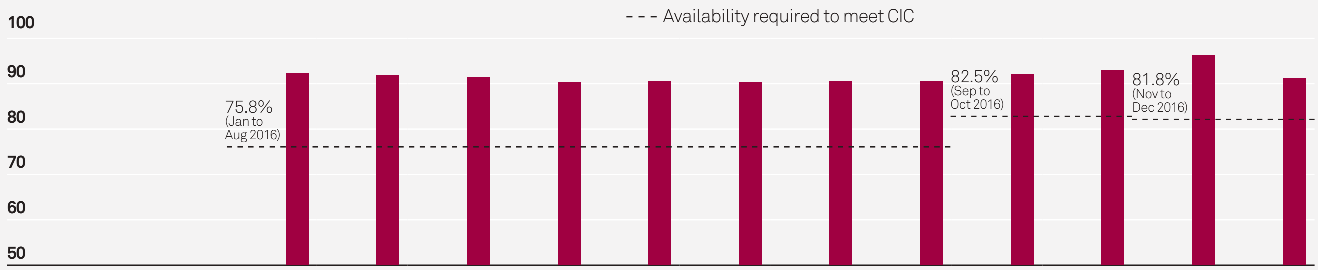
Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
81.9	81.2	81.1	81.6	81.9	82.1	81.3	81.1	82.6	82.4	82.5	83.8

Senoko WTE Plant
Average Total Organic Content of Bottom Ash (%)



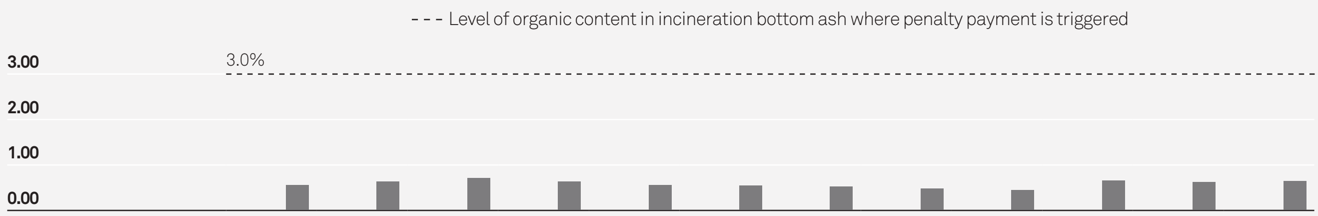
Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
0.25	0.31	0.32	0.32	0.38	0.32	0.37	0.55	0.36	0.37	0.37	0.34

Keppel Seghers Tuas WTE Plant
Time Availability Factor (12-month moving average) (%)



Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
91.9	91.4	91.0	90.0	90.1	89.9	90.1	90.1	91.7	92.6	95.8	90.9

Keppel Seghers Tuas WTE Plant
Average Total Organic Content of Bottom Ash (%)



Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
0.54	0.62	0.69	0.62	0.54	0.53	0.51	0.46	0.43	0.64	0.61	0.63

large-scale seawater desalination plant, which commenced commercial operations in December 2005. With a supply capacity of 136,380 m^3 of desalinated potable water per day, the SingSpring Plant is an essential service provider capable of meeting close to 7.0% of Singapore's current water needs.

Located in Tuas, the SingSpring Plant utilises cost-and energy-efficient reverse osmosis technology. At the time of its completion, it was the largest membrane-based seawater desalination plant in the world and also had one of the largest reverse osmosis trains in the world.

The SingSpring Plant serves as one of the "Four Taps" in PUB's strategy to meet Singapore's water needs. The "Four Taps" are local catchment water, imported water from Johor, NEWater and desalinated water. The SingSpring Plant therefore continues to be an important facility for PUB to ensure sufficient water resources for Singapore, especially during periods of low rainfall.

SingSpring ensures that both the quality and quantity of desalinated water it produces meets all the requirements under the Water Purchase Agreement (WPA) with PUB. SingSpring is committed to make available 100% of the plant's water capacity to PUB for the 20-year period of the WPA, which commenced in December 2005.

The plant also adopts an advanced energy recovery system, which improves its energy efficiency and cost effectiveness. SingSpring undergoes periodic reviews and audits by both internal and external parties to ensure its O&M practices are in line with industry standards.

Operating Review

The SingSpring Plant has been operating for more than 11 years since commercial operations started in December 2005. The plant achieved 100% availability in 2016.

SingSpring receives capacity payment from PUB for making available the full water capacity of the plant upon demand. The capacity payment is paid throughout the term of the 20-year WPA, regardless of whether the plant supplies any water to PUB, and does not vary with the volume of water supplied. This ensures long-term and predictable cash flows for SingSpring.

SingSpring also receives output payment from PUB for the variable costs in supplying water to PUB. The payment is pegged to the volume of water supplied.

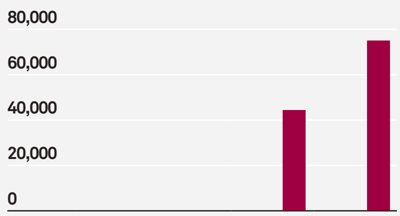
In 2016, SingSpring achieved a zero incident rate with respect to health, safety and environmental issues. SingSpring completed its annual Net Dependable Capacity Test in December 2016 and achieved all required benchmarks.

Keppel Seghers Ulu Pandan NEWater Plant

Overview

The Keppel Seghers Ulu Pandan NEWater Plant is one of Singapore's largest NEWater plants. Operational since 2007, it meets the demands of the industrial and commercial sectors in Singapore. The plant entered into a 20-year NEWater Agreement (NWA) with PUB, in March 2007.

Funds from Operations ($'000)



	FY 2015	**FY 2016**
Concessions	46,977	**77,480**

Operating Review

The Keppel Seghers Ulu Pandan NEWater Plant received full availability payment in 2016 as the warranted capacity was kept greater than or equal to 148,000 m^3 per day.

The plant also achieved more than 98% availability in 2016 while fulfilling other requirements under the NWA, namely the required storage level, quality specifications of NEWater and residual waste produced.

Ulu Pandan Trust's cash flows fluctuate with changes in power revenue received from PUB, which in turn responds to changes in electricity price. To mitigate the fluctuations in electricity price, the Trustee-Manager had taken measures to fix the price of electricity in 2016.

The solar photovoltaic system on the rooftops of the plant generated close to 1.2 GWh of renewable energy in 2016. This helps lower the carbon footprint of the plant, and contributes to the national effort to reduce dependency on traditional sources of energy.

The SingSpring Plant serves as one of the "Four Taps" in PUB's strategy to meet Singapore's water needs.

Operations Review

Keppel Merlimau Cogen

Revenue

$128.7m

Funds from Operations

$44.6m

Key Developments in 2016

Achieved 98.5% plant availability in FY 2016.

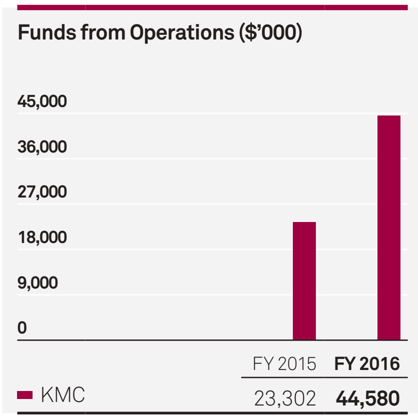
Overview

The Keppel Merlimau Cogen (KMC) Plant is the first independent power project to enter the Singapore electricity market since the New Energy Market of Singapore was implemented in January 2003.

Located on Jurong Island, the 1,300 MW combined cycle gas turbine generation facility has been operational since 2007 with a good track record of efficiency and reliability. Connected to Singapore's electricity transmission network, the plant is well-positioned to support the surrounding industries in their electricity, steam supply and demineralised water requirements.

The plant was constructed in two phases. Phase I has a generation capacity of 500 MW, and commenced commercial operation in April 2007. The plant completed an expansion of another two power trains of 400 MW each in March and July 2013 respectively.

KMC entered into a 15-year Capacity Tolling Agreement (CTA) with Keppel Electric after KIT completed its acquisition of a 51% stake in KMC on 30 June 2015, with an option to extend the agreement for a further 10 years. Under the terms of the CTA, KMC receives capacity payment from Keppel Electric for making available the full capacity of the Plant. The capacity payment is paid monthly regardless of actual power production of the plant and do not vary with electricity demand.



The CTA ensures long-term and predictable cash flows for KMC, while allowing most of KMC's operating costs to be passed through.

Operating Review

In 2016, the plant achieved a contractual availability of 98.5% (excluding planned maintenance and outage allowance). The plant recorded several unplanned outages in one of its four generating units, which marginally affected its availability levels and reduced its capacity payments during 2016. The Trustee-Manager is working closely with KMC's plant operator to improve the plant's availability.

The plant achieved a zero incident rate with respect to health, safety and environmental issues.

The KMC Plant has been operating since 2007 with a good track record of efficiency and reliability.

DataCentre One & CityNet

DataCentre One Revenue

$8.2m

DataCentre One Funds from Operations

$2.9m

Key Developments in 2016

DataCentre One handed over 1-Net North and commenced its 20-year lease to the client.

DataCentre One

In June 2014, City DC Pte. Ltd., a wholly-owned subsidiary of KIT, together with WDC Development Pte. Ltd., a wholly-owned subsidiary of Shimizu Corporation, established a new joint venture company, DataCentre One, to develop, build and lease a data centre.

Construction of the Tier 3 (Uptime Institute-certified) and Threat Vulnerability Risk Assessment (TVRA) compliant data centre, 1-Net North, was completed at 18 Riverside Road in Singapore, and 1-Net North was handed over to 1-Net Singapore Pte Ltd (1-Net), a wholly-owned subsidiary of MediaCorp Pte Ltd on 12 April 2016.

With the handover, the triple-net lease agreement signed on 30 June 2014 between DataCentre One and 1-Net is effective for a period of 20 years, with an option for further extension.

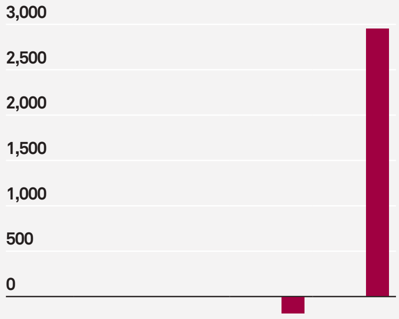
CityNet

CityNet was appointed as the trustee-manager of NetLink Trust on 22 July 2011. CityNet receives an annual management fee from its appointment as trustee-manager.

NetLink Trust was established as part of Singapore Telecommunications Ltd (Singtel)'s undertaking to the Info-communications Media Development Authority of Singapore (IMDA) to meet IMDA's effective open access requirements. To date, Singtel is the sole unitholder and economic beneficiary of Netlink Trust.

CityNet received notice from Singtel of its intention to replace CityNet as the trustee-manager in early 2017. The appointment of the new trustee-manager of Netlink Trust is subject to the approval of its unitholder and IMDA.

Funds from Operations ($'000)



	FY 2015	FY 2016
DataCentre One	(171)	**2,916**

1-Net North is Tier 3 (Uptime Institute-certified) and Threat Vulnerability Risk Assessment compliant.

Operations Review

Basslink

Revenue

$47.0m

Funds from Operations

$20.2m

Key Developments in 2016

Basslink achieved availability of 99.6% in 2016 assuming the subsea cable fault was a force majeure event.

Commercial Risk Sharing Mechanism was adjusted to a narrower range, thereby improving the stability of Basslink's future operating cash flows.

Overview

Basslink owns and operates a 370-km high voltage, direct current monopole electricity interconnector between the electricity grids of the States of Victoria and Tasmania in Australia. The Basslink Interconnector was constructed to allow Tasmania to participate in the National Electricity Market of Australia, as well as to import electricity from Victoria in times of high power demand in Tasmania. Basslink generates long-term and regular cash flows from a 25-year Basslink Services Agreement (BSA) with Hydro Tasmania (HT), an entity owned by the State of Tasmania. The BSA commenced in 2006.

As part of the original construction of the Basslink Interconnector, a 12-core fibre optic telecommunications cable was incorporated in the electricity interconnector. Basslink Telecoms began operations offering broadband capacity between Hobart, Tasmania and Melbourne, Victoria in July 2009. Basslink Telecoms provides broadband capacity to telecoms carriers and service providers between Hobart and Melbourne.

As the only electricity interconnector between Tasmania and mainland Australia, Basslink enhances the availability and security of electricity supply to both Tasmania and Victoria.

Basslink's principal source of revenue is a facility fee paid monthly by HT for the operation of the interconnector. The facility fee is based on the interconnector's availability and is payable in full if the cumulative availability, based on a calendar year, is equal to or greater than 97%. If the cumulative availability is less than 97%, the facility fee is reduced, with greater deductions as the shortfalls increase and deviate from 97%.

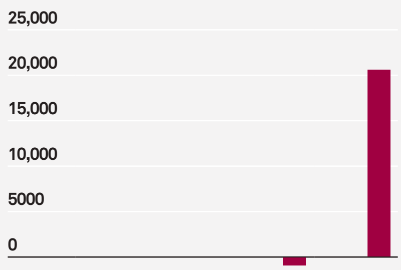
Operating Review

The Basslink Interconnector experienced an unplanned outage on 20 December 2015. The Basslink Interconnector returned to service on 13 June 2016. The repair costs incurred and revenue lost during the outage are covered by insurance, subject to the relevant terms of the insurance policy.

Basslink Telecoms, which offers a range of wholesale telecoms transmission services between Hobart and Melbourne in Australia, was also affected during the repair of the subsea cable fault. Basslink Telecoms resumed full services in June 2016.

Basslink announced the completion of its investigations into the cause of the outage on 5 December 2016. Based on current circumstances and the independent investigation results, Basslink believes the outage was a force majeure event.

Funds from Operations ($'000)



	FY 2015	FY 2016
Basslink	(789)	**20,160**

Basslink achieved an availability of 99.6% in 2016 assuming the subsea cable fault was a force majeure event.

The BSA includes a Commercial Risk Sharing Mechanism (CRSM) to share the market risk associated with participating in the National Electricity Market of Australia between HT and Basslink. The CRSM payments are based on the differences between the high and low spreads of the Victoria electricity pool prices. After a review in April 2016, the CRSM cap and floor had been revised to +12.5% (when payment is made to Basslink by HT) and -12.5% (when payment is made from Basslink to HT) of the unadjusted facility fee. This will significantly improve the stability of Basslink's future operating cash flows.

Basslink has met all its statutory reporting obligations to, amongst others, the Office of the Tasmanian Energy Regulator, EnergySafe Victoria, and the Australian Energy Regulator.

Basslink is firmly committed to maintain the highest standards of operational performance to ensure a safe and injury-free workplace for its employees, as well as to protect the safety of the public and the environment.

In 2016, Basslink achieved a zero incident rate with respect to health, safety and environmental issues. Basslink has an operational environmental management plan to ensure that its operations are carried out with minimal impact on the environment. All employees and contractors are trained according to this plan.

Financial Review

Key Figures

Group Revenue

$581.1m

Group revenue for FY 2016 was $581.1 million, compared to $427.9 million in FY 2015.

Group Funds from Operations

$177.2m

Funds from operations for FY 2016 were $177.2 million, compared to $95.4 million in FY 2015.

Group Distributable Cash Flows

$149.5m

Distributable cash flows for FY 2016 were $149.5 million, compared to $90.7 million in FY 2015.

Financial Review

On 19 October 2015, KIT changed its financial year end from 31 March to 31 December. As such, the financial results for financial year ended 31 December 2015 (FY 2015) comprised the nine-month period from 1 April 2015 to 31 December 2015 and results for financial year ended 31 December 2016 (FY 2016) comprised the 12-month period from 1 January 2016 to 31 December 2016.

Group revenue and distributable cash flows for FY 2016 were $581.1 million and $149.5 million respectively. Corresponding amounts for FY 2015 were $427.9 million and $90.7 million respectively. These were mainly due to:

(i) 12 months of results from Keppel Merlimau Cogen (KMC) in FY 2016 versus six months in FY 2015, as its acquisition was completed on 30 June 2015;

(ii) 12 months of results from Crystal Assets (comprising the Senoko WTE, Keppel Seghers Tuas WTE and Keppel Seghers Ulu Pandan NEWater Plants) in FY 2016 versus 7.5 months in FY 2015, as the acquisition was completed on 18 May 2015; and

(iii) 12 months of results in FY 2016 for the rest of the assets in the Group versus nine months in FY 2015, due to the change in financial year end last year.

Total assets as at 31 December 2016 were $4,118.6 million, marginally higher than total assets of $4,115.5 million as at 31 December 2015.

Total liabilities were $2,664.7 million as at 31 December 2016, $150.0 million higher than $2,514.7 million as at 31 December 2015. This was mainly due to increased borrowings as the Trust drew down its facility to repay one of its subsidiaries and to fund the Senoko WTE Plant capacity upgrade, coupled with higher derivative financial liability from marked-to-market movements.

The Group reported net current liabilities of $420.6 million as at 31 December 2016, as compared to net current assets of $275.8 million as at 31 December 2015. This was due to a reclassification of $727.7 million of borrowings in relation to Basslink from non-current liabilities to current liabilities.

On 20 December 2015, the Basslink Interconnector experienced an unplanned outage caused by a cable fault. The Interconnector returned to service on 13 June 2016. Basslink was unable to meet the minimum debt service coverage ratio covenant in the project financing and as a condition of waiver of this event of default, Basslink was required to agree with the banking syndicate on a Long Term Financing Plan (LTFP) which was not agreed as at 31 December 2016. Accordingly, the Group has reclassified Basslink's borrowings as current liabilities as at 31 December 2016 in accordance with the Singapore Financial Reporting Standards. Basslink and the banking syndicate are still in discussions to work towards agreeing on the LTFP.

Notwithstanding the reclassification, Basslink is current on its debt payments under the project financing, subsequent to the return to service of the Interconnector on 13 June 2016. There is no contractual recourse to KIT under the project financing. The reclassification has no material financial impact on the distributions per Unit of KIT for the financial year ended 31 December 2016 since the Trust does not rely on Basslink's cash flows for its distributions.

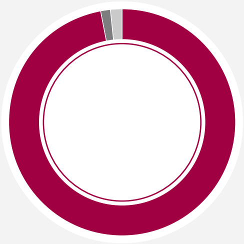
Total Unitholders' funds stood at $1,255.4 million as at 31 December 2016 as compared to $1,359.8 million as at 31 December 2015 due to distributions paid and marked-to-market movements of the derivative financial instruments.

FY 2016 net cash generated from operating activities was $84.2 million, $35.8 million higher than in FY 2015. This included (i) contributions from KMC for 12 months versus six months in FY 2015, as the KMC Acquisition was completed on 30 June 2015; (ii) contributions from Crystal Assets for 12 months versus 7.5 months in FY 2015, as the Crystal Acquisition was completed on 18 May 2015; (iii) full 12 months contribution from the other assets of the Group versus nine months in FY 2015 due to the change in financial year end last year; and (iv) higher cash flows from the capacity upgrade at the Senoko WTE plant. These were partially offset by higher interest paid by KMC as interests on notes to its non-controlling interest were included after its acquisition.

Net cash used in investing activities of $19.4 million in FY 2016 relates mainly to the Senoko WTE Plant capacity upgrade and advances made to the DataCentre One joint venture. For FY 2015, $20.5 million was used mainly for the Crystal and KMC Acquisitions, and advances made to the DataCentre One joint venture.

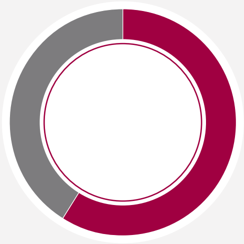
Financial Review

Debt Repayment Profile



	%
1 - 5 yrs	97.2
> 5 yrs	1.3
< 1 yr	1.5
Total	**100.0**

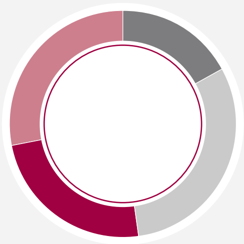
Debt Breakdown by Currency



	%
S$	58.8
A$	41.2
Total	**100.0**

Net cash used in financing activities of $50.2 million in FY 2016 was mainly payment of distributions to Unitholders and non-controlling interests of subsidiaries, and repayment of borrowings, partially offset by proceeds from loan drawdowns during the year. Net cash used in financing activities of $25.2 million in FY 2015 consisted primarily of the financing activities relating to the KMC Acquisition, repayment of the KIT corporate loan, and distributions to Unitholders of KIT and non-controlling interests of subsidiaries.

FY 2016 EBITDA[1]



	%
Concessions	16.9
City Gas	28.1
Basslink	26.3
KMC[2]	28.7
Total	**100.0**

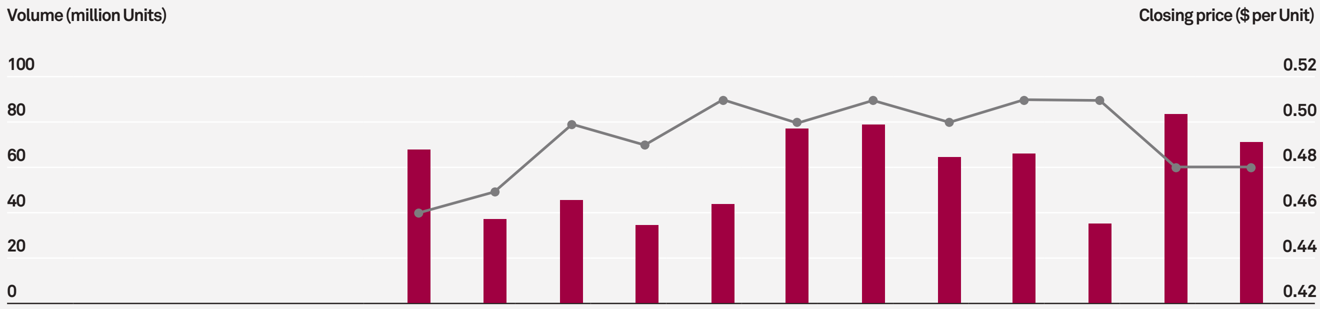
Notes:
1 Excludes Trust/corporate expenses
2 Based on KIT's 51% stake in KMC

KMC contributed 12 months of results in FY 2016 versus six months in FY 2015 as its acquisition by the Trust was completed on 30 June 2015.

Unit Price Performance

KIT's Unit price remained stable for the most part of 2016, with total volume of trade at approximately 706 million Units. This translated to an average daily traded volume of approximately 2.8 million Units in FY 2016, an increase over the average daily traded volume of approximately 2.4 million Units in FY 2015.

Monthly Trading Performance



	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	Jul 2016	Aug 2016	Sep 2016	Oct 2016	Nov 2016	Dec 2016
Monthly trading volume (million Units)	67.8	37.8	45.6	34.6	44.1	77.0	78.5	64.7	66.1	35.6	83.4	71.2
Closing Unit price at month-end ($ per Unit)	0.46	0.47	0.50	0.49	0.51	0.50	0.51	0.50	0.51	0.51	0.48	0.48

Unit Price Performance

	2016	2015
Highest price ($)	**0.51**	0.59
Lowest price ($)	**0.45**	0.45
Average closing price ($)	**0.49**	0.53
Closing price as at the last trading day of the year ($)	**0.48**	0.51
Trading volume (million Units)	**706**	582

Significant Events

2016

January

Keppel Corporation announced its intention to consolidate its interests in the business trust, real estate investment trust and fund management businesses under Keppel Capital Holdings Pte. Ltd. (Keppel Capital) This included Keppel Infrastructure Holdings Pte. Ltd.'s interest in Keppel Infrastructure Fund Management Pte. Ltd. (KIFM).

KIT announced distribution per unit (DPU) payable of 0.93 cents for the period from 1 October 2015 to 31 December 2015.

February

Keppel Infrastructure Trust (KIT) paid a DPU of 0.93 cents to Unitholders for the period from 1 October 2015 to 31 December 2015.

April

DataCentre One handed over 1-Net North and commenced its 20-year lease to the client, with an option for further extension.

KIT announced DPU payable of 0.93 cents for the period from 1 January 2016 to 31 March 2016.

May

Ms Quek Soo Hoon retired as non-executive and independent director of KIFM.
Mr Daniel Cuthbert Ee Hock Huat replaced Ms Quek Soo Hoon as a member of the Audit Committee.

KIT paid DPU of 0.93 cents to Unitholders for the period from 1 January 2016 to 31 March 2016.

July

Keppel Corporation completed the restructuring of its asset managers under Keppel Capital on 1 July 2016.

KIT announced DPU payable of 0.93 cents for the period from 1 April 2016 to 30 June 2016.

August

KIFM appointed Mr Kenny Tan Chuan Huat as Chief Executive Officer of City Gas Pte Ltd.

KIT paid a DPU of 0.93 cents to Unitholders for the period from 1 April 2016 to 30 June 2016.

September

KIFM completed the capacity upgrade of the Senoko WTE Plant. The capacity payment from NEA was correspondingly increased.

KIFM appointed Ms Christina Tan as non-independent and non-executive director of the Board, and a member of the Nominating and Remuneration Committee.

October

KIT announced DPU payable of 0.93 cents for the period from 1 July 2016 to 30 September 2016.

November

KIT paid a DPU of 0.93 cents to Unitholders for the period from 1 July 2016 to 30 September 2016.

2017

January

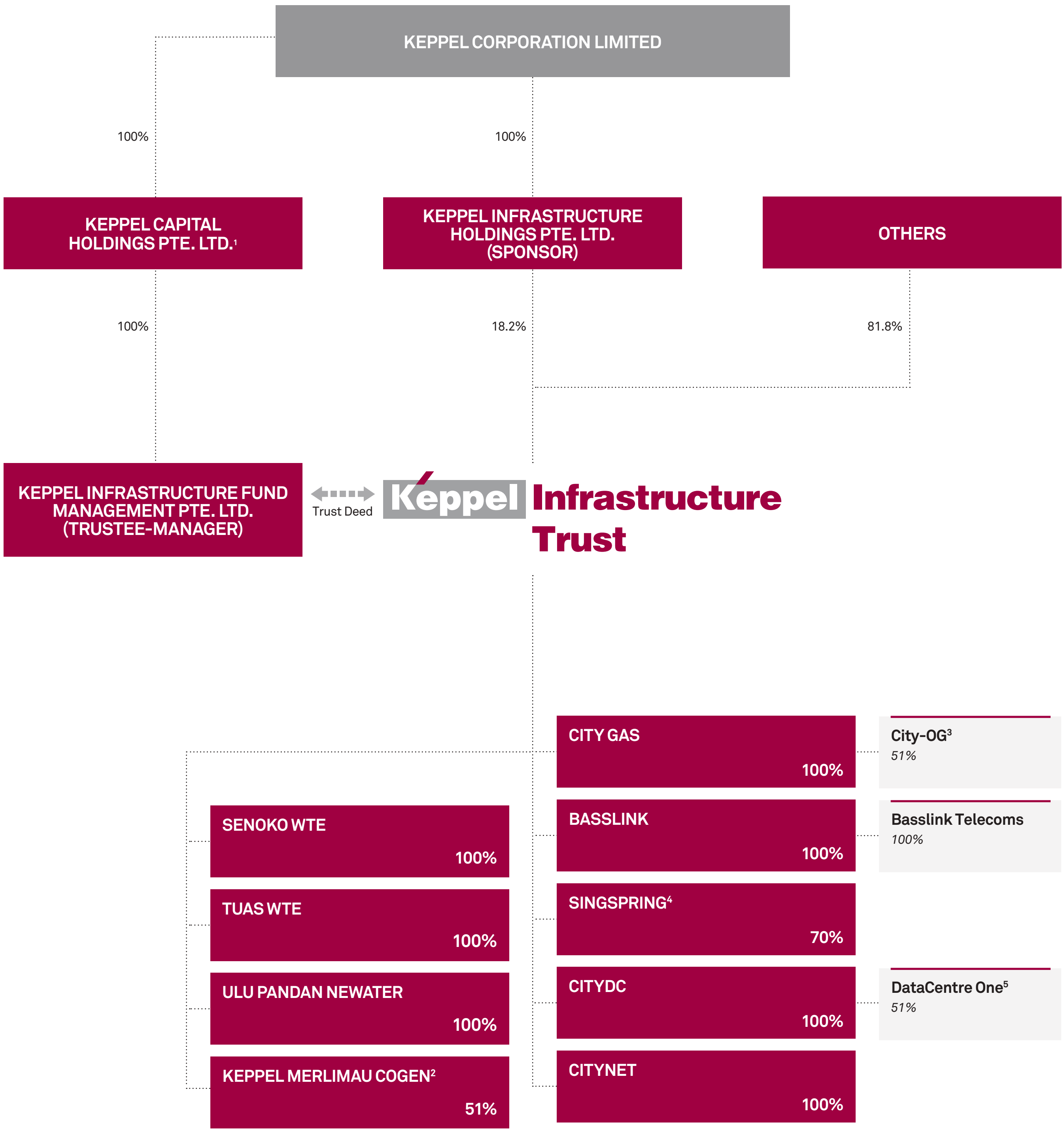
KIT announced DPU payable of 0.93 cents for the period from 1 October 2016 to 31 December 2016.

February

KIT paid a DPU of 0.93 cents to Unitholders for the period from 1 October 2016 to 31 December 2016.

KIFM completed the capacity upgrade of the Senoko WTE Plant in September 2016.

Trust Structure



Notes:

1 On 1 July 2016, Keppel Capital Holdings Pte. Ltd. (Keppel Capital) became the shareholder of Keppel Infrastructure Fund Management Pte. Ltd. pursuant to Keppel Corporation's consolidation of its asset management businesses under Keppel Capital.
2 Keppel Energy Pte Ltd holds the remaining 49% equity interest in Keppel Merlimau Cogen.
3 Osaka Gas Singapore Pte. Ltd. holds the remaining 49% equity interest in City-OG.
4 Hyflux Ltd holds the remaining 30% equity interest in SingSpring.
5 WDC Development Pte. Ltd. holds the remaining 49% equity interest in DataCentre One.
6 The above Unitholdings are as at 31 December 2016.

Corporate Information

Trustee-Manager of Keppel Infrastructure Trust

Keppel Infrastructure Fund Management Pte. Ltd.
(A member of Keppel Capital Holdings Pte. Ltd.)
Registered Address
1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632
Phone: +65 6803 1818
Fax: +65 6803 1717
Email: info@kepinfratrust.com
Website: www.kepinfratrust.com

Principal of Business Address
230 Victoria Street
#05-08 Bugis Junction Towers
Singapore 188024

Investor Relations contact:
Phone: +65 6803 1651
Email: investor.relations@kepinfratrust.com

Directors of The Trustee-Manager

Mr Koh Ban Heng
Chairman of the Board
Independent Director

Mr Thio Shen Yi
Independent Director

Mr Mark Andrew Yeo Kah Chong
Independent Director

Mr Daniel Cuthbert Ee Hock Huat
Independent Director

Mr Kunnasagaran Chinniah
Independent Director

Dr Ong Tiong Guan
Non-Executive and
Non-Independent Director

Mr Alan Tay Teck Loon
Non-Executive and
Non-Independent Director

Ms Christina Tan Hua Mui
Non-Executive and
Non-Independent Director

Audit Committee

Mr Mark Andrew Yeo Kah Chong
Chairman

Mr Koh Ban Heng

Mr Daniel Cuthbert Ee Hock Huat

Nominating and Remuneration Committee

Mr Thio Shen Yi
Chairman

Mr Koh Ban Heng

Mr Kunnasagaran Chinniah

Dr Ong Tiong Guan

Ms Christina Tan Hua Mui

Conflicts Resolution Committee

Mr Daniel Cuthbert Ee Hock Huat
Chairman

Mr Thio Shen Yi

Mr Kunnasagaran Chinniah

Unit Registrar And Unit Transfer Office

Boardroom Corporate & Advisory Services Pte Ltd
(a member of Boardroom Limited)
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Phone: +65 6230 9525
Fax: +65 6536 1360

Company Secretaries

Ms Mak Weiling, Winnie

Ms Ng Peiyi, Joyce

Auditors

Deloitte & Touche LLP
Certified Public Accountants
6 Shenton Way
OUE Downtown 2
#33-00
Singapore 068809
Phone: +65 6224 8288
Fax: +65 6538 6166

Partner-in-charge:
Mr Patrick Tan Hak Pheng
Year appointed: 2015

Sustainability Report

Keppel Infrastructure Trust is committed to delivering value to all our stakeholders through Sustaining Growth in our businesses, Empowering Lives of our people and Nurturing Communities wherever we operate.

Sustainability Framework

Sustaining Growth

Our commitment to business excellence is driven by our unwavering focus on strong corporate governance and prudent risk management.

Resource efficiency is our responsibility and makes good business sense.

Innovation and delivering quality products and services sharpen our competitive edge.

For more information, go to:
pages 34-41

Empowering Lives

People are the cornerstone of our businesses.

As an employer of choice, we are committed to grow and nurture our talent pool through continuous training and development to help our people reach their full potential.

We want to instil a culture of safety so that everyone who comes to work goes home safe.

For more information, go to:
pages 42-49

Nurturing Communities

As a global citizen, Keppel believes that as communities thrive, we thrive.

We engage and nurture communities wherever we are, with the aim of achieving a sustainable future together.

We encourage employees to participate in activities that positively impact stakeholders' lives.

For more information, go to:
page 50-52

Letter to Our Stakeholders

Dear Stakeholders,

On behalf of Keppel Infrastructure Fund Management Pte. Ltd. (KIFM), I am pleased to present Keppel Infrastructure Trust's (KIT) inaugural sustainability report for the financial year ended 31 December 2016 (FY 2016).

In this regard, KIT has constantly strived to contribute to communities where we operate, from touching lives, protecting the environment and championing safety, to leading best practices in corporate governance.

In line with the Keppel Group's Sustainability Framework, KIT places great emphasis on delivering value to all our stakeholders through Sustaining Growth in our businesses, Empowering Lives of our people and Nurturing Communities wherever we operate. These three pillars form a core part of our strategy, and serve to guide and influence our decisions as we seek to continue to provide long-term, regular and sustainable distributions to our Unitholders.

Sustainability performance for 2016

In FY 2016, KIT continued to affirm its commitment to environmental sustainability. Beyond supporting and championing green causes, we believe that being environmentally responsible makes good business sense.

Compared to the year before, KIT in FY 2016 reduced its total electricity consumed by about 9.6% to 421,243 GJ, and recycled 11,944 tonnes of waste including ferrous scrap metal – a 2.2% improvement.

The 1-Net North Data Centre (1-Net North) attained the Green Mark Gold^{Plus} certification under the Green Mark for Data Centres rating system.

Other assets within KIT's portfolio also positively impact the environment. The Senoko Waste-to-Energy (WTE) and Keppel Seghers Tuas WTE Plants are capable of processing more than 1.2 million tonnes of municipal solid waste per year, in the process supplying up to 550 GWh of green energy to the grid. This helps in landfill diversion by as much as 90% through reduction in the volume of waste disposed and contributes greatly to the reduction of carbon emissions.

The Keppel Seghers Ulu Pandan NEWater Plant recycles up to 54 million m^3 of wastewater per year for industrial use. This aids in Singapore's water management strategy to collect every drop of water and reuse water endlessly, and also minimises the impact of wastewater being discharged directly into the water network.

We share the Keppel Group's vision that everyone who works in our plants, facilities, worksites and offices goes home safe every day. Notwithstanding our robust safety culture and mechanisms, we are sad to report a fatal incident involving a subcontractor who was tasked to carry out routine maintenance works at one of our incineration plants. This incident serves to remind us to always be vigilant when it comes to safety. We have worked with the operations and maintenance (O&M) contractor to review the cause of the incident. The O&M contractor has taken additional measures to ensure high standards of safety are maintained at all times.

KIT firmly believes that while our businesses are driven by earnings, what we do must also be responsible to the environment, community, employees and other stakeholders.

We recognise that people are our greatest asset. We value our employees and their contributions toward achieving sustainable growth for all our stakeholders. We focus on people development as a core pillar for growth, and constantly strive to engage our employees to access the best talent, drive optimal business outcomes and nurture a winning organisational culture.

In addition, we engage and nurture communities wherever we operate, with the aim of achieving a sustainable future together. Through the Keppel Volunteers programme, the Trustee-Manager encourages its employees to participate in various community outreach and volunteer projects. City Gas also continues to be a standard bearer through its myriad community engagement initiatives that positively impact the lives of stakeholders.

Looking ahead

Thank you for taking the time to read KIT's first sustainability report, which charts our sustainability performance in FY 2016 and reflects our commitment to build a strong platform for long-term and sustainable capital growth.

We value any feedback that will enhance our future performance.

Yours sincerely,

Khor Un-Hun
Chief Executive Officer
Keppel Infrastructure Fund Management Pte. Ltd.
(as Trustee-Manager of Keppel Infrastructure Trust)
24 February 2017

About this Report

As part of the Keppel Group, sustainability is an integral part of KIT's business operations that comprise a diversified portfolio of infrastructure assets in Singapore and Australia. This portfolio includes WTE plants, water and wastewater treatment concessions, piped town gas production and retailing, and power tolling arrangement and electricity transmission.

The sustainability report will be published annually as part of our Report to Unitholders and is available on our website.

Reporting Principles

KIT's sustainability report for FY 2016 has been prepared in accordance with the Global Reporting Initiatives (GRI) Standards, Core level. Drawing on this reporting guideline, we focus on the key material issues for our businesses. The GRI Content Index can be found on page 53.

Standard units of measurement are used in this report and conversion factors, where applicable, are explained in their respective sections.

Reporting Period and Scope

This sustainability report outlines our practices, initiatives and impact in Singapore where we are headquartered, during the financial year from 1 January 2016 to 31 December 2016. For this reporting cycle, we have excluded data and information on Basslink and CityNet except for safety. We aim to expand the scope of our reporting in the coming years to include all our Singapore and overseas operations and related data. The financial statements of our businesses can be found on page 57. This report is currently not externally verified. We will review the need to engage an external assurer for our report in the coming years.

KIT welcomes feedback from our stakeholders on our report and any of the issues covered. Please contact us at investor.relations@kepinfrastrust.com with any comments you may have.

Key Sustainability Accolades in 2016

Asset Name	Award
City Gas	Total Defence Award 2016 - NS Advocate Awards (Large Companies)
Senoko WTE Plant	Singapore Manufacturing Federation Workplace Safety and Health Awards, Silver Award in innovation category
Keppel Seghers Tuas WTE Plant	Keppel Infrastructure Health, Safety & Environment (HSE) Innovation Convention Bronze Award
Keppel Seghers Ulu Pandan NEWater Plant	Keppel Infrastructure HSE Innovation Convention Bronze Award
Keppel Merlimau Cogen Plant	Keppel Group Safety Convention Safety Awards: - Platinum Award - Supervisor Safety Award - Executive Safety Award - Individual Safety Award Keppel Infrastructure HSE Innovation Convention Gold and Silver Awards

Managing Sustainability

Keppel Corporation publishes an externally assured sustainability report annually that is also in accordance with GRI Standards. As a member of the Keppel Group, KIT's overall sustainability framework is aligned with that of the Group. KIFM, Trustee-Manager for KIT, takes reference from the Group's approach and where appropriate adopts its principles, management approach and initiatives for synergy.

Leadership and Management Involvement

KIT is committed to integrate sustainability in the way its businesses are run and throughout its operations.

KIT adopts the Keppel Group's core values. We firmly believe that while our businesses are driven by earnings, what we do must also have a positive impact on society, the community, our employees and all other stakeholders. Our businesses are underpinned by integrity which drives corporate governance from the highest level at the Keppel Group and at KIT.

As a listed business trust, KIT is committed to abiding by the Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore. The Code provides the framework for controls, checks and accountability and requires the Board of Directors to consider sustainability issues in its business decisions.

KIFM believes that commitment to good corporate governance is vital to the long-term viability and sustainability of the Trust's business and performance.

Materiality

As part of KIT's approach to sustainability, a materiality assessment exercise was carried out in 2016 which outlined the key environmental, social and governance (ESG) material issues for its business portfolio. Key issues presented in this report are deemed to have a significant impact on KIT's future business performance and may support stakeholders in their decision-making.

The identification of key material issues incorporated the Accountability AA1000 Assurance Standards and GRI's four steps of materiality – identification, prioritisation, validation and review – to define these material issues. An independent, external consultant was engaged to conduct an internal review of our business operations, as well as industry standards and benchmarking of peers. The issues were prioritised during a workshop involving internal stakeholders from various business functions and senior management from across KIT's portfolio. External stakeholders' perspectives were taken into account by proxy, and through feedback received from external stakeholders. A formal analysis was made on the priorities of each issue by both internal and external stakeholders, using clearly defined criteria. The various material issues were classified, with Tier 1 as being critically important and Tier 2 issues, as being of high importance.

Once prioritised, the key material issues were validated and presented to the Board and CEO of the Trustee-Manager, who reviewed the key sustainability issues and provided further inputs into the ranking. The Board actively participated in the materiality exercise and the results presented below incorporate the Board's feedback. The findings of the materiality assessment form the basis for the inclusion of individual aspects in our sustainability report. KIT's final key material issues are outlined below. Based on the validation process described above, we aim to conduct a further review of these material issues at an appropriate time, and engage external stakeholders in the process.

KIFM, through its due diligence has determined the boundary of each of its material issues as outlined in the table below.

Key Material Issues	Value Chain	Boundary
Economic Performance (Business Growth)	Infrastructure Assets & Organisation-wide	Internal & External
Governance (Business Integrity / Anti-Corruption, Risk & Compliance)	Infrastructure Assets & Organisation-wide	Internal & External
Environment (Air Emissions, Waste & Effluents, Water Management, Energy Efficiency & Climate Change)	Infrastructure Assets & Organisation-wide	Internal & External
Health & Safety	Infrastructure Assets & Organisation-wide	Internal
Diversity & Equal Opportunity	Infrastructure Assets & Organisation-wide	Internal
Employee Training & Development, Talent Retention	Infrastructure Assets & Organisation-wide	Internal
Service Excellence	Infrastructure Assets & Organisation-wide	Internal & External
Community Engagement & Development	Infrastructure Assets & Organisation-wide	External
Labour Practices	Infrastructure Assets & Organisation-wide	Internal
Security	Infrastructure Assets & Organisation-wide	Internal

Stakeholder Engagement

KIT strives to create value for all our stakeholders. Stakeholders are defined as groups of people or entities that are directly or indirectly influenced by our business operations and outcomes, or can significantly influence our business or operations. Through an externally conducted materiality workshop, KIFM identified its key stakeholders, objectives, forms of engagement and key topics of concern that are addressed by KIT.

The below outlines the dialogue KIFM has with KIT's stakeholders, combined with the insights gained through our involvement in initiatives, forums and meetings, as well as the findings of surveys to strengthen understanding of the different perspectives of our stakeholders. This enables us to identify their interests and expectations and develop solutions to address their concerns wherever possible.

Membership in Associations

In addition to engaging our stakeholders, we also participate as members of organisations. The SingSpring Desalination and Keppel Seghers Ulu Pandan NEWater Plants are members of the Singapore Water Association. Our key O&M contractors are members of the Waste Management and Recycling Association of Singapore. City Gas is an ordinary member of Gas Association of Singapore, associate member of Real Estate Developers' Association of Singapore, associate member of Singapore Green Building Council, associate member of Singapore Chefs Association, and associate member of Restaurant Association of Singapore.

The following are KIT's key stakeholders:

Stakeholders

Unitholders

Objectives of Engagement
Ensure investors and potential investors make well-informed decisions and ensure a level playing field.

Forms of Engagement Platforms
Unitholder meetings; communication of quarterly results; email communications.

Key Topics of Concern
Business strategy and direction; economic performance.

Customers

Objectives of Engagement
Build enduring relationships and provide quality service for customer retention.

Forms of Engagement Platforms
Regular meetings; feedback channels such as emails and phone calls; and regular customer satisfaction surveys.

Key Topics of Concern
Product and service quality; HSE excellence.

Business Partners (Suppliers, Contractors, JV partners)

Objectives of Engagement
Align practices for better planning, responsive vendor support, and mutually beneficial relationships.

Forms of Engagement Platforms
Regular meetings with contractors, suppliers and JV partners; site visits by management.

Key Topics of Concern
Compliance; Keppel Group HSE requirements.

Employees

Objectives of Engagement
Develop employees to their full potential, build and retain a motivated workforce to drive the business, embrace diversity and inclusiveness.

Forms of Engagement Platforms
Annual employee engagement survey; orientation and mentorship programmes; employee townhalls.

Key Topics of Concern
Vision, strategy and corporate direction; teamwork and collaboration; people development; productivity; safe working environment.

Governments, Regulatory bodies

Objectives of Engagement
Understand regulatory requirements.

Forms of Engagement Platforms
Regular meetings and site inspections; renewal of government approvals.

Key Topics of Concern
Laws and regulations.

Local Communities

Objectives of Engagement
Positively impact communities.

Forms of Engagement Platforms
Volunteer activities.

Key Topics of Concern
Positive social contributions.

Sustaining Growth

Service Excellence

Customer Satisfaction

Customer satisfaction at KIT is mostly driven by the quality and reliability of products and services that KIT's assets provide to its customers.

The management strives to ensure that customers' concerns are properly addressed. For example, regulatory authorities who are our customers require us to minimise queuing time for the licenced Public Waste Collectors at our two WTE plants. To address this concern, truck turnaround time is closely monitored and reported to the relevant authorities. Based on feedback, our customers are satisfied with our O&M effectiveness, equipment condition, safety record and readiness to respond to emergencies.

City Gas has a large customer base of more than 780,000 residential, commercial and industrial customers in Singapore.

At City Gas, the majority of the gas installation works are conducted by contract workers. To ensure high quality and standards of work, training and supervision are carried out to ensure the quality of services is consistent across the entire value chain. Overall, by working closely with other stakeholders, for instance, subcontractors for installation works, SP Services for billing and its JV partner for providing technical solutions to major commercial and industrial customers, City Gas maintains an excellent track record of achieving a high level of customer satisfaction.

City Gas engages a third-party consultancy to conduct customer service audit for its domestic and commercial customers. The customer service audit for domestic customers is conducted through phone interviews, and for commercial customers, it is carried out in person.

The scope of the audit covers gas supply turn-on, gas installation work, commercial installation, and servicing works carried out by City Gas technicians and term contractors. City Gas scored an average overall score of 3.33 out of 4 in 2016, an improvement from its average overall score of 3.13 in 2015.

We engage our key customers through regular meetings, including the National Environment Agency for the Keppel Seghers Tuas and Senoko WTE Plants, PUB for the SingSpring Desalination and Keppel Seghers Ulu Pandan NEWater Plants, Keppel Electric as Toller for the Keppel Melimau Cogen Plant, 1-Net as master tenant for DataCentre One and Hydro Tasmania as the sole customer of Basslink's undersea power transmission. Other activities include but are not limited to regular reporting, ad hoc audits and annual capacity tests.

Supplier Management

The Keppel Supplier Code of Conduct came into effect in end-2016. The Code aims to integrate Keppel's sustainability principles across our supply chain, and positively influence the environmental, social and governance performance of our suppliers. Suppliers of Keppel Group companies are expected to abide by the Code, which covers areas pertaining to business conduct, labour practices, safety and health, and environmental management.

Contractors and suppliers play an integral role in ensuring that KIT's assets operate smoothly. The Keppel Seghers Tuas WTE, Senoko WTE, Keppel Seghers Ulu Pandan NEWater and Keppel Merlimau Cogen Plants are operated and maintained by wholly-owned subsidiaries of Keppel Infrastructure, the Sponsor of KIT. As Trustee-Manager, KIFM ensures smooth asset operations by tapping on the Sponsor and its subsidiaries' strong technical, O&M and engineering, procurement and construction expertise.

KIFM employs Hyflux Engineering for O&M works at the SingSpring Desalination Plant. Hyflux Engineering designed and built of the plant and has been its O&M contractor since its commissioning in 2005.

KIT has stringent criteria when screening potential suppliers. The criteria includes the supplier's track record, reputation, service quality and safety record. All contractors are required to abide by relevant laws and regulations during the course of engagement.

Contractors' performance is evaluated annually and the Trustee-Manager works with them to ensure satisfactory service quality and safety standards are achieved. In 2016, a partial stop work order and $6,000 fine were imposed by the Ministry of Manpower on the O&M contractor for a fatal incident involving a subcontractor tasked to carry out routine O&M works at one of KIT's incineration plants. The Trustee-Manager has worked with the O&M operator to review the cause of the incident. The O&M contractor has taken additional measures to ensure safety standards.

Anti-Bribery and Corruption

As a member of the Keppel Group, KIFM adopts a strong anti-corruption stance. New employees at all levels are required to declare any conflicts of interest. They are also briefed on our anti-corruption policy and whistle-blowing procedures during their orientation. In addition, in 2016, the Keppel Group launched its Annual Training and Declaration of Group Policies, which is an e-module training covering Keppel's Code of Conduct, Whistle Blower Protection, Anti-Bribery, Conflict of Interest and Insider Trading policies. The training comprises an online assessment with the required passing rate set at 100% correct responses. All of KIFM's direct employees have undergone and passed the training. There were no reported cases of corruption at KIFM and KIT in 2016.

Security

A number of our assets are identified as Key Installations by the Singapore Government as they support and provide essential public goods and services, such as energy, water and town gas. These assets are namely City Gas, SingSpring Desalination Plant, Keppel Seghers Ulu Pandan NEWater Plant and Keppel Merlimau Cogen Plant. The first three assets are gazetted under the "Protected Areas and Protected Places Act" under Singapore Law. Furthermore, these plants run on computer-based control systems and hence are vulnerable to acts of cyber-terrorism.

KIFM works closely with the O&M contractors and relevant government agencies to ensure the plants have adequate measures in place to ensure the security of the plants. Visible and proactive measures are in place to secure the physical infrastructure of the plants. Regular business continuity management exercises spanning across different scenarios, including cyber-terrorism, are conducted in conjunction with the authorities. Business continuity plans are also refreshed and updated to ensure readiness.

Management Systems

Certification	Year
City Gas	
ISO 9001 Quality Management System	Since 1998
SS 506 & OHSAS 18001 Occupational Health & Safety Management System	Since 2012
Senoko WTE Plant	
ISO 9001 Quality Management System	Since 2010
ISO 14001 Environmental Management System	Since 2010
OHSAS 18001 Occupational Health & Safety Management System	Since 2010
Keppel Seghers Tuas WTE Plant	
ISO 9001 Quality Management System	Since 2010
ISO 14001 Environmental Management System	Since 2010
OHSAS 18001 Occupational Health & Safety Management System	Since 2010
SingSpring Desalination Plant	
SS 506 Occupational Health & Safety Management System	Since 2014
Hazard Analysis Critical Control Point System	Since 2010
Keppel Seghers Ulu Pandan NEWater Plant	
ISO 9001 Quality Management System	Since 2009
ISO 14001 Environmental Management System	Since 2009
OHSAS 18001 Occupational Health & Safety Management System	Since 2009
Keppel Merlimau Cogen	
ISO 9001 Quality Management System	Since 2015
ISO 14001 Environmental Management System	Since 2016
ISO 27001 Information Security Management System	Since 2014
OHSAS 18001 Occupational Health & Safety Management System	Since 2016

Sustaining Growth

Capacity of Installation

1MWp

The photovoltaic installation at the Keppel Seghers Ulu Pandan NEWater Plant can generate up to 1 MWp of renewable energy each year.

Waste Recycled

11,944 tonnes

KIT recycled 11,944 tonnes of waste in FY 2016.

Economic Performance (Business Growth)

KIT's economic performance has a positive impact on the internal and external environment of the organisation. The Trust's Singapore-based assets indirectly contribute to the economy of Singapore by creating jobs, paying taxes, and contributing to national energy and water needs—basic resources which are imperative for a functioning economy. The Trust's business growth and economic performance positively impact our employees and Unitholders as we provide distributions and continued employment opportunities to our employees. Please see Operations Review on pages 14-22.

Environment

Overview

KIFM believes in operating the Trust responsibly by understanding and managing its environmental impact, and continually seeking opportunities to improve its environmental performance.

The environmental performance report includes data from City Gas (including Senoko Gasworks), the Senoko WTE and Keppel Seghers Tuas WTE Plants, Keppel Seghers Ulu Pandan NEWater Plant, SingSpring Desalination Plant and Keppel Merlimau Cogen Plant. 1-Net North is excluded as it is leased to a tenant and KIFM has no management control over the asset, except for limited scope of facility management works. Basslink's data will be included in the future.

Due to commercial sensitivity, direct energy consumption and carbon emissions arising from Keppel Merlimau Cogen are excluded from this report.

Management Approach

KIFM is aligned with the Keppel Group's risk and sustainability-based strategies. These are used to assess, avoid, reduce and mitigate environmental risks and impact. We continue to focus on addressing material issues, including enhancing energy efficiency, meeting green standards, managing resources and reducing waste and emissions.

Our key assets and/or contracted operators for our assets are certified to ISO 14001 standards and other green certifications. Carbon management receives oversight by the Keppel Group's Energy Efficiency Committee. The committee members comprise representatives from across various Keppel business units, many of whom are Singapore Certified Energy Managers (SCEM). The committee works closely with the energy management project teams from the respective business units, headed by senior management

KIT continues to seek out opportunities to further improve its environmental performance.

and supported by SCEM, SCEM Technicians, Operations and Maintenance Management, audit teams and third-party verifiers to monitor energy use and prepare business units to meet and exceed the requirements of legislation.

Energy Efficiency & Climate Change

KIT's energy demand comprises a mix of direct and indirect sources of energy. Direct energy refers to primary sources of energy consumed on site by our operations, whereas indirect energy is electricity purchased from external suppliers.

KIT's primary energy source is natural gas. Other direct sources of energy are diesel and naptha.

In 2016, KIT consumed 7,165,419 GJ of direct energy and 421,243 GJ of indirect energy or electricity[1], an increase from 2015 primarily due to higher naphtha consumption at City Gas. 1,455,070 GJ of electricity was sold (excluding Keppel Merlimau Cogen). Total energy consumption was 7,586,662 GJ. Energy intensity by asset value was 1,822 GJ per million SGD.

Harnessing Renewable Energy

In 2012, the Keppel Seghers Ulu Pandan NEWater Plant was awarded a Solar Pioneer Award for its photovoltaic (PV) installation as part of KIT's asset enhancement programme.

The Solar Pioneer Awards are organised by the Energy Innovation Programme Office, led by the Singapore Economic Development Board and Energy Market Authority.

When it was completed in February 2013, the PV installation was the largest in Singapore.

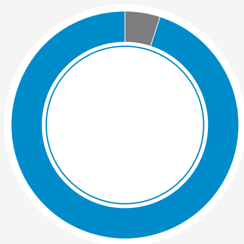
Covering about 10,000 m^2 of roof space at the plant, the PV installation is designed to generate up to 1 MWp (megawatt peak) or approximately 1 GWh to 1.2 GWh each year. The energy generated is equivalent to the needs of approximately 250 four-room HDB households per year.

Green Building

1-Net North has attained the Green Mark Gold^{Plus} certification under the Green Mark for Data Centres rating system jointly developed by Singapore's Building and Construction Authority and Info-communications Media Development Authority. The rating system recognises performance efficiencies in areas such as energy, water and environment, with a significantly higher emphasis placed on energy performance.

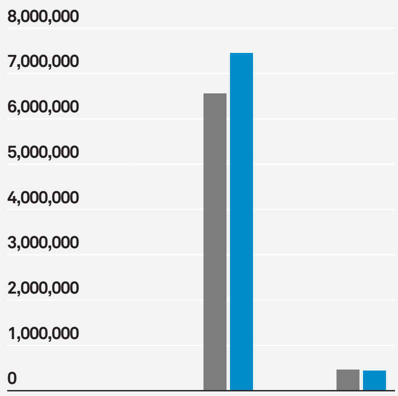
[1] Electricity consumption data from the Senoko WTE, Keppel Seghers Tuas WTE and Keppel Merlimau Cogen Plants is excluded as the numbers are commercially sensitive.

Total Fuel Consumption for 2016 (GJ)



	%
Non-Renewable	95.1
Renewable	4.9
Total	**100.0**

Total Fuel Consumption, by Fuel Type (GJ)



	Non-Renewable	Renewable
2015	6,364,043	382,236
2016	**7,216,450**	**370,212**

Total Electricity Consumption (GJ)

2015	465,742
2016	**421,243**

The solar photovoltaic installation at the Keppel Seghers Ulu Pandan NEWater Plant generates up to 1.2 GWh of renewable energy each year.

Sustaining Growth

Water

KIT focuses on minimising water consumption across its businesses through initiatives such as promoting water-saving practices, adoption of water-efficient technologies and equipment, as well as process improvements.

All of the water consumed is obtained from municipal water suppy. No water source is significantly affected by our consumption of water.

In 2016, KIT's total water consumption was 978,346 m^3.

Water Efficiency

The water used in generating steam to power the steam turbines at the Keppel Merlimau Cogen Plant has to be maintained at a certain quality. To achieve this, a portion of the water is deliberately discarded under normal operating conditions, a process known as blowdown.

Minimising blowdown rates reduces the consumption of raw water and chemicals, the cost of treating used water, and improves plant efficiency from reduced heat loss in the water-to-steam cycle. Previously, the blowdown rate was controlled using manual valves and based on daily analyses of the water chemistry by maintenance staff, which may lack precision.

To reduce water consumption, Keppel Merlimau Cogen Plant introduced an Automatic Blowdown Control System in 2015. The system measures water chemistry and computes the precise amount of water to be discarded. Since implementation, the innovation has minimised water losses at the plant, yielded savings in operating costs and improved operational efficiency.

The plant's total water consumption has since decreased from 767 m^3 per day to 131 m^3 per day, equivalent to a 82.9% reduction in daily water consumption.

Water Recycling

During dry spells, treated effluent water from the refuse leachate and waste water at the Senoko WTE plant are further

KMC introduced an Automatic Blowdown Control System in 2015 to reduce water consumption.

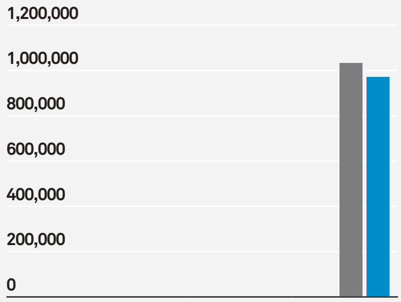
treated to be used for ash quenching and fire prevention by wetting of dry refuse in the bunker, reducing the demand for NEWater. The Senoko WTE Plant recycled a significant amount of water in 2016.

The Senoko WTE Plant was constructed with five catchment and two service water basins integrated within the facility. Rainwater and surface runoff are collected through various drainage channels and stored in the five catchment basins before being transferred to the service basins for general use, such as reception hall cleaning and boiler house washing. During dry spells, decreased rainfall causes the water levels in these basins to drop, which necessitates the purchase of additional NEWater to sustain O&M activities of the plant.

To boost the plant's sustainability footprint, the Senoko WTE Plant O&M team embarked on a project aimed at reducing the amount of NEWater used by the plant during dry spells. In the past, effluent water generated through various plant processes was treated and subsequently discharged into the sewers. Identifying this discharge as a potential source of reusable water, the team designed, fabricated and installed a multi-gravel filtration system to filter and treat the effluent water, which is subsequently channelled into the service water basins for use. The filtration system consists of several layers of porous media resting on a drainage gravel layer, which acts as a support medium for the entire system and allows for backwash to be carried out effectively.

The installation of the effluent filtration system at the Senoko WTE Plant was completed in August 2015. During dry spells, the plant is now able to tap on its backup reservoir of filtered and treated effluent water in its service water basins. This greatly reduces the costs incurred through NEWater top up and treatment of the effluent water prior to discharge, resulting in significant cost savings over the remaining concession period of the Senoko WTE Plant.

Total Water Used (m³)

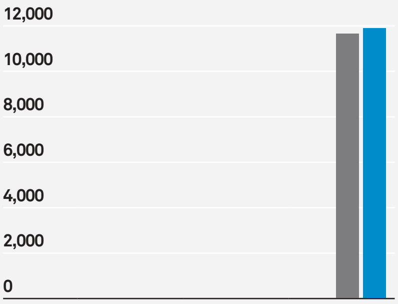


2015	1,038,800
2016	**978,346**

The Senoko WTE Plant O&M team installed an effluent filtration system to reduce the amount of NEWater consumed during dry spells.

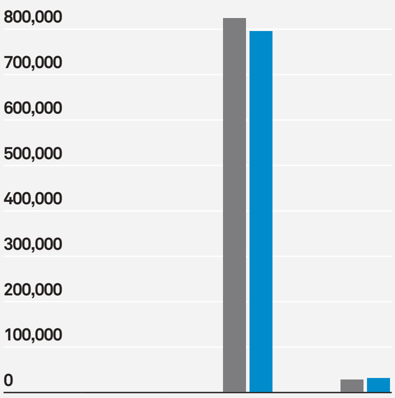
Sustaining Growth

Total Waste Recycled (tonnes)



2015	11,689
2016	**11,944**

Direct and Indirect Emissions[1] (t-CO_2)



	Direct Emissions	Indirect Emissions
2015	825,050	25,901
2016	**797,691**	**31,578**

[1] Gases included for Scope 1 and Scope 2 (Gross-market based) figures are CO_2, CH_4, N_2O, HFCs, $PFCs_1$, SF_6, NF_3. Only CO_2 is included for Scope 2 (Location-based figures). Electricity Grid Emission Factors for Singapore are obtained from Energy Market Authority 2016.

Waste

KIT strives to minimise waste generation, increase opportunities for reuse and recycling, as well as treat and dispose of waste responsibly where other options are impractical. Scrap metals are collected at our WTE plants for recycling. Our hazardous waste is collected by licensed hazardous waste collectors.

In 2016, KIT recycled 11,944 tonnes of refuse. Waste recycled included ferrous scrap metal.

Compliance

In 2016, there were no reports of spillage by Singapore or overseas authorities by the assets in KIT's portfolio.

Emissions & Effluents

Greenhouse Gas (GHG) Emissions

KIT adopts the Keppel Group's aim to achieve a 16% improvement in its carbon emissions from 2020 business-as-usual levels.

The main drivers of the Keppel Group's carbon management strategy include:

- Reducing environmental impact;
- Safeguarding against potential future legislation; and
- Managing the impact of rising energy costs.

The Keppel Group's carbon management strategy is to provide a basis for identifying, implementing, monitoring

The classification of GHG emissions is as follows:

Scope 1
Direct Emissions
(Emissions from City Gas, Senoko WTE and Keppel Seghers Tuas WTE Plants, Keppel Seghers Ulu Pandan NEWater Plant)

- Diesel (for running owned vehicles, machineries and equipment)
- Chiller leakage

Scope 2
Indirect Emissions
(Emissions from City Gas, Senoko WTE and Keppel Seghers Tuas WTE Plants, Keppel Seghers Ulu Pandan NEWater Plant)

- Electricity

KIT's WTE plants use advanced technology solutions to generate green energy from waste and help in landfill diversion by as much as 90% through reduction in the volume of waste disposed.

Carbon Emissions Intensity ($t\text{-}CO_2$/mil SGD)

2015	206.8
2016	**199.2**

Air Emissions (mg/Nm^3)

	2015	**2016**
NOx	420.0	**451.0**
SO_2	132.0	**108.0**
Particulate matter (PM)	11.0	**36.0**

and tracking the carbon management action plans of our various business units.

The key themes of this strategy are:
- Optimise energy consumption through information monitoring;
- Improve operational efficiencies through the adoption of smart control systems and more energy-efficient equipment and technology; and
- Imbue an environmentally-conscious mindset in stakeholders.

Other Emissions and Effluents

KIT's O&M contractor, Keppel Infrastructure, continues to actively manage the emissions from its operations. Nitrogen oxide and sulphur dioxide levels emitted by the three plants operated by Keppel Infrastructure remain far below the emission standard of 700 milligrams per normal cubic metre (mg/Nm^3) and 500 mg/Nm^3 respectively, as stipulated by NEA's Environmental Protection and Management (Air Impurities) Regulations.

In 2015 and 2016, dust and particulate matter emitted were 11 mg/Nm^3 and 36 mg/Nm^3 respectively, well below the NEA emission standard of 100 mg/Nm^3.

All effluent from our operations is treated and discharged to water courses or sewer systems in accordance with the environmental discharge limits and effluent standards in the country of operation.

KIT's O&M contractors continue to actively manage the emissions from their operations.

Empowering Lives

Bargainable Employees Covered by CA

49.0%

Approximately 49.0 % of our employees are bargainable employees covered by collective agreements (CA).

Average Training Hours per Employee

13.1hrs

The global average training hours per employee was approximately 13.1hrs.

Health and Safety

Overview

Safety is a core value at Keppel, and is an integral part of our business.

KIFM's approach to safety management is guided by the Keppel Group's Workplace Safety & Health (WSH) 2018 strategy, and focuses on four aspects across our global operations – having an integrated WSH framework, implementing effective management systems, promoting safety ownership and enhancing partnerships across our operations.

Management Approach

We comply with laws and regulations applicable to the countries in which we operate, and our management systems are routinely audited by our HSE personnel as well as by independent consultants.

All employees and third party suppliers and contractors are expected to abide by the Keppel Group HSE Policy which places the highest priority on the health and safety of people, and the protection of assets and the environment.

Our business units strive to achieve HSE certification to align with global best practices.

KIT's key O&M team or service providers which include Keppel Seghers, Keppel Merlimau Cogen, City Gas and Hyflux Engineering have their management systems certified to OHSAS 18001 and SS506 standards.

Board and Management Oversight

As part of the Keppel Group, the Trustee-Manager's approach to safety management is aligned with the Group's policies.

KIFM benefits from the programmes, initiatives and efforts rolled out at the Group level to strengthen HSE management and performance.

In addition, KIFM works closely with its O&M contractors to ensure its commitment to HSE is upheld. KIFM's asset management team works closely with operators and contractors on safety initiatives, including regular monthly meetings, joint site inspections, sharing of near-miss incidents, annual safety roadshows, internal and external safety audits, training, safety improvement projects, as well as regular reviews of safety performance.

Performance and Compliance

In 2016, the Keppel Merlimau Cogen Plant, SingSpring Desalination Plant, Keppel

The Keppel Safety & Health Strategy

Vision

A safe and healthy workplace where everyone goes home safe every day

Mission

To execute our business activities profitably, safely and responsibly, placing the highest priority on the safety and health of all stakeholders

Strategic Thrusts

- **Framework** Integrated safety framework for businesses worldwide, with common goals across the Keppel Group
- **System** Adopting best practices, systems, standards and processes
- **Ownership** Strong safety ownership at all levels
- **Partnerships** Engagement across all stakeholder groups

Outcomes

- Strong safety culture
- Safety – an integral part of business
- Reduction in incidents

	Group		Singapore		Australia	
	2016	2015	2016	2015	2016	2015
Fatalities	1	0	1	0	0	0
Accident Frequency Rate (AFR) Reportable accidents per million man hours	0.53	0.92	0.53	0.92	0	0
Accident Severity Rate (ASR) Man-days lost per million man hours	1,591.68	44.99	1,604.87	44.56	0	0

Seghers Ulu Pandan NEWater Plant, Keppel Seghers Tuas WTE Plant, Basslink and DataCentre One achieved a zero incident rate with respect to HSE performance.

A partial stop work order and $6,000 fine were imposed by the Ministry of Manpower on the O&M contractor for a fatal incident involving a subcontractor tasked to carry out routine O&M works at one of our incineration plants. We have worked with the O&M contractor to review the cause of the incident. The O&M contractor has taken additional measures to ensure high standards of safety are maintained at all times.

Building Skillsets

We empower and train our stakeholders to ensure that all personnel are kept updated on safety measures and best practices.

KIT's O&M contractor Keppel Infrastructure participated in the annual Keppel Group Safety Convention, which is a platform to canvass and showcase innovative safety ideas. In 2016, the O&M contractor garnered a total of six awards — one platinum, one gold, two silver and two bronze — for innovation projects rolled out across KIT's assets.

In addition, the O&M contractors continually educate staff through safety initiatives. These include the following:

1. A team was formed as part of Inspection for Safety Compliance Assurance (iSCA) for continuous safety improvement;
2. A Contractor HSE Forum was held to discuss occupational health and safety issues and best practices;
3. A Management of New Workforce Scheme was implemented as part of enhanced monitoring for new hires;
4. Monthly safety committee meetings and site inspections;
5. Regular refresher trainings conducted for Log Out Tag Out procedure and Safety Induction Courses.

Enhancing Communication

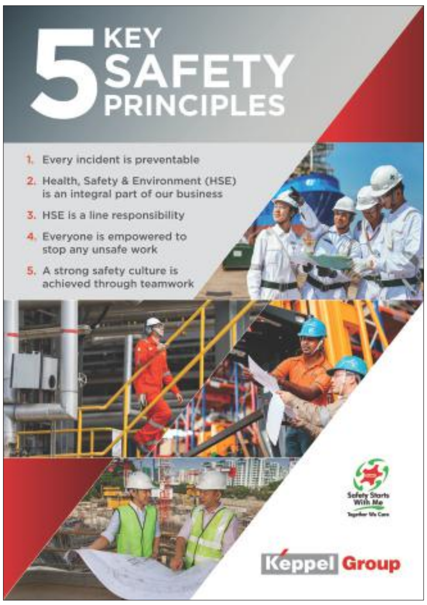
The O&M contractors are part of the Keppel Group's safety management community and benefit from many Group-level initiatives and programmes.

For example, Keppel's 5 Key Safety Principles, which were recently refreshed, guide all operations and inculcate safety consciousness in all staff.

The O&M contractors also benefit from the Group HSE Alerts, which allow them to learn from best practices and near miss incidents globally, and ensure preventive measures are taken promptly.

Keppel produced a quarterly newsletter, *HSE Matters*, which was disseminated electronically to employees and other stakeholders of the Keppel Group. The newsletter shares new developments and best practices.

KIT's O&M contractor Keppel Infrastructure's 'Gear Up for Safety' programme has gained momentum over the years. New activities have been introduced at various sites and plants within KIT's portfolio.

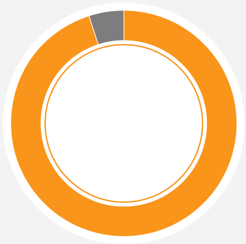


The Keppel Group's 5 Key Safety Principles (left) and HSE Matters newsletter (right)

Empowering Lives

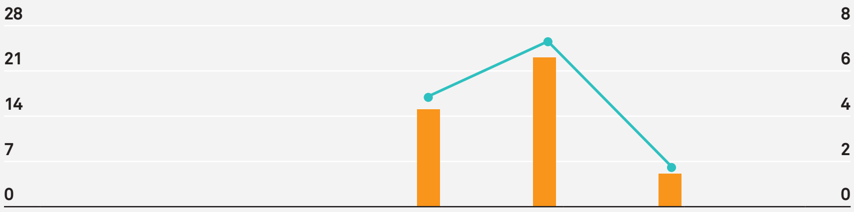
Global Workforce

Distribution By Region



	No. of Employees			
	Permanent	Temporary	Total	%
Singapore	219	74	293	94.8
Australia	16	0	16	5.2
Total	**235**	**74**	**309**	**100.0**

New Hires by Age Group

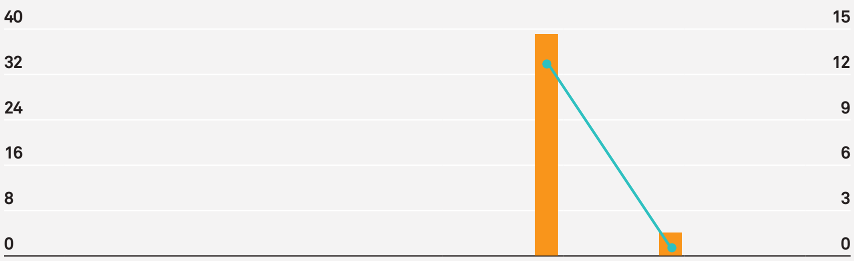


	< 30 years	30-50 years	> 50 years	Total
No. of New hires	15	23	5	**43**
Rate of New hires (% of total employees)	4.9	7.4	1.6	**13.9**

New Hires by Gender

	Male	Female	Total
No. of New hires	19	24	**43**
Rate of New hires (% of total employees)	6.1	7.8	**13.9**

New Hires by Region



	Singapore	Australia	Total
No. of New hires	39	4	**43**
Rate of New hires (% of total employees)	12.6	1.3	**13.9**

Labour

KIFM and KIT consider their people the most important asset. As part of the Keppel Group, we adhere to fair employment practices, respect and uphold human rights, and invest in developing and training our workforce.

Overview

KIFM and KIT's total workforce at the end of 2016 comprised 309 employees, including 235 permanent and 74 temporary employees for our core businesses. All employees are based in Singapore, with the exception of Basslink in Australia where 16 employees are located. There were 151 executives and 158 non-executives, all of whom were working full-time. 11% of our employees were below the age of 30, 55% were between 30 to 50, and 34% were above the age of 50.

In a dynamic labour market, we recruited 19 male and 24 female employees, while 11 male and 15 female employees left. Of those who left, five were below 30 years old, 12 were between 30 and 39 years old, and nine were above 50 years old.

Human Rights

The Group upholds and respects the fundamental principles set out in the United Nations Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. Our approach to human rights is informed and guided by general concepts from the United Nations Guiding Principles on Business and Human Rights.

We do not tolerate unethical labour practices such as child labour, forced labour, slavery and human trafficking in any of our operations. We support the elimination of such exploitive labour. Through our policies and planning and administration of our employment practices, we are confident that our operations are not exposed to issues such as child or forced labour.

Our commitment to human rights is supported by our Employee Code of Conduct, which sets the tone in relation to our stance against discrimination on any basis, including any bias on the basis of ethnicity, gender, religious beliefs, or age. The rules of conduct apply to all employees. Our stance on human rights is aligned with the Keppel Group and is articulated in our Corporate Statement on Human Rights which is made publicly available online.

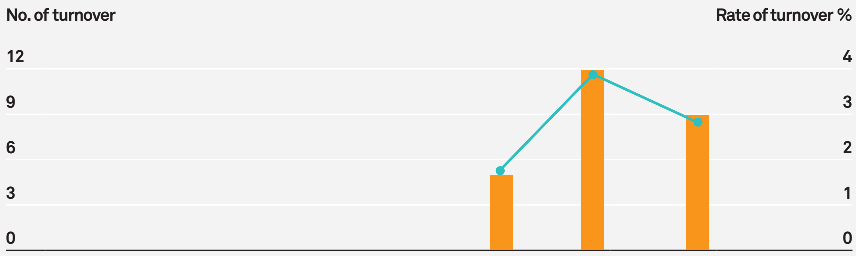
We adhere to the practices spelt out by Singapore's Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP) and strive to uphold the principles articulated in its Employers' Pledge of Fair Employment Practices. We comply with local labour regulations across our operations and with minimum wage laws, where such laws exist.

Unions are our strategic partners and we place great emphasis on maintaining a harmonious relationship with them. Approximately 49% of our workforce are bargainable employees covered by CA.

Guidelines are in place for the appropriate management of grievance cases. For unionised companies, employee grievances are resolved according to the grievance handling protocol spelt out in the respective CA. All registered grievances are investigated and tracked through to final closure. In the case of a grievance, our management and the union will undertake every reasonable effort to resolve the employee's grievance promptly.

There were no grievance cases reported in 2016.

Employee Turnover by Age Group



	< 30 years	30-50 years	>50 years	Total
Voluntary (No. of turnover)	3	12	1	**16**
Non-voluntary (No. of turnover)	2	-	8	**10**
Total No. of turnover	5	12	9	**26**
Rate of turnover (%)	1.6	3.9	2.9	**8.4**

Employee Turnover by Gender

	Male	Female	Total
Voluntary (No. of turnover)	3	13	**16**
Non-voluntary (No. of turnover)	8	2	**10**
Total No. of turnover	11	15	**26**
Rate of turnover (%)	3.6	4.8	**8.4**

Employee Turnover by Region

	Singapore	Australia	Total
Voluntary (No. of turnover)	14	2	**16**
Non-voluntary (No. of turnover)	9	1	**10**
Total No. of turnover	23	3	**26**
Rate of turnover (%)	7.4	1.0	**8.4**

Empowering Lives

Diversity and Equal Opportunity

We respect the values and cultures of the communities in which we operate, and embrace workforce diversity.

Across our operations in Singapore and Australia, we adopt merit-based recruitment practices and emphasise diversity and inclusiveness.

All new hires are considered based on individual competencies as well as organisational and job fit. Our hiring policies ensure equal employment opportunities for all, regardless of race, religion, gender, marital status or age.

Opportunities for advancement, promotion, recognition of achievements, compensation, training and other conditions of employment are provided based on merit. Performance reviews are conducted for all employees. The process, undertaken jointly by the employee and supervisor, entails the setting of targets and a career development

Distribution by Employment Contract & Gender (%)

	Male	Female
Permanent	80.4	19.6
Temporary	70.3	29.7
Overall	78.0	22.0

Gender Diversity of Governance Bodies and Employees

	Male	Female
Individuals in Governance Bodies	13 | 87%	2 | 13%
Senior Management	15 | 88%	2 | 12%
Executives	95 | 71%	39 | 29%
Non-Executives	131 | 83%	27 | 17%

Age Diversity of Governance Bodies and Employees

	< 30 years	30-50 years	>50 years
Individuals in Governance Bodies	0 | 0%	11 | 73%	4 | 27%
Senior Management	0 | 0%	14 | 82%	3 | 18%
Executives	17 | 13%	96 | 72%	21 | 15%
Non-Executives	17 | 11%	59 | 37%	82 | 52%

KIFM and KIT adopt merit-based recruitment practices and emphasise diversity and inclusiveness.

roadmap detailing work plans, training and measurable performance targets. There were no reported incidences of discrimination raised by our employees in 2016.

KIFM's Board of Directors comprises eight directors, one of whom is female. In addition, seven directors are above 50 years of age. Please refer to Page 8 for details.

In 2016, 22.0% of our workforce were females, of which 57.3% were executives.

Fair Employment Policies & Practices

We strive to uphold the principles articulated in the Employers' Pledge of Fair Employment Practices:

1. Recruit and select employees on the basis of merit.
2. Treat employees fairly and with respect and implement progressive HR management systems.
3. Provide employees with equal opportunity to be considered for training and development.
4. Reward employees fairly.
5. Abide by labour laws and ahere to Tripartite Guidelines which promote fair employment practices.

Provision of Benefits

We provide our employees with a comprehensive range of benefits such as leave entitlement, medical benefits and group insurance plans. Part-time employees are entitled to similar benefits on a pro-rata basis.

KIFM and KIT subscribe to a pay-for-performance philosophy. We believe this drives ownership of collective goals and leads to a high-performance culture that creates long-term value for all stakeholders. Our robust performance management system ensures that all permanent employees receive regular

KIT strives to uphold fair employment practices and adheres to the practices spelt out by Singapore's Tripartite Alliance for Fair and Progressive Employment Practices.

Remuneration of Women to Men (%)

	Ratio of the basic salary of women to men	Ratio of the remuneration of women to men
Senior Management	81	99
Executives	91	74
Non-Executives	82	66

KIT strives to uphold the principles articulated in the Employers' Pledge of Fair Employment Practices.

Empowering Lives

performance and career development reviews.

Eligible female employees in Singapore are entitled to a maximum of 16 weeks of paid maternity leave, while eligible male employees in Singapore are entitled to a maximum of two weeks of paid paternity leave, in accordance with the Ministry of Manpower's legislation. In 2016, three employees went on maternity leave and all of them returned to work.

KIFM and KIT adhere to the relevant social security contribution obligations of the countries in which we operate.

In Singapore, the Central Provident Fund (CPF) is a comprehensive social security savings plan that enables salaried Singapore Citizens and Permanent Residents to set aside funds to work towards a secure retirement. Under the CPF scheme, employees and employers make monthly contributions to the employees' CPF accounts in accordance with the prevailing regulations.

Employee Training & Development, Talent Retention

KIFM human capital strategy strives to recruit based on merit, and develop and motivate employees to drive growth for the organisation.

We encourage and enable employees to pursue professional development opportunities. Globally, the overall average number of training hours per employee was approximately 13.1 hours, with an average of 8.5 hours for females and 14.4 hours for males.

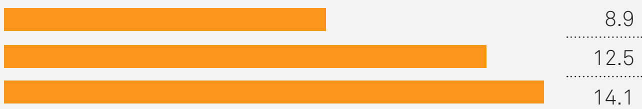
As part of the Keppel Group, KIFM benefits from the talent management process that is centralised at the corporate level. Keppel Corporation's Group Human Resources drives programmes for leadership and executive development, and coordinates information across the business units to ensure that the review of talent is undertaken with consistent data.

To enable employees to develop and refine their skills and competencies, we customise learning and development programmes to cater to different career stages and industry needs.

Keppel Young Leaders

Keppel Young Leaders is a centralised platform for high potential employees across the Keppel Group to cultivate a global mindset and an innovative and entrepreneurial spirit. Through initiatives such as annual symposiums, case studies and strategic reviews, Keppel Young

Average Training Hours by Employee Category (hours)



Senior Management	8.9
Executives	12.5
Non-Executives	14.1

As part of the Keppel Group, KIFM benefits from the talent management process that is centralised at the corporate level.

Leaders benefit from taking on projects beyond their regular job scope and opportunities to network with peers in other Keppel business units and also engage with senior management. This in turn helps harness collective strengths and leverages synergies across the various Keppel business units.

Keppel Leadership Institute

Established in 2015, the Keppel Leadership Institute aims to groom global Keppel Leaders who imbibe our core values and are guided by our operating principles. The Institute exemplifies the Keppel Group's commitment to develop and equip leaders with capabilities to drive our businesses into the future. It also serves to strengthen the *OneKeppel* culture by forging global bonds between Keppel employees.

The Institute offers a diverse range of leadership and professional programmes delivered in modular and blended approach. The programmes are sponsored by senior management, driven by demand, and profoundly contextualised to suit the Keppel Group's needs.

Retaining Experience

Keppel supports re-employability beyond the statutory retirement age. Retirees are offered post-retirement employment opportunities in Keppel, in line with the Singapore Tripartite Guidelines on the re-employment of older employees.

In 2016, 29 retirees were re-employed.

Engaging Employees

Enhancing Communication

On-boarding programmes are conducted to help new hires adapt. Orientation sessions in 2016 included panel sessions which allowed participants from across the Keppel Group to interact with management. New hires are also guided in their professional development by colleagues who are assigned as mentors.

Building Strong Teams

We believe that cohesive teams make for a productive workforce. KIFM participates in the activities organised by the Keppelite Recreation Club, including the annual Keppel Games, a series of sports competitions open to all Keppel employees.

The Keppel Leadership Institute offers a diverse range of leadership and professional programmes to groom global Keppel Leaders.

Nurturing Communities

Community Investments

$46,000

KIT contributed $46,000 to various community outreach initiatives in 2016.

Community Engagement and Development

KIT is committed to contribute to communities wherever we operate. We are proactive in engaging our stakeholders and supporting initiatives that positively impact the community.

Through the Keppel Volunteers programme, the Trustee-Manager encourages its employees, together with colleagues from across the Keppel Group, to participate in various community outreach and volunteer projects.

Community Investments ($)

	2016
Australia	8,000
Singapore	38,000

In 2016, the Trustee-Manager continued its tradition of supporting the SGX Bull Charge by participating in and sponsoring the annual charity run organised by the Singapore Exchange. The event raised funds in aid of four charities - the Asian Women's Welfare Association, Fei Yue Community Services, the Adults at Autism Association (Singapore) and Shared Services for Charities.

In support of Keppel Community Month in August 2016, employees of the Trustee-Manager engaged the elderly

Employees of KIFM guiding senior friends on the ukulele in August 2016.

from the Thye Hua Kwan Senior Activity Centre for an afternoon of musical fiesta. The team shared the joy of learning how to play the ukulele with their senior friends. Together, the staff and elderly learnt basic chords and strummed to popular tunes such as 'You Are My Sunshine', 'Happy Birthday' and 'Just the Way You Are'.

In December 2016, employees of the Trustee-Manager organised a trip to visit the award-winning conservatories at Gardens by the Bay in Singapore with the elderly from Thye Hua Kwan Moral Charities.

City Gas continues to live up to its 'Warming Hearts in the City' slogan by playing an active role in the community through its Corporate Social Responsibility initiatives. These initiatives have reaped good support and interest from its employees who share the company's belief in giving back to society.

One such initiative is City Gas' partnership with the Singapore Red Cross Society. In March 2016, employees came together despite their busy schedules to donate blood at the bloodbank in Woodlands Civic Centre.

In 2016, City Gas continued its collaboration with *Shin Min Daily News*, a Chinese-language newspaper, for the ninth consecutive year for the City Hawker Food Hunt contest. The annual contest aims to support Singapore's food and beverage industry through encouraging Singaporeans to enjoy the country's rich hawker food heritage.

In 2016, while the 'Heritage Hawker Stall Award' award recognised pioneer generation hawkers, a new award category, the 'Green Hawker Stall', was presented to hawker stall owners who are environmentally-friendly. Other awards including 'Economical Hawker

KIFM continued its tradition of supporting the annual SGX Bull Charge charity run organised by the Singapore Exchange.

Nurturing Communities

Stall' and 'Innovative Hawker Stall' were also presented to hawker stall owners.

In June 2016, City Gas launched a new campaign to support lower-income households with a safer kitchen environment. Themed 'Warming Hearts in the Heartlands', City Gas replaced lower-income households' old gas hobs with new gas hobs featuring built-in timer control, an additional safety feature which is especially beneficial for the elderly, who may forget to turn off their gas hobs after cooking.

During 'Giving Week 2016', City Gas staff also spread cheer to these beneficiaries by delivering food hampers and essential cooking items such as rice, oil, salt and sugar to them.

Throughout 2016, the introduction of City Gas' gas hob with built-in timer control gained considerable media coverage, which helped to raise awareness amongst households and senior citizens on the product's capabilities in offering safety and peace of mind while cooking. A collaboration was also forged between City Gas and the Council for Third Age, a public agency that promotes active ageing in Singapore, to provide a special deal for senior citizens interested in this product.

In September 2016, City Gas staff spent an afternoon volunteering their time at St Andrew's Nursing Home for a meaningful cause. Together with a performing arts company, the City Gas employees taught 50 residents how to play the *angklung* and use music as a tool to relax and bond with one another. This initiative also helped to foster strong community spirit among the employees.

City Gas also contributed donations to support the CD Lionhearter Club, which provides an avenue for tertiary students to be engaged in civil defence, emergency preparedness and humanitarian missions.

Employees of KIFM spent a meaningful day at Gardens by the Bay with senior residents from the Thye Hua Kwan Moral Charities in December 2016.

GRI Content Index

GRI Standard	General Standard Disclosure	Disclosure	Page Reference
	General Disclosures		
	Organisational Profile		
102-1	Name of the organisation	●	28, Backcover
102-2	Activities, brands, products, and services	●	14
102-3	Location of headquarters	●	28, Backcover
102-4	Location of operations	●	28, 31
102-5	Ownership and legal form	●	27
102-6	Markets served	●	31-32
102-7	Scale of the organisation	●	31
102-8	Information on employees and other workers	●	44-49
102-9	Supply chain	●	34
102-10	Significant changes to the organisation and its supply chain	●	34
102-11	Precautionary Principle or approach	◑	30
102-12	External initiatives	●	44
102-13	Membership of associations	●	33
102-45	Entities included in the consolidated financial statements	●	27
	Strategy		
102-14	Statement from senior decision-maker	●	4-7, 30
102-15	Key impacts, risks, and opportunities	◑	4-7, 30
	Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	●	1, 29, 32
102-17	Mechanisms for advice and concerns about ethics	●	32, 145-146
	Governance		
102-18	Governance structure	●	32, 142-144
102-19	Delegating authority	◑	32
102-20	Executive-level responsibility for economic, environmental, and social topics	●	32
102-21	Consulting stakeholders on economic, environmental, and social topics	●	A stakeholder engagement exercise on economic, environmental and social topics for FY 2016 was not conducted.
102-22	Composition of the highest governance body and its committees	●	32
	Stakeholder Engagement		
102-40	List of stakeholder groups	●	33
102-41	Collective bargaining agreements	●	44
102-42	Identifying and selecting stakeholders	●	33
102-43	Approach to stakeholder engagement	●	33
102-43	Approach to stakeholder engagement	●	33
102-44	Key topics and concerns raised	●	33
	Reporting Practice		
103-1	Management Approach	●	32
102-46	Defining report content and topic Boundaries	●	32
102-47	List of material topics	●	32
102-48	Restatements of information	●	Not applicable as this is KIT's first GRI sustainability report.

Legend ● Fully reported ◑ Partially reported

GRI Content Index

GRI Standard	General Standard Disclosure	Disclosure	Page Reference
	Reporting Practice		
102-49	Changes in reporting	●	Not applicable as this is KIT's first GRI sustainability report.
102-50	Reporting period	●	31
102-51	Date of most recent report	●	This is KIT's first sustainability report.
102-52	Reporting cycle	●	31
102-53	Contact point for questions regarding the report	●	31
102-54	Claims of reporting in accordance with the GRI Standards	●	31
102-55	GRI content index	●	53-56
102-56	External assurance	●	This report has not been externally assured.
	Topic Specific Disclosures		
	Economic Performance		
103-1 103-2 103-3	Management Approach	●	4-7, 14-25, 32, 36
201-1	Direct economic value generated and distributed	●	2-3, 14-24
	Business Integrity / Anti Corruption		
103-1 103-2 103-3	Management Approach	●	31, 34, 38
205-1	Operations assessed for risks related to corruption	●	KIT does not currently track this data.
205-2	Communication and training about anti-corruption policies and procedures	●	34
205-3	Confirmed incidents of corruption and actions taken	●	34
	Governance, Risk and Compliance		
103-1 103-2 103-3	Management Approach	◑	34, 135-137, 157-158
419-1	Non-compliance with laws and regulations in the social and economic area	●	There have been four incidences of non-compliance with laws and regulations resulting in fines in 2016.

Legend ● Fully reported ◑ Partially reported

GRI Standard	General Standard Disclosure	Disclosure	Page Reference
	Environment		
	Energy		
103-1 103-2 103-3	Management Approach	●	32, 36-37
302-1	Energy consumption within the organisation	●	37
302-2	Energy consumption outside of the organisation	●	KIT does not currently track this.
302-3	Energy intensity	●	37
302-4	Reduction of energy consumption	●	37
	Water		
103-1 103-2 103-3	Management Approach	●	32, 38-39
303-1	Water withdrawal by source	●	38
303-2	Water sources significantly affected by withdrawal of water	●	38
303-3	Water recycled and reused	●	38-39
	Emissions		
103-1 103-2 103-3	Management Approach	●	32, 40-41
305-1	Direct (Scope 1) GHG emissions	●	40
305-2	Energy indirect (Scope 2) GHG emissions	●	40
305-4	GHG emissions intensity	●	41
305-7	Nitrogen oxides (NOx), sulfur dioxides (SO_2), and other significant air emissions	●	41
	Effluents and Waste		
103-1 103-2 103-3	Management Approach	◑	33, 40-41
306-1	Water discharge by quality and destination	●	Water discharged is within regulatory limits.
306-2	Waste by type and disposal method	◑	40
	Environmental Compliance		
103-1 103-2 103-3	Management Approach	●	32, 36, 37, 40
307-1	Non-compliance with environmental laws and regulations	●	There were no reported incidences of non-compliance with environmental laws and regulations in 2016.

Legend ● Fully reported ◑ Partially reported

GRI Content Index

GRI Standard	General Standard Disclosure	Disclosure	Page Reference
	Health and Safety		
103-1 103-2 103-3	Management Approach	●	32, 42
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	●	43
	Diversity and Equal Opportunity		
103-1 103-2 103-3	Management Approach	●	32, 46
405-1	Diversity of governance bodies and employees	●	46-47
405-2	Ratio of basic salary and remuneration of women to men	●	47
	Employee Training and Development, Talent Retention		
103-1 103-2 103-3	Management Approach	●	48-49
404-1	Average hours of training per year per employee	●	48
	Labour Practices		
103-1 103-2 103-3	Management Approach	●	44-45
406-1	Incidents of discrimination and corrective actions taken	●	45
412-2	Employee training on human rights policies or procedures	●	KIT has not conducted training on Human Rights for FY 2016.
	Community Engagement and Development		
103-1 103-2 103-3	Management Approach	●	50-52
413-1	Operations with local community engagement, impact assessments, and development programmes	●	No impact assessments were carried out during FY 2016.
	Security		
103-1 103-2 103-3	Management Approach	●	34

Legend ● Fully reported ◑ Partially reported

Trustee-Manager's Statement & Financial Statements

Trustee-Manager's Statement

Keppel Infrastructure Fund Management Pte. Ltd. was appointed as the Trustee-Manager of Keppel Infrastructure Trust (the "Trust") on May 18, 2015.

The directors of the Trustee-Manager present their statement, together with the audited consolidated financial statements of the Trust and its subsidiaries (collectively the "Group") and statement of financial position and statement of changes in unitholders' funds of the Trust for the financial year ended December 31, 2016.

Opinion of the Directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in unitholders' funds of the Trust as set out on pages 66 to 123 are drawn up so as to give a true and fair view of the financial position of the Group and of the Trust as at December 31, 2016, and the financial performance, changes in unitholders' funds and cash flows of the Group and changes in unitholders' funds of the Trust for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Trust will be able to pay its debts when they fall due.

In accordance with Section 86(2) of the Singapore Business Trusts Act, Chapter 31A (the "Act"), we further certify:

(a) the fees or charges paid or payable out of the trust property of the Trust to the Trustee- Manager are in accordance with the Trust Deed;

(b) the interested person transactions entered into by the Group during the financial year ended December 31, 2016 are not detrimental to the interests of all the unitholders of the Trust as a whole based on the circumstances at the time of the relevant transactions; and

(c) the Board of Directors of the Trustee-Manager is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the unitholders of the Trust as a whole.

In accordance with Regulation 12(6) of the Singapore Business Trust Regulations ("BTR"), the Board of Directors of the Trustee-Manager may determine that a director who is not considered to be independent from management and business relationships with the Trustee-Manager under Regulation 3; or not considered to be independent from a substantial shareholder of the Trustee-Manager under Regulation 4, is nonetheless independent from management and business relationships with the Trustee-Manager or independent from a substantial shareholder of the Trustee-Manager, if the Board of Directors is satisfied that the director's independent judgment and ability to act with regard to the interests of all the unitholders of the Trust as a whole will not be interfered with, despite the relationships.

The details of the Board of Directors' review and determination under Regulation 12(7) of the BTR are disclosed in the Corporate Governance section of the Annual Report of the Trust in accordance to Regulations 12(8) and 12(9) of the BTR.

Directors

The directors of the Trustee-Manager in office at the date of this statement are:

Koh Ban Heng (Chairman)
Thio Shen Yi
Daniel Cuthbert Ee Hock Huat
Kunnasagaran Chinniah
Mark Andrew Yeo Kah Chong
Ong Tiong Guan
Alan Tay Teck Loon
Christina Tan Hua Mui Appointed on September 15, 2016

Arrangements to Enable Directors to Acquire Units or Debentures

Neither at the end of the financial year nor at any time during the financial year was the Trustee-Manager a party to any arrangement whose object was to enable the directors of the Trustee-Manager to acquire benefits by means of the acquisition of units in, or debentures of the Trust.

Directors' Interests in Units or Debentures

The directors of the Trustee-Manager at the end of the financial year had no interests in the unit capital and debentures of the Trust as recorded in the register kept by the Trustee-Manager for the purposes of Sections 13 and 76 of the Act except as follows:

Name of directors and corporation in which interests are held	Direct interest At beginning of financial year	Direct interest At end of financial year	Deemed interest At beginning of financial year	Deemed interest At end of financial year
Interests in Keppel Infrastructure Trust (Units)				
Thio Shen Yi	906	906	-	-
Kunnasagaran Chinniah	513,600	513,600	421,346	421,346

The unitholdings of the above directors as at January 21, 2017 were the same as those at December 31, 2016.

Unit Options

(a) Options to take up unissued unit
During the financial year, there were no options granted by the Trustee-Manager to any person to take up unissued units in the Trust.

(b) Options exercised
During the financial year, there were no units of the Trust issued by virtue of the exercise of an option to take up unissued units.

(c) Unissued unit under options
At the end of the financial year, there were no unissued units of the Trust under options.

Audit Committee

The members of the Audit Committee of the Trustee-Manager during the financial year and as at the date of this report are:

Mark Andrew Yeo Kah Chong (Chairman)
Koh Ban Heng
Daniel Cuthbert Ee Hock Huat Appointed on May 13, 2016

All members of the Audit Committee are independent and are non-executive directors.

The Audit Committee carried out its functions in accordance with Regulation 13(6) of the Singapore Business Trusts Regulations 2005 and the SGX Listing Manual.

In performing its functions, the Audit Committee met with the Trust's external and internal auditors to discuss the scope and results of their audits and evaluation of the Group's internal accounting control system.

The Audit Committee also reviewed the following:

(a) The audit plan and results of the internal auditor's examination and evaluation of the Group's systems of internal accounting controls;

(b) The Group's financial and operating results and accounting policies;

(c) The financial statements of the Trust and the consolidated financial statements of the Group before their submission to the directors of the Trustee-Manager and external auditor's report on those financial statements;

(d) The adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems;

(e) The quarterly, half-yearly and annual announcements on the results and financial position of the Trust and the Group;

(f) The co-operation and assistance given by the Trustee-Manager's officers to the Group's external auditors; and

(g) The re-appointment of the external auditors of the Group.

Trustee-Manager's Statement

Audit Committee (continued)

The Audit Committee has full access to and had the co-operation of the Trustee-Manager and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officers of the Trustee-Manager to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors of the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the unitholders.

Auditor

The auditor, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors of the Trustee-Manager

Koh Ban Heng
Chairman

Ong Tiong Guan
Director

Singapore
February 24, 2017

Statement by the Chief Executive Officer

In accordance with Section 86(3) of the Act, I certify that I am not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the unitholders of the Trust as a whole.

Khor Un-Hun
Chief Executive Officer

Singapore
February 24, 2017

Independent Auditor's Report

to the Unitholders of Keppel Infrastructure Trust
(Constituted under a Trust Deed in the Republic of Singapore)

Report on Audit of the Financial Statements

Opinion

We have audited the financial statements of Keppel Infrastructure Trust (the "Trust") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position of the Group and the statement of financial position of the Trust as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in unitholders' funds and consolidated statement of cash flows of the Group and the statement of changes in unitholders' funds of the Trust for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 66 to 123.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in unitholders' funds of the Trust are properly drawn up in accordance with the provisions of Singapore Business Trusts Act, Chapter 31A (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Trust as at December 31, 2016 and the consolidated financial performance, consolidated changes in unitholders' funds and consolidated cash flows of the Group and changes in unitholders' funds of the Trust for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	**Our audit performed and responses thereon**
Impairment of Assets – property, plant and equipment, finite-lived intangible assets, investments in and advances to subsidiaries and goodwill Under FRS 36 Impairment of Assets, the Group is required to test goodwill for impairment annually and for other assets where there are indicators of impairment. This assessment requires the exercise of significant judgement in determining the recoverable values of the cash generating units ("CGUs"), including growth rates, discount rates, terminal values and expected changes to selling prices and direct costs. These assets represent a significant portion of the Group's and Trust's total assets and their proportion as at December 31, 2016 are as follows: • Property, plant and equipment (57.8% of Group's total assets); • Goodwill (10.6% of Group's total assets) • Finite-lived intangible assets (2.4% of Group's total assets) • Investments in and advances to subsidiaries, which are quasi-equity loans (52.7% of Trust's total assets) The key assumptions to the impairment test and the sensitivity of changes in these assumptions to the risk of impairment are disclosed in Notes 7 and 8 to the financial statements.	Our audit procedures focused on evaluating and challenging the key assumptions used by the Trustee-Manager in concluding the impairment review. These procedures included: • Using our valuation specialists to review key assumptions used in the impairment analysis, in particular the discount rates and terminal values; • Challenging the cashflow forecasts used, with comparison to recent performance, trend analysis and market expectations; and • By reference to prior years' forecasts, where relevant, assessing whether the Group has achieved them. Based on our procedures, we noted the Trustee-Manager's key assumptions to be within a reasonable range of our expectations. We have also assessed the adequacy and appropriateness of the disclosures made in the consolidated financial statements.

Key Audit Matters	Our audit performed and responses thereon

Basslink cable outage (the "outage")
As detailed in Note 43 to the financial statements, the Basslink Interconnector experienced an unplanned outage on December 20, 2015.

The Basslink operations represent the Group's electricity segment, which is further disclosed in Note 42 to the financial statements.

The implications of the outage include, inter alia, the following:

- Breach of minimum debt service coverage ratio on loan covenant
  As disclosed in Note 19 to the financial statements, the Basslink bank borrowings of A$700m (S$742m) has been classified as current liabilities as at December 31, 2016. Basslink's ability to continue as a going concern is highly dependent on the lenders not demanding repayment of the loan and withdrawing the credit facility.

  The Trustee-Manager continues to hold the view that the lenders remain supportive of Basslink and that the lenders do not intend to exercise their rights to recall the bank borrowings in the near term if the liquidity and stability of Basslink are maintained.

  Furthermore:
  - The Basslink bank borrowings are non-recourse to the Group;
  - The breach in the loan covenant in the Basslink loan agreement does not result in any cross default on other borrowings within the Group; and
  - The Group is not dependent on Basslink's cashflow for its operations and distributions to unitholders for at least the 12-month period from the date of the audit report.

  Accordingly, the Trustee-Manager has assessed that the implications of the outage detailed above do not impact the going concern assumption of the Group.

- Recoverability of Basslink's receivables
  As disclosed in Note 43 to the financial statements, Basslink's customer, Hydro Tasmania ("HT"), disputed the claim that the outage was a 'force majeure' event and has not paid Basslink facility fees since September 2016.

  On December 5, 2016, an independent submarine power cable expert engaged by Basslink concluded in its report (the "outage investigation report"), amongst others, that the cause of the cable outage is unknown. The Trustee-Manager is of the view that the outage investigation report supported Basslink's claim that the cause of the cable fault was a 'force majeure' event. Following the release of the outage investigation report, HT has made partial payments to Basslink prior to the end of the reporting period.

  The Trustee-Manager is of the view that the carrying amount of Basslink's receivables as at December 31, 2016 approximates the recoverable amount.

We evaluated the Trustee-Manager's assessment of the implications of the outage to the Group, in particular, the following:

- The breach of loan covenant and the impact to the Group's going concern assumption;
- Recoverability of Basslink's receivables; and
- Accounting for the insurance proceeds from the outage.

We reviewed the Group's loan agreements and noted that the aforesaid default under the Basslink loan agreement does not result in any cross default on other borrowings within the Group. We have also sought legal representation that the Basslink bank borrowings are non-recourse to the Group.

We reviewed the cashflow contribution of Basslink to the Group to corroborate the Trustee-Manager's view that the Group is not dependent on Basslink's cashflow for its operations and distributions to unitholders for at least the 12-month period from the date of the audit report.

We reviewed the Basslink Services Agreement with HT, the outage investigation report supporting the outage as a 'force majeure' event, and also verified the partial payments made by the customer, HT. Based on our procedures, we found the Trustee-Manager's basis of assessment that the carrying amount of Basslink's receivables as at December 31, 2016 approximates the recoverable amount to be reasonable.

We evaluated the appropriateness of the accounting policies applied on the recognition of insurance proceeds and we verified the receipts of the insurance proceeds.

We have also assessed the adequacy and appropriateness of the disclosures made in the consolidated financial statements.

Independent Auditor's Report

to the Unitholders of Keppel Infrastructure Trust
(Constituted under a Trust Deed in the Republic of Singapore)

Key Audit Matters	Our audit performed and responses thereon
Basslink cable outage (the "outage") (continued) • Insurance claims on the outage During the year ended December 31, 2016, Basslink received an upfront insurance payment of A\$40m (S\$41m), of which A\$25m (S\$26m) was designated to cover the loss of income arising from business interruption and A\$15m (S\$15m) was designated to cover the cost of physical loss and damage. As disclosed in Notes 17 and 32 to the financial statements, the Group has recognised: - the insurance proceeds to cover the loss of income arising from business interruption in profit or loss to the extent of the amount received from the insurer; and - the costs incurred to repair the Basslink Interconnector, net of insurance proceeds, as Other Receivables on the statement of financial position. The usage of the insurance proceeds received is restricted and subject to the consent of the lenders as a result of, amongst others, the aforesaid subsisting default under the Basslink loan agreement.	

Information Other than the Financial Statements and Auditor's Report Thereon

Trustee-Manager is responsible for the other information. The other information comprises the Key Figures for 2016, Financial Highlights, Chairman's Statement, composition of Board of Directors, The Trustee-Manager, Operations Review, Financial Review, Keppel Infrastructure Trust's Unit Price Performance, Significant Events for year ended 2016, Trust Structure, Corporate Information, Sustainability Report, Trustee-Manager's Statement, Statement by the Chief Executive Officer, Corporate Governance, Risk Management and Financial Calendar but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this audit report, and the Statistic of Unitholdings which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Trustee-Manager and the Directors of the Trustee-Manager for the Financial Statements

The Trustee-Manager of the Trust is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, the Trustee-Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee-Manager either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors of the Trustee-Manager's responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee-Manager.

- Conclude on the appropriateness of Trustee-Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors of the Trustee-Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors of the Trustee-Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors of the Trustee-Manager, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Trust and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner responsible for the audit resulting in this independent auditor's report is Mr Patrick Tan Hak Pheng.

Deloitte & Touche

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

February 24, 2017

Statement of Financial Position

December 31, 2016

	Note	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Non-Current Assets					
Property, plant and equipment	6	**2,379,600**	2,455,759	**–**	–
Intangibles	7	**537,165**	553,542	**–**	–
Investment in subsidiaries	8	**–**	–	**951,030**	1,029,111
Investment in and advances to joint venture	9	**23,432**	21,434	–	–
Notes receivables	10	**–**	–	**775,712**	775,712
Amount receivable from a subsidiary	11	**–**	–	**22,028**	–
Service concession receivables	12	**424,025**	436,232	**–**	–
Finance lease receivables	13	**114,823**	124,142	**–**	–
Derivative financial instruments	14	**–**	12,939	**–**	–
Other assets	15	**122,874**	32,132	**–**	–
Total non-current assets		**3,601,919**	3,636,180	**1,748,770**	1,804,823
Current Assets					
Cash and bank deposits	16	**266,859**	243,636	**51,969**	56,759
Trade and other receivables	17	**118,866**	90,462	**4,717**	5,594
Service concession receivables	12	**44,034**	57,853	**–**	–
Finance lease receivables	13	**9,319**	8,995	**–**	–
Derivative financial instruments	14	**1,055**	–	**–**	–
Inventories	18	**54,456**	55,990	**–**	–
Other current assets	15	**22,134**	22,362	**55**	172
Total current assets		**516,723**	479,298	**56,741**	62,525
Current Liabilities					
Borrowings	19	**752,106**	25,108	**–**	–
Loan from a related party	20	**–**	4,541	**–**	4,541
Loan from a subsidiary	21	**–**	–	**43,335**	99,000
Trade and other payables	22	**160,193**	144,279	**4,122**	4,023
Derivative financial instruments	14	**19,571**	20,481	**–**	–
Income tax payable		**5,454**	9,044	**19**	52
Total current liabilities		**937,324**	203,453	**47,476**	107,616
Net Current (Liabilities)/Assets		**(420,601)**	275,845	**9,265**	(45,091)
Non-Current Liabilities					
Borrowings	19	**1,058,576**	1,644,530	**122,612**	–
Loan from a subsidiary	21	**–**	–	**–**	43,335
Notes payable to non-controlling interests	24	**260,000**	260,000	**–**	–
Derivative financial instruments	14	**85,976**	73,312	**986**	–
Other payables	25	**268,838**	265,658	**–**	–
Provisions	23	**31,280**	38,143	**–**	–
Deferred tax liabilities	26	**22,678**	29,596	**–**	–
Total non-current liabilities		**1,727,348**	2,311,239	**123,598**	43,335
Net Assets		**1,453,970**	1,600,786	**1,634,437**	1,716,397
Represented by:					
Unitholders' Funds					
Units in issue	27	**2,137,389**	2,137,322	**2,137,389**	2,137,322
Hedging reserve	28	**(204,478)**	(201,772)	**(986)**	–
Translation reserve		**(26,587)**	(27,122)	**–**	–
Capital reserve	29	**38,710**	38,710	**–**	–
Accumulated losses		**(689,644)**	(587,350)	**(501,966)**	(420,925)
Total Unitholders' Funds		**1,255,390**	1,359,788	**1,634,437**	1,716,397
Non-controlling interests		**198,580**	240,998	**–**	–
		1,453,970	1,600,786	**1,634,437**	1,716,397

See accompanying notes to financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2016

	Note	From January 1, 2016 to December 31, 2016 (12 months) $'000	From April 1, 2015 to December 31, 2015 (9 months) $'000
Revenue	31	**581,117**	427,852
Other income	32	**27,534**	3,002
Other (losses)/gains - net	33	**(9,539)**	2,514
Expenses			
Fuel and electricity costs		**(97,775)**	(101,572)
Gas transportation costs		**(90,670)**	(65,267)
Depreciation and amortisation		**(113,712)**	(67,721)
Staff costs	34	**(25,971)**	(18,708)
Operation and maintenance costs		**(95,847)**	(57,618)
Finance costs	35	**(116,970)**	(78,832)
Trustee-Manager's fees	36	**(9,669)**	(7,250)
Other operating expenses		**(42,672)**	(35,066)
Total expenses		**(593,286)**	(432,034)
Profit before joint venture		**5,826**	1,334
Share of results of joint venture	9	**710**	(171)
Profit before tax	37	**6,536**	1,163
Income tax expense	38	**(415)**	(2,766)
Profit/(Loss) for the year		**6,121**	(1,603)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges:			
- Fair value (losses)/gains		**(26,872)**	25,881
- Transfer to profit or loss		**20,058**	11,880
- Share of net change in fair value of cash flow hedges of a joint venture		**(430)**	–
Currency translation differences relating to consolidation of foreign operations		**549**	45
Other comprehensive income, net of tax		**(6,695)**	37,806
Total comprehensive income		**(574)**	36,203
Profit/(Loss) attributable to:			
Unitholders of the Trust		**41,188**	15,457
Non-controlling interests		**(35,067)**	(17,060)
		6,121	(1,603)
Total comprehensive income attributable to:			
Unitholders of the Trust		**39,017**	49,801
Non-controlling interests		**(39,591)**	(13,598)
		(574)	36,203
Earnings per unit attributable to unitholders of the Trust, expressed in cents			
- basic and diluted	39	**1.07**	0.46

See accompanying notes to financial statements.

Statements of Changes in Unitholders' Funds

Year ended December 31, 2016

	Note	Attributable to Unitholders of the Trust							
		Units in issue (Note 27) $'000	Hedging reserve (Note 28) $'000	Translation reserve $'000	Capital reserve (Note 29) $'000	Accumulated losses $'000	Total unitholders' funds $'000	Non-controlling interests $'000	Total $'000
Group									
At January 1, 2016		**2,137,322**	**(201,772)**	**(27,122)**	**38,710**	**(587,350)**	**1,359,788**	**240,998**	**1,600,786**
Total comprehensive income									
Profit/(Loss) for the year		**–**	**–**	**–**	**–**	**41,188**	**41,188**	**(35,067)**	**6,121**
Other comprehensive income for the year		**–**	**(2,706)**	**535**	**–**	**–**	**(2,171)**	**(4,524)**	**(6,695)**
Total		**–**	**(2,706)**	**535**	**–**	**41,188**	**39,017**	**(39,591)**	**(574)**
Transactions with owners, recognised directly in equity									
Units issued	27	**67**	**–**	**–**	**–**	**–**	**67**	**–**	**67**
Distributions paid	30	**–**	**–**	**–**	**–**	**(143,482)**	**(143,482)**	**(2,827)**	**(146,309)**
Total		**67**	**–**	**–**	**–**	**(143,482)**	**(143,415)**	**(2,827)**	**(146,242)**
At December 31, 2016		**2,137,389**	**(204,478)**	**(26,587)**	**38,710**	**(689,644)**	**1,255,390**	**198,580**	**1,453,970**
At April 1, 2015		886,731	(236,114)	(27,124)	38,710	(475,329)	186,874	11,855	198,729
Total comprehensive income									
Profit/(Loss) for the year		–	–	–	–	15,457	15,457	(17,060)	(1,603)
Other comprehensive income for the year		–	34,342	2	–	–	34,344	3,462	37,806
Total		–	34,342	2	–	15,457	49,801	(13,598)	36,203
Transactions with owners, recognised directly in equity									
Units issued	27	1,250,591	–	–	–	–	1,250,591	–	1,250,591
Non-controlling interest arising from acquisition of subsidiary	40	–	–	–	–	–	–	245,000	245,000
Distributions paid	30	–	–	–	–	(127,478)	(127,478)	(2,259)	(129,737)
Total		1,250,591	–	–	–	(127,478)	1,123,113	242,741	1,365,854
At December 31, 2015		2,137,322	(201,772)	(27,122)	38,710	(587,350)	1,359,788	240,998	1,600,786

See accompanying notes to financial statements.

	Note	Units in issue (Note 27) $'000	Hedging reserve (Note 28) $'000	Accumulated losses $'000	Total unitholders' funds $'000
Trust					
At January 1, 2016		**2,137,322**	**–**	**(420,925)**	**1,716,397**
Total comprehensive income					
Profit for the year		**–**	**–**	**62,441**	**62,441**
Other comprehensive income for the year		**–**	**(986)**	**–**	**(986)**
Total		**–**	**(986)**	**62,441**	**61,455**
Transactions with owners, recognised directly in equity					
Units issued	27	**67**	**–**	**–**	**67**
Distributions paid	30	**–**	**–**	**(143,482)**	**(143,482)**
Total		**67**	**–**	**(143,482)**	**(143,415)**
At December 31, 2016		**2,137,389**	**(986)**	**(501,966)**	**1,634,437**
At April 1, 2015		886,731	–	(163,201)	723,530
Total comprehensive income					
Loss for the year		–	–	(130,246)	(130,246)
Transactions with owners, recognised directly in equity					
Units issued	27	1,250,591	–	–	1,250,591
Distributions paid	30	–	–	(127,478)	(127,478)
Total		1,250,591	–	(127,478)	1,123,113
At December 31, 2015		2,137,322	–	(420,925)	1,716,397

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Year ended December 31, 2016

	Note	From January 1, 2016 to December 31, 2016 (12 months) $'000	From April 1, 2015 to December 31, 2015 (9 months) $'000
Operating activities			
Profit before tax		**6,536**	1,163
Adjustments for:			
Depreciation and amortisation		**113,712**	67,721
Finance costs		**116,970**	78,832
Interest income		**(1,911)**	(1,871)
Allowance for doubtful trade and other receivables	17	**310**	348
Fair value loss/(gain) on derivative financial instruments		**9,199**	(2,697)
Property, plant and equipment written off	37	**486**	99
Gain on construction of assets		**(773)**	–
Loss/(gain) on disposal of property, plant and equipment		**17**	(12)
Share of results of joint venture		**(710)**	171
Unrealised foreign exchange gain		**(29)**	(22)
Management fees paid in units		**67**	–
Operating cash flows before movements in working capital		**243,874**	143,732
Trade and other receivables		**(115,847)**	(36,742)
Service concession receivables		**42,257**	15,383
Finance lease receivables		**8,995**	6,571
Trade and other payables		**21,170**	(3,322)
Inventories		**830**	2,014
Cash generated from operations		**201,279**	127,636
Interest received		**1,682**	1,679
Interest paid		**(110,236)**	(72,635)
Income tax paid		**(8,553)**	(8,346)
Net cash from operating activities		**84,172**	48,334
Investing activities			
Advances to joint venture		**(2,738)**	(5,253)
Repayment of advances from joint venture		**1,020**	–
Purchase of property, plant and equipment		**(947)**	(2,133)
Proceeds from sale of property, plant and equipment		**7**	21
Acquisition of subsidiaries, net of cash acquired	40	**–**	(13,148)
Construction of assets		**(17,487)**	–
Proceeds from sale of inventories		**704**	–
Net cash used in investing activities		**(19,441)**	(20,513)
Financing activities			
Increase in restricted cash		**(8,774)**	(3,366)
Proceeds from notes issued by subsidiary to non-controlling interest		**–**	245,000
Proceeds from borrowings		**122,848**	–
Repayment of related parties' loans		**(4,541)**	(500,000)
Repayment of borrowings		**(13,130)**	(156,079)
Net proceeds raised from issuance of units		**–**	521,116
Payment of loan upfront fees		**(326)**	(2,100)
Distributions paid to unitholders of the Trust	30	**(143,482)**	(127,478)
Distributions paid by subsidiaries to non-controlling interests		**(2,827)**	(2,259)
Net cash used in financing activities		**(50,232)**	(25,166)
Net increase in cash and cash equivalents		**14,499**	2,655
Cash and cash equivalents at beginning of year		**200,064**	197,862
Effects of currency translation on cash and cash equivalents		**(50)**	(453)
Cash and cash equivalents at end of year	16	**214,513**	200,064

See accompanying notes to financial statements.

Notes to the Financial Statements
December 31, 2016

1. General

Keppel Infrastructure Trust, (the "Trust") is a business trust registered with the Monetary Authority of Singapore and domiciled in Singapore. The Trust was constituted by a trust deed dated January 5, 2007 and is regulated by the Singapore Business Trusts Act, Chapter 31A.

In 2015, the Trust changed its Trustee-Manager from CitySpring Infrastructure Management Pte. Ltd. to Keppel Infrastructure Fund Management Pte. Ltd. Under the trust deed, Keppel Infrastructure Fund Management Pte. Ltd. (the "Trustee-Manager") will hold the assets (including businesses) acquired in trust for the unitholders as the Trustee-Manager. The registered address and principal place of business of the Trustee-Manager is at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 and 230 Victoria Street, #05-08 Bugis Junction Towers, Singapore 188024 (2015 : 1 HarbourFront Avenue, #06-09 Keppel Bay Tower, Singapore 098632) respectively.

The Trust has been established with the principal objective of investing in infrastructure assets and providing unitholders with regular and predictable distributions and the potential for long-term capital growth. The principal activities of the subsidiaries of the Trust are set out in Note 8.

The Trust was admitted to the Official List of the Main Board of Singapore Exchange Securities Trading Limited on February 12, 2007.

The consolidated financial statements of the Group and statement of financial position and statement of changes in unitholders' funds of the Trust for the financial year were authorised for issue by the Board of Directors of the Trustee-Manager on February 24, 2017.

2. Summary of Significant Accounting Policies

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2016, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and the Trust's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following FRSs and amendments to FRS that are relevant to the Group and the Trust were issued but not effective:

- FRS 109 *Financial Instruments* [2]
- FRS 115 *Revenue from Contracts with Customers (with clarifications issued)* [2]
- FRS 116 *Leases* [3]
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative* [1]

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

- Amendments to FRS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses* [1]
- Amendments to FRS 110 *Consolidated Financial Statements* and FRS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]

[1] Applies to annual periods beginning on or after January 1, 2017, with early application permitted.
[2] Applies to annual periods beginning on or after January 1, 2018, with early application permitted.
[3] Applies to annual periods beginning on or after January 1, 2019, with earlier application permitted if FRS 115 is adopted.
[4] Application has been deferred indefinitely, however, early application is still permitted.

Consequential amendments were also made to various standards as a result of these new/revised standards.

Singapore Business Trusts listed on the Singapore Exchange ("SGX") will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after January 1, 2018. The Group will be adopting the new framework for the first time for financial year ending December 31, 2018, with retrospective application to the comparative financial year ending December 31, 2017 and the opening statement of financial position as at January 1, 2017 (date of transition).

Based on a preliminary assessment of the potential impact arising from IFRS 1 *First-time adoption of IFRS*, management does not expect any changes to the Group's current accounting policies or material adjustments on transition to the new framework, other than those that may arise from implementing new/revised IFRSs, and the election of certain transition options available under IFRS 1.

Management is currently performing a detailed analysis of the transition options and other requirements of IFRS 1. Particularly, management is evaluating the following transition options, and if elected, may result in material adjustments on transition to the new framework:

- Option to reset the translation reserve to zero as at date of transition

The preliminary assessment above may be subject to change arising from the detailed analysis.

FRS 109 *Financial Instruments*
FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

Key requirements of FRS 109:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Trustee-Manager anticipates that the initial application of the new FRS 109 will result in changes to the accounting policies relating to the impairment provisions of financial assets and liabilities. The Trustee-Manager will consider whether a lifetime or 12-month expected credit losses on financial assets and liabilities should be recognised, which is dependent on whether there has been a significant increase in the credit risk of the assets and liabilities from initial recognition to the date of initial application of FRS 109. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the Trustee-Manager has yet to complete its detailed assessment. The Trustee-Manager does not plan to early adopt the new FRS 109.

FRS 115 *Revenue from Contracts with Customers*
In November 2015, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

The Trustee-Manager does not expect the adoption of the above FRS to have a material impact on the financial statements of the Group and Trust in the period of their initial adoption. However, additional disclosures for trade receivables and revenue may be required including any significant judgement and estimation made. It is currently impracticable to disclose any further information on the known or reasonably estimated impact to the financial statements of the Group in the period of initial adoption as the Trustee-Manager has yet to complete its detailed assessment. The Trustee-Manager does not plan to early adopt the new FRS 115.

FRS 116 *Leases*
FRS 116 was issued in June 2016 and will supersede FRS 17 *Leases* and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

The Trustee-Manager expects the adoption of the above FRS to have a material impact on the financial statements of the Group in the period of their initial adoption, in particular on property, plant and equipment, finance lease liabilities and depreciation expenses. It is currently impracticable to disclose any further information on the known or reasonably estimated impact to the financial statements of the Group in the period of initial adoption as the Trustee-Manager has yet to complete its detailed assessment. The Trustee-Manager does not plan to early adopt the new FRS 116.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Trust and entities controlled by the Trust (its subsidiaries). Control is achieved when the Trust:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Trust reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

When the Trust has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Trust considers all relevant facts and circumstances in assessing whether or not the Trust's voting rights in an investee are sufficient to give it power, including:

- The size of the Trust's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Trust, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Trust has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Trust obtains control over the subsidiary and ceases when the Trust loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Trust gains control until the date when the Trust ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Trust and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Trust and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interest in a subsidiary that do not result in Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to unitholders of the Trust.

When the Group loses control of a subsidiary, a gain or loss is recognised in the profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, or when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the Trust's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income or expense is recognised on an effective interest basis for debt instruments other than those financial instruments at "fair value through profit or loss".

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified category: financial assets "at fair value through profit or loss" and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or

- On initial recognition, it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- It is a derivative that is not designated and effective as a hedging instrument.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and FRS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in 'other gains and losses' line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 4.

<u>Loans and receivables</u>
Trade and other receivables and notes receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables, notes receivables, cash and bank deposits) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

<u>Service concession arrangements</u>
The Group has entered into service concession arrangements with governing agencies (the grantors) of the Government of Singapore to operate a water treatment plant and two waste-to-energy plants in Singapore. Under the concession arrangements, the Group will operate the plants for agreed original concession periods of between 15 to 25 years and transfer the plants to the grantors at the end of the concession periods. Such a concession arrangements fall within the scope of INT FRS 112 *Service Concession Arrangements* and are accounted for as service concession receivables.

The Group recognises a finance receivable arising from a service concession arrangement when it has a right to receive a fixed and determinable amount of payments during the concession period irrespective of the usage of the concession infrastructure. When the Group receives a payment during the concession period, it will apportion such payment between (i) a repayment of the finance receivable (if any), which will be used to reduce the carrying amount of the finance receivable on its statement of financial position, (ii) interest income, which will be recognised as finance income in profit or loss and (iii) revenue from operating and maintaining the infrastructure, which will be recognised in profit or loss.

<u>Impairment of financial assets</u>
Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been impacted.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownerships of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Units in issue and unit proceeds from issuance of units are recognised as units in issue in equity
Issue expenses are expenses incurred in issuance of units in the Trust. Expenses which are directly attributable to the issuance of units are deducted directly from the net assets attributable to the unitholders. Expenses which are not directly attributable to the issuance of units are recognised in the profit or loss.

Distributions to the Trust's unitholders
Distributions to the Trust's unitholders are recorded in equity in the period in which they are approved for payment.

Financial liabilities
Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities.

Financial liabilities at fair value through profit or loss (FVTPL)
Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near future; or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- On initial recognition, the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 4.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Other financial liabilities
Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments and hedging activities
The Group uses derivative financial instruments such as interest rate swaps and foreign currency forwards to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently carried at fair value.

The fair values of the derivative financial instruments are determined by reference to market values quoted by banks at the balance sheet date. The fair value of interest rate swaps embedded in an operating contract is calculated as the present value of the estimated future cashflow discounted at actively quoted interest rates.

For the purpose of hedge accounting, the Group classifies its hedges as cash flow hedges.

Cash flow hedges
Cash flow hedges refer to hedges against exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

At inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The fair value changes on the effective portion of the hedging instruments designated as cash flow hedges are recognised in the hedging reserve, while the ineffective portion are recognised immediately in the profit or loss. The amount taken to hedging reserve are transferred to the profit or loss when the hedged transaction affects profit or loss.

Derivatives that are not designated or do not qualify for hedge accounting
Certain derivative instruments are not designated or do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that do not qualify for hedge accounting are recognised immediately in the profit or loss and are included in other gains/(losses) - net.

Offsetting arrangements
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Trust and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating leases
Leases where substantially all the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in the profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in the profit or loss when they are incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

The Group as lessor

Finance leases
Leases of assets where substantially all the risks and rewards incidental to legal ownership of the assets are transferred by the Group to the lessees are classified as finance leases.

The lease asset is derecognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised on the balance sheet and included in "finance lease receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance lease income is recognised in the profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable. Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in the profit or loss over the lease term on the same basis as the finance lease income.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT- Property, plant and equipment acquired as part of a business combination are recognised initially at their fair values at the date of acquisition and subsequently carried at cost (i.e. the fair values at initial recognition) less accumulated depreciation and accumulated impairment losses.

All other property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The initial cost of an item includes its purchase price and any costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Trustee-Manager. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purposes other than to produce inventories.

Freehold land has an unlimited useful life and stand-by equipment and assets under construction are not yet available for use and therefore are not depreciated. Depreciation on other property, plant and equipment is calculated using a straight line method to allocate their depreciable amounts over their estimated useful lives as follows:

Building and leasehold land	Over the leasehold period of 30 years
Easements	38.67 years
Interconnector and related plant and machinery	3 to 63.67 years
Power plant	25 years
Other plant and machinery	3 to 25 years
Computers, vehicles, furniture, fittings and equipment	1 to 12 years or lease term, whichever is shorter

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

On disposal of a property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INTANGIBLE ASSETS EXCLUDING GOODWILL

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Concession arrangements, customer relationship and customer contracts acquired as part of business combination are initially recognised at their fair values at the acquisition date and subsequently carried at cost (i.e. the fair values at initial recognition) less accumulated amortisation and accumulated impairment losses.

These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of:

Concession arrangements	9.26 to 19.42 years
Customer contracts	18.85 to 38.69 years
Customer relationship	10.01 years

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's Cash Generating Units ("CGU") to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years, unless a longer period can be justified. For longer periods, a long-term justified growth rate is applied to project future cash flows.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

JOINT VENTURE – A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

<u>Decommissioning liabilities</u>
The provision for decommissioning costs arose on construction of plant and equipment due to contractual obligation. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the costs of that particular asset. The cash flows are discounted at current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in profit or loss as finance costs. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

SHARE-BASED PAYMENT - Management fees due to the Trustee-Manager can be settled either in cash or by the issue of units in the Trust or by a combination of both cash and units at the option of the Trustee-Manager. The fair values of the settlement choices are identical as the number of units to be issued to the Trustee-Manager is based on the cash liability at the settlement date. The Group measures and re-measures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in the profit or loss. If the Group issues equity instruments on settlement rather than paying cash, the liability shall be transferred direct to equity, as the consideration for the equity instruments issued. If the Group pays in cash on settlement rather than issuing equity instruments, payment shall be applied to settle the liability in full.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods
Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income
Service income is recognised at the time when the services are rendered.

Finance income from service concession arrangements
Finance income from service concession arrangement represents the interest income on the service concession receivables arising from a service concession arrangement, and is recognised using the effective interest method.

Finance lease income
Accounting policy for recognising finance lease income is stated separately above.

Operation and maintenance income
Revenue from provision of operation and maintenance service is recognised when the services are rendered.

Construction revenue
Revenue from construction or upgrade services under service concession arrangements is recognised based on the percentage of completion method in proportion to the stage of completion and the outcome of such contract can be reliably estimated. The percentage of completion is measured by reference to the proportion of the contract cost incurred to date to the estimated total contract costs.

Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Other income
Other income represents the sale of scrap, rental income and insurance compensation. Sale of scrap is recognised upon delivery of the scrap materials and rental income is recognised on a straight line basis over the term of the relevant lease. Insurance compensation is recognised in profit or loss to the extent of the amount received from the insurer.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

DEFINED CONTRIBUTION PLANS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Trust and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Except for investment properties measured using the fair value model, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Trust are presented in Singapore dollars, which is the functional currency of the Trust and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents comprise cash on hand, fixed deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents is stated at cash and bank deposits less restricted cash.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the Trustee-Manager is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, Trustee-Manager has not made any judgements that will have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations as discussed below.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 4(a) to the financial statements.

(ii) Impairment of non-financial assets

The Group assesses at each reporting date whether there are any indicators of impairment for all non-financial assets, other than goodwill.

Determining whether the carrying values of investments in joint venture, subsidiaries, property, plant and equipment and intangibles are impaired requires an estimation of the value in use of the asset or the CGU. This requires the Group to estimate the future cash flows expected from the asset or the CGU, the growth rate and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amounts of property, plant and equipment, intangibles, investments in subsidiaries and joint venture at the end of the reporting period are disclosed in Notes 6, 7, 8 and 9 respectively.

(iii) Allocation and impairment of goodwill

As described in Note 40, the Group completed the acquisition of the Crystal Assets on May 18, 2015. An independent valuer was engaged by the Group to identify and measure the fair values of the identifiable assets and liabilities and goodwill on acquisition.

Goodwill arising from the business combination is allocated, based on the relative fair value approach, to the CGUs that are expected to benefit from that business combination, specifically, the Group's Gas and Electricity business segments. This requires the Group to estimate the additional future benefit to be derived by the CGUs.

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired. The recoverable values of the CGUs are determined based on value in use calculations. This requires the Group to estimate the future cash flows expected from the asset or the CGU, the growth rate and an appropriate discount rate in order to calculate the present value of the future cash flows.

The carrying amounts of goodwill at the end of the reporting period are disclosed in Note 7.

4. Financial Instruments, Financial Risks and Capital Risks Management

(a) Categories of financial instruments

	Group		Trust	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Financial Assets				
Loans and receivables (including cash, bank and deposit balances)	**978,674**	961,725	**854,247**	837,758
Fair value through profit or loss	**1,050**	–	**–**	–
Derivative instruments in designated hedge accounting relationships	**5**	12,939	**–**	–
Total	**979,729**	974,664	**854,247**	837,758
Financial Liabilities				
Payables, at amortised cost	**2,227,862**	2,080,137	**170,305**	150,900
Derivative instruments in designated hedge accounting relationships	**105,547**	93,793	**986**	–
Total	**2,333,409**	2,173,930	**171,291**	150,900

The Group and Trust do not have any financial instruments which are subject to enforceable master netting arrangements or similar netting arrangements, other than those disclosed in the financial statements.

Notes to the Financial Statements

4. Financial Instruments, Financial Risks and Capital Risks Management (continued)

(b) Financial risk management policies and objectives

The Group's activities expose it to a variety of financial risks, including the effects of credit, interest rate, liquidity, and foreign currency exchange rate. Risk management is integral to the whole business of the Group. The Group's overall risk management programme seeks to minimise potential adverse effects of the unpredictability of financial markets on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps, forward currency contracts and commodity swaps to hedge certain financial risk exposures.

The Board of Directors of the Trustee-Manager is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Trustee-Manager then establishes and implements the detailed financial risk management policies such as authority levels, oversight responsibilities, risk identification, exposure limits and hedging strategies in accordance with the objectives and underlying principles approved by the Board of Directors of the Trustee-Manager.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(i) Foreign exchange risk management

The Group operates mainly in Singapore and Australia. The Group entities transact predominantly in their respective functional currency except for two subsidiaries.

One subsidiary, whose functional currency is the Singapore dollar ("SGD"), is partially exposed to United States dollar ("USD") currency risk. The subsidiary's exposure to USD feedstock purchases for its town gas production is mainly passed through. However, it has USD currency risk in respect of purchases of natural gas for retail and retail sales in USD.

Another subsidiary, whose functional currency is the USD, is exposed to currency risk from receipts denominated in SGD. This subsidiary also holds cash and cash equivalents denominated in SGD for working capital purposes.

The Group reviews these balances periodically to ensure that the net exposure is kept at an acceptable level.

The Group is exposed to currency translation risk on net assets in foreign operations. Currency exposure to the net assets in Australia is managed predominantly by having a significant amount of borrowings denominated in the functional currency.

The Trust pays quarterly distributions to its unitholders in SGD whilst its Australian subsidiaries' distributions, if any, are in Australian dollar ("AUD"). The Group was not exposed to AUD foreign currency risk in 2016 and 2015 as there were no distribution from its Australian subsidiaries during the year.

At the end of the financial year, the carrying amounts of monetary assets and liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	Liabilities		Assets	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Group				
USD	**2,700**	505	**2,683**	3,487
AUD	**–**	–	**1,191**	1,410
SGD	**353**	747	**4,278**	4,768
Trust				
AUD	**–**	–	**884**	1,119

Sensitivity analysis

The following table details the sensitivity to a 5% (2015 : 5%) increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to the Trustee-Manager and represents the Trustee-Manager's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjust their translations at the period end for a 5% change in foreign currency rates.

If the relevant foreign currency strengthens by 5% (2015 : 5%) against the functional currency of each Group entity, profit or loss will increase/(decrease) by:

	Increase/(Decrease) Profit or loss	
	From January 1, 2016 to December 31, 2016 $'000	From April 1, 2015 to December 31, 2015 $'000
Group		
USD	**(1)**	149
AUD	**60**	70
SGD	**196**	201
Trust		
AUD	**44**	56

A 5% (2015 : 5%) weakening of the foreign currencies above against the respective functional currencies at the reporting date would have the equal impact but opposite effect.

(ii) Interest rate risks

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group and the Trust have no significant variable interest-bearing assets, other than short term deposits held with banks.

The Group's exposure to interest rate risks arises mainly from its borrowings. Borrowings at variable rates expose the Group to interest rate risk. The Group's policy is to manage its interest cost using a mix of fixed and floating interest rate debts. The Group enters into interest rate swaps which allow the Group to raise long term borrowings at floating rates and swap them into fixed rates, with the objective to reduce variability in cash flows arising from interest rate fluctuations.

Details of the various derivative financial instruments held by the Group and Trust are disclosed in Note 14. Assuming all other variables are held constant, a 50 basis points change in Singapore or Australia interest rate has the following impact on profit or loss as a result of higher/lower finance cost or fair value changes to derivative financial instruments.

Notes to the Financial Statements

4. Financial Instruments, Financial Risks and Capital Risks Management (continued)

(b) Financial risk management policies and objectives (continued)

(ii) Interest rate risks (continued)

Sensitivity analysis

	Decrease of 50 basis points		Increase of 50 basis points	
	Increase/(Decrease)		Increase/(Decrease)	
	Profit or loss $'000	Equity $'000	Profit or loss $'000	Equity $'000
Group				
For the year ended December 31, 2016				
Cash and bank deposits	**(1,116)**	**–**	**1,116**	**–**
Borrowings at floating interest rate	**1,327**	**–**	**(1,327)**	**–**
Interest rate swaps accounted for under cash flow hedge	**–**	**(29,530)**	**–**	**29,530**
For the year ended December 31, 2015				
Cash and bank deposits	(1,024)	–	1,024	–
Borrowings at floating interest rate	1,068	–	(1,068)	–
Interest rate swaps accounted for under cash flow hedge	–	(45,515)	2,116	41,844

(iii) Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the customer profile of its trade receivables, based on the operating segments, on an ongoing basis. The credit risk concentration profile of the Group's third-party trade receivables, grossed up for any allowances for losses, at the end of the financial year is as follows:

	2016		2015	
	$'000	%	$'000	%
Group				
By operating segments				
Gas [1]	**31,147**	**35**	28,320	46
Concessions [2]	**25,478**	**28**	25,808	42
Electricity [3]	**28,991**	**32**	4,377	7
Power [4]	**2,815**	**3**	2,104	3
Others	**1,064**	**2**	1,063	2
	89,495	**100**	61,672	100

1 There is no significant concentration of credit risk due to the nature and the significant number of its customer base. To mitigate credit risk, deposits or bankers guarantees are obtained from customers upon the opening of a utilities account. Included in the refundable customer deposits disclosed in Note 22, is an amount of $34,785,000 (2015 : $34,895,000), which can, subject to certain conditions, be used to set off against the corresponding outstanding receivables when the circumstances warrant.

2 There is a significant concentration of credit risk with their customers, which are agencies of the Government of Singapore, for the duration of the service contract entered into.

3 There is a significant concentration of credit risk with the major customer, a wholly-owned entity of the State of Tasmania, which represents 98% (2015 : 96%) of the total trade receivables from the Electricity segment.

4 There is a significant concentration of credit risk with its sole customer, which is a related party.

Each Group entity monitors the credit risk by ensuring that payments are received by the contractual date.

Cash and fixed deposits are placed with banks and financial institutions which are regulated and with high credit ratings.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations due to a shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Trust can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

	Effective interest rate %	Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000	Adjustment $'000	Total $'000
Group						
2016						
Non-interest bearing	**–**	**121,107**	**–**	**–**	**–**	**121,107**
Variable interest rate instruments *	**2.03 – 4.75**	**56,439**	**1,860,952**	**24,240**	**(119,599)**	**1,822,032**
Fixed interest rate instruments	**5.87 – 17.50**	**43,850**	**175,400**	**1,110,344**	**(1,044,871)**	**284,723**
		221,396	**2,036,352**	**1,134,584**	**(1,164,470)**	**2,227,862**

* Included under the variable interest rate instruments category is the undiscounted cash flows of Basslink bank borrowings with a carrying amount of $741,688,000 as at December 31, 2016. The timing of the cash flow payments have been categorised above based on the remaining contractual maturity. These bank borrowings have been classified as current liabilities on the statement of financial position (Note 19).

	Effective interest rate %	Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000	Adjustment $'000	Total $'000
2015						
Non-interest bearing	–	109,140	–	–	–	109,140
Variable interest rate instruments	2.49 - 6.88	87,668	1,805,599	35,472	(240,193)	1,688,546
Fixed interest rate instruments	5.87 - 17.50	43,850	175,400	1,152,194	(1,088,993)	282,451
		240,658	1,980,999	1,187,666	(1,329,186)	2,080,137
Trust						
2016						
Non-interest bearing	**–**	**4,122**	**–**	**–**	**–**	**4,122**
Fixed interest rate instruments	**2.36**	**43,537**	**–**	**–**	**(202)**	**43,335**
Variable interest rate instruments	**2.35**	**2,882**	**126,149**	**–**	**(6,183)**	**122,848**
		50,541	**126,149**	**–**	**(6,385)**	**170,305**
2015						
Non-interest bearing	–	4,023	–	–	–	4,023
Fixed interest rate instruments	2.36 - 2.49	106,039	43,591	–	(2,753)	146,877
		110,062	43,591	–	(2,753)	150,900

Notes to the Financial Statements

4. Financial Instruments, Financial Risks and Capital Risks Management (continued)

(b) Financial risk management policies and objectives (continued)

(iv) Liquidity risk (continued)

Non-derivative financial assets

The following tables detail the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the Group's liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Trust anticipate that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

	Effective interest rate %	Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000	Adjustment $'000	Total $'000
Group						
2016						
Non-interest bearing	**–**	**172,092**	**30**	**–**	**–**	**172,122**
Fixed interest rate instruments	**0.21 – 4.68**	**286,316**	**287,898**	**356,196**	**(123,858)**	**806,552**
		458,408	**287,928**	**356,196**	**(123,858)**	**978,674**
2015						
Non-interest bearing	–	141,117	47	–	–	141,164
Fixed interest rate instruments	0.21 - 4.68	264,375	287,899	425,321	(157,034)	820,561
		405,492	287,946	425,321	(157,034)	961,725
Trust						
2016						
Non-interest bearing	**–**	**19,784**	**–**	**–**	**–**	**19,784**
Fixed interest rate instruments	**0.21 – 17.50**	**126,456**	**358,931**	**2,063,351**	**(1,736,303)**	**812,435**
Variable interest rate instruments	**1.21**	**263**	**1,051**	**22,729**	**(2,015)**	**22,028**
		146,503	**359,982**	**2,086,080**	**(1,738,318)**	**854,247**
2015						
Non-interest bearing	–	6,160	–	–	–	6,160
Fixed interest rate instruments	0.21 - 17.50	141,134	363,471	2,153,084	(1,826,091)	831,598
		147,294	363,471	2,153,084	(1,826,091)	837,758

Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period.

	Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000
Group			
2016			
Net settled:			
Interest rate swaps	**(32,213)**	**(85,148)**	**(58,160)**
Foreign currency forward	**5**	**–**	**–**
Commodity swap	**1,050**	**–**	**–**
2015			
Net settled:			
Interest rate swaps	(20,481)	(24,535)	(35,838)
Trust			
2016			
Net settled:			
Interest rate swaps	**(1,267)**	**(1,710)**	**–**

The Trust had no derivative financial instruments as at December 31, 2015.

The Group and the Trust manage their liquidity risk by maintaining a sufficient level of cash and cash equivalents deemed adequate by the Trustee-Manager to finance the Group's and Trust's operations including servicing of financial obligations and to mitigate the effects of fluctuations in cash flows. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted.

The Group is in a net current liability position of $420.6 million as at the end of the reporting period as a result of the classification of Basslink bank borrowings of $741,688,000 as current liabilities (Note 19). The financial statements of the Group have been prepared on a going concern basis on the following basis:

- The Basslink bank borrowings are non-recourse to the Group;
- The breach in the loan covenant in the Basslink loan agreement does not result in any cross default on other borrowings within the Group; and
- The Group is not dependent on Basslink's cashflow for its operations and distributions to unitholders for at least the 12-month period from the date of the financial statements.

Accordingly, the Trustee-Manager has assessed that the implications of the bank borrowings above do not impact the going concern assumption of the Group.

The Group maintains $151.8 million (2015 : $8.7 million) undrawn facilities as at end of the financial year.

Notes to the Financial Statements

4. Financial Instruments, Financial Risks and Capital Risks Management (continued)

(b) Financial risk management policies and objectives (continued)

(v) Fair value of financial assets and financial liabilities

(i) Assets and liabilities measured at fair value

The Group and Trust's derivative financial instruments as at December 31, 2016 and 2015 are measured at fair value under Level 2 of the fair value hierarchy. The following table gives information about how the fair value of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at 2016 Assets $'000	2016 Liabilities $'000	2015 Assets $'000	2015 Liabilities $'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Group						
Interest rate swaps	**–**	**(105,547)**	12,939	(93,793)	Level 2	The Group uses a variety of methods and makes assumptions that are based on market conditions existing at end of each reporting period. Techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The models incorporate various inputs including the credit quality of counterparties and interest rate curves. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.
Foreign currency forward	**5**	**–**	–	–	Level 2	
Commodity swap	**1,050**	**–**	–	–	Level 2	
Trust						
Interest rate swaps	**–**	**(986)**	–	–	Level 2	The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at end of each reporting period. Techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The models incorporate various inputs including the credit quality of counterparties and interest rate curves. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

There were no transfer between the different levels of the fair value hierarchy during the financial years ended December 31, 2016 and 2015.

(ii) Fair value of the Group and Trust's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The Trustee-Manager considers that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the financial statements approximate their fair values, unless otherwise stated in the respective notes to the financial statements.

(c) Capital risk management policies and objectives

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to support its businesses and maximise unitholders' value.

In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of distribution payment, return capital to unitholders, issue new units, buy back issued units, obtain new borrowings or sell assets to reduce borrowings. The Group may also issue new units to finance future growth.

The Group seeks to raise non-recourse debt structure specifically to match the cash flow profile of its underlying assets. The Group's general philosophy on leverage is to ensure that its subsidiaries have sufficient financial flexibility to meet their capital expenditure and operational needs, and at the same time, service their debt obligations promptly and reliably.

In addition to bank covenants, debt service coverage ratios and other tests, the Trustee-Manager also monitors capital based on the ratio of the Group's net borrowings to total assets. Net borrowings are calculated as total borrowings less cash and bank deposits excluding notes payable to non-controlling interest. For the Trust, the Trustee-Manager monitors capital based on ratio of the Trust's net borrowings to total assets.

	Group		Trust	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Net borrowings	**1,543,823**	1,430,543	**113,978**	90,117
Total assets	**4,118,642**	4,115,478	**1,805,511**	1,867,348
Ratio	**37%**	35%	**6%**	5%

There are no externally imposed capital requirements for the financial years ended December 31, 2016 and 2015, other than the loan covenants disclosed in Note 19.

5. Related Party Transactions

Some of the Group's transactions and arrangements are with (a) the Trustee-Manager; and (b) the significant corporate unitholders, Keppel Corporation Limited and Temasek Holdings (Private) Limited, and their associates. The effect of these on the basis determined between the parties is reflected in these financial statements.

The following significant transactions between the Group and its related parties took place at terms agreed between the parties during the year:

	Note	Group	
		From January 1, 2016 to December 31, 2016 $'000	From April 1, 2015 to December 31, 2015 $'000
Sale of goods and services	(i)	**130,023**	63,239
Purchases of goods and services	(i)	**(257,986)**	(206,889)
Operating lease expense	(i)	**(2,269)**	(873)
Interest income	(i)	**391**	156
Professional fees	(i)	**(81)**	(458)
Trustee-Manager's fees	(ii)	**(9,669)**	(7,250)
Acquisitions fees for Keppel Merlimau Cogen Pte Ltd	(ii)	**–**	(4,335)

(i) Received/receivable from and/or paid/payable to subsidiaries of the substantial unitholders of the Trust.

(ii) The Trust Deed sets out the management fee arrangements between the Trust and the Trustee-Manager in relation to the management of the Trust. The fee structure for these services is disclosed in Note 36.

Notes to the Financial Statements

6. Property, Plant and Equipment

	Freehold land $'000	Building and leasehold land $'000	Easements $'000	Inter-connector and related plant and machinery [2] $'000	Power plant $'000	Other plant and machinery [3] $'000	Computers, vehicles, furniture, fittings and equipment $'000	Stand-by equipment and assets under construction $'000	Total $'000
Group									
Cost:									
At April 1, 2015	1,494	10,870	1,729	1,092,187	–	78,395	11,341	–	1,196,016
Additions	–	–	–	95	–	994	324	41	1,454
Acquired on acquisition of subsidiaries (Note 40)	–	–	–	–	1,621,990	1,529	235	12,889	1,636,643
Written off	–	–	–	(143)	–	–	(55)	–	(198)
Disposals	–	–	–	–	–	–	(102)	–	(102)
Currency translation differences	(37)	–	(43)	(27,085)	–	–	(42)	–	(27,207)
Reclassification	–	–	–	40	–	–	–	(40)	–
Other movement [1]	–	–	–	(20,214)	2,262	–	–	–	(17,952)
At December 31, 2015	**1,457**	**10,870**	**1,686**	**1,044,880**	**1,624,252**	**80,918**	**11,701**	**12,890**	**2,788,654**
Additions	**–**	**–**	**–**	**–**	**–**	**837**	**110**	**–**	**947**
Written off	**–**	**–**	**–**	**(5)**	**(552)**	**(1,451)**	**(75)**	**–**	**(2,083)**
Disposals	**–**	**–**	**–**	**–**	**–**	**(67)**	**(8)**	**–**	**(75)**
Currency translation differences	**57**	**–**	**66**	**40,665**	**–**	**–**	**65**	**–**	**40,853**
Reclassification	**–**	**–**	**–**	**–**	**–**	**(2)**	**(23)**	**(1)**	**(26)**
Other movement [1]	**–**	**–**	**–**	**(9,093)**	**–**	**–**	**–**	**–**	**(9,093)**
At December 31, 2016	**1,514**	**10,870**	**1,752**	**1,076,447**	**1,623,700**	**80,235**	**11,770**	**12,889**	**2,819,177**
Accumulated depreciation:									
At April 1, 2015	–	4,577	339	208,568	–	59,047	8,467	–	280,998
Depreciation charge	–	424	33	13,076	37,695	5,123	1,002	–	57,353
Written off	–	–	–	(44)	–	–	(55)	–	(99)
Disposals	–	–	–	–	–	–	(93)	–	(93)
Currency translation differences	–	–	(8)	(5,226)	–	–	(30)	–	(5,264)
At December 31, 2015	**–**	**5,001**	**364**	**216,374**	**37,695**	**64,170**	**9,291**	**–**	**332,895**
Depreciation charge	**–**	**563**	**44**	**17,099**	**75,479**	**5,016**	**990**	**–**	**99,191**
Written off	**–**	**–**	**–**	**(5)**	**(66)**	**(1,451)**	**(75)**	**–**	**(1,597)**
Disposals	**–**	**–**	**–**	**–**	**–**	**(45)**	**(6)**	**–**	**(51)**
Currency translation differences	**–**	**–**	**16**	**9,069**	**–**	**–**	**54**	**–**	**9,139**
At December 31, 2016	**–**	**5,564**	**424**	**242,537**	**113,108**	**67,690**	**10,254**	**–**	**439,577**
Carrying amount:									
At December 31, 2016	**1,514**	**5,306**	**1,328**	**833,910**	**1,510,592**	**12,545**	**1,516**	**12,889**	**2,379,600**
At December 31, 2015	1,457	5,869	1,322	828,506	1,586,557	16,748	2,410	12,890	2,455,759

1 This relates to the movement in the provision for decommissioning costs during the financial year (Note 23).

2 Included in this category is an amount of $4,827,000 (2015: $5,476,000) which pertains to plant and machinery related to the interconnector with useful lives ranging from 3 to 40 years.

3 Included in this category is an amount of $10,292,000 (2015 : $10,928,000) which pertains to plant and machinery under the gas segment with useful lives ranging from 14 to 25 years.

Certain property, plant and equipment with carrying amount of $854,815,000 (2015 : $854,696,000) are pledged as security for borrowings (Note 19).

7. Intangibles

	Group 2016 $'000	Group 2015 $'000
Goodwill arising on consolidation	**437,300**	440,426
Concession arrangements	**33,074**	36,333
Customer contracts	**66,042**	69,524
Customer relationship	**749**	7,259
	99,865	113,116
	537,165	553,542

Movements during the year are as follow:

	Goodwill $'000	Concession arrangements $'000	Customer contracts $'000	Customer relationship $'000	Total $'000
Cost:					
At April 1, 2015	287,001	–	112,299	65,100	464,400
Currency translation differences	–	–	(1,084)	–	(1,084)
Arising on acquisition of subsidiaries (Note 40)	153,425	38,234	–	–	191,659
At December 31, 2015	**440,426**	**38,234**	**111,215**	**65,100**	**654,975**
Currency translation differences	**–**	**–**	**1,668**	**–**	**1,668**
Adjustment	**(3,126)**	**–**	**–**	**–**	**(3,126)**
At December 31, 2016	**437,300**	**38,234**	**112,883**	**65,100**	**653,517**
Accumulated amortisation:					
At April 1, 2015	–	–	38,344	52,936	91,280
Amortisation	–	1,901	3,562	4,905	10,368
Currency translation differences	–	–	(215)	–	(215)
At December 31, 2015	**–**	**1,901**	**41,691**	**57,841**	**101,433**
Amortisation	**–**	**3,259**	**4,752**	**6,510**	**14,521**
Currency translation differences	**–**	**–**	**398**	**–**	**398**
At December 31, 2016	**–**	**5,160**	**46,841**	**64,351**	**116,352**
Carrying amount:					
At December 31, 2016	**437,300**	**33,074**	**66,042**	**749**	**537,165**
At December 31, 2015	440,426	36,333	69,524	7,259	553,542

(a) **Goodwill arising on consolidation**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGU") that are expected to benefit from that business combination. The Group is structured into four business segments, Gas, Concessions, Power and Electricity. Based on the relative fair value approach, the goodwill arising from the Crystal Assets Acquisition (Note 40) was allocated to the Gas and Electricity business segments.

Notes to the Financial Statements

7. Intangibles (continued)

(a) Goodwill arising on consolidation (continued)

Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	Carrying amount $'000	Terminal growth rate %	Pre-tax discount rate %
Group			
December 31, 2016			
Gas segment	**379,497**	**2.0**	**7.7**
Electricity segment	**57,803**	**N/A**	**5.5**
December 31, 2015			
Gas segment	381,421	2.0	7.5
Electricity segment	59,005	N/A	5.5

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired.

The recoverable values of the CGUs are determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates, terminal value and expected changes to selling prices and direct costs during the period. The Trustee-Manager estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on the industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Trustee-Manager covering a period of more than five years for both the Gas and Electricity business segments as its Gas business is currently the sole producer and retailer of town gas and its Electricity business has a long-term contract with its major customer.

Sensitivity analysis
Based on the value in use calculations as determined by the Trustee-Manager, an increase or decrease by 1 percentage point to the discount rates used in the assessment will affect the value in use as follows:

	2016		2015	
	Increase $'000	**Decrease $'000**	Increase $'000	Decrease $'000
Gas segment	**(129,712)**	**143,681**	(126,997)	142,499
Electricity segment	**(176,230)**	**233,846**	(176,944)	240,100

Any reasonable possible change to the key assumptions applied, including the discount rates used as detailed above, is not likely to cause the recoverable amounts to be below the carrying amounts of the CGUs.

No impairment was considered necessary for the current and prior year.

(b) Concession arrangements, customer contracts and customer relationship

The intangible assets recognised on concession arrangements represent the rights to charge users of the public service under the Group's operating concessions. They have remaining amortisation period of 7.67 to 17.84 years (2015 : 8.67 to 18.84 years).

The intangible assets recognised on customer contracts were in relation to contractual agreements that two of the subsidiaries have with their sole customer. These have remaining amortisation period of 8.96 to 29.35 years (2015 : 9.96 to 30.35 years).

Customer relationship relates to the value of customer loyalty and commitment from its broad base of customers and has a remaining amortisation period of 0.12 years (2015 : 1.12 years).

8. Investment in Subsidiaries

	Trust	
	2016 $'000	2015 $'000
Investments, at cost	**844,787**	847,912
Advances to subsidiaries	**542,743**	537,199
Less: Allowance for impairment	**(436,500)**	(356,000)
	951,030	1,029,111
Movement in allowance accounts:		
Beginning of year	**356,000**	141,000
Charge for the year	**80,500**	215,000
End of year	**436,500**	356,000

Advances to subsidiaries are quasi-equity loans which represent an extension of investment in the subsidiaries. It is unsecured and interest-free. Settlements are neither planned nor likely to occur in the foreseeable future.

Details of the Group's significant subsidiaries at end of financial year are as follows:

Name of subsidiaries	Principal activities (Country of incorporation or residence)	Proportion of ownership interest and voting power held 2016 %	2015 %
(a) Held by Keppel Infrastructure Fund Management Pte. Ltd. in its capacity as Trustee-Manager of, and for the benefit of the Trust			
City Gas Pte Ltd [1]	Trustee of City Gas Trust (Singapore)	**100**	100
City Gas Trust [1]	Production and retail of town gas, retail of natural gas and sales of gas appliances (Singapore)	**100**	100
SingSpring Pte Ltd [1]	Trustee of SingSpring Trust (Singapore)	**100**	100
SingSpring Trust [1]	Operation of a seawater desalination plant (Singapore)	**70**	70
CityLink Investments Pte Ltd [1]	Investment holding (Singapore)	**100**	100
CityNet Infrastructure Management Pte Ltd ("CityNet") [1]	Trustee-Manager of NetLink Trust (Singapore) [4]	**100**	100
CitySpring Capital Pte Ltd [1]	Provision of financial and treasury services (Singapore)	**100**	100
CityDC Pte. Ltd. [1]	Investment holding (Singapore)	**100**	100
Keppel Merlimau Cogen Pte Ltd [1]	Tolling arrangement for a power plant (Singapore)	**51**	51
Senoko Waste-To-Energy Plant Pte Ltd [1]	Trustee of Senoko Trust (Singapore)	**100**	100
Senoko Trust [1]	Collection and treatment of solid waste to generate green energy (Singapore)	**100**	100
Keppel Seghers NEWater Development Co Pte Ltd [1]	Trustee of Ulu Pandan Trust (Singapore)	**100**	100
Ulu Pandan Trust [1]	Collection, purification and distribution of water (Singapore)	**100**	100

Notes to the Financial Statements

8. Investment in Subsidiaries (continued)

Name of subsidiaries	Principal activities (Country of incorporation or residence)	Proportion of ownership interest and voting power held 2016 %	2015 %
Keppel Seghers Tuas Waste-To-Energy Plant Pte Ltd [1]	Trustee of Tuas DBOO Trust (Singapore)	**100**	100
Tuas DBOO Trust [1]	Collection and treatment of solid waste to generate green energy (Singapore)	**100**	100
(b) Held by City Gas Pte Ltd in its capacity as Trustee of, and for the benefit of City Gas Trust			
City-OG Gas Energy Services Pte Ltd [1]	Retailing of natural gas and related activities (Singapore)	**51**	51
(c) Held by Nexus Australia Management Pty Ltd in its capacity as Trustee of, and for the benefit of CityLink Investments Pte Ltd			
Premier Finance Trust Australia *[2]	Finance trust (Australia)	**100**	100
(d) Held by CityLink Investments Pte Ltd			
Nexus Australia Management Pty Ltd *[2]	Trustee (Australia)	**100**	100
Coral Holdings Australia Pty Ltd *[2]	Investment holding (Australia)	**100**	100
(e) Held by Coral Holdings Australia Pty Ltd			
Nexus Investments Australia Pty Ltd *[2]	Investment holding (Australia)	**100**	100
(f) Held by Nexus Investments Australia Pty Ltd			
Basslink Australia GP Pty Ltd *[2]	Investment holding (Australia)	**100**	100
(g) Held by Nexus Investments Australia Pty Ltd for 99% and Basslink Australia GP Pty Ltd for 1%			
Basslink Australia LLP *[2]	Investment holding (Australia)	**100**	100
(h) Held by Basslink Australia LLP			
Basslink Holdings Pty Ltd *[3]	Investment holding (Cayman Islands)	**100**	100
(i) Held by Basslink Holdings Pty Ltd			
Basslink Pty Ltd *[2]	Operation of subsea electricity interconnector (Australia)	**100**	100
(j) Held by Basslink Pty Ltd			
Basslink Telecoms Pty Ltd *[2]	Operation of telecom business (Australia)	**100**	100

* Collectively known as Basslink.
(1) Audited by Deloitte & Touche LLP, Singapore.
(2) Audited by Deloitte Touche Tohmatsu, Australia.
(3) Not required to be audited under the laws of the country of incorporation.
(4) Subsequent to the reporting period, CityNet received notice from the unitholder of NetLink Trust of the latter's intention to replace the trustee-manager in early 2017, in accordance with the Trust deed. The appointment of the new trustee-manager of NetLink Trust is subject to the approval of its unitholder and Infocomm Media Development Authority.

Interest in subsidiaries with material non-controlling interest ("NCI")

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by NCI	
		2016 %	2015 %
SingSpring Trust	Singapore	**30**	30
Keppel Merlimau Cogen Pte Ltd	Singapore	**49**	49

Summarised financial information of subsidiaries with material NCI

Summarised financial information and consolidation adjustments but before intragroup eliminations are as follows:

SingSpring Trust

Summarised statement of financial position

	2016 $'000	2015 $'000
Current assets	**24,020**	24,486
Current liabilities	**(14,973)**	(16,240)
Net current assets	**9,047**	8,246
Non-current assets	**147,434**	160,858
Non-current liabilities	**(129,571)**	(139,023)
Net non-current assets	**17,863**	21,835
Net assets	**26,910**	30,081
Equity attributable to unitholders of the Trust	**18,837**	21,057
NCI	**8,073**	9,024

Summarised statement of profit or loss and other comprehensive income

	From January 1, 2016 to December 31, 2016 $'000	From April 1, 2015 to December 31, 2015 $'000
Revenue	**32,122**	27,755
Profit before tax	**4,089**	4,401
Income tax expense	**(700)**	(752)
Profit after tax	**3,389**	3,649
Profit attributable to unitholders of the Trust	**2,372**	2,554
Profit attributable to NCI	**1,017**	1,095
Profit after tax	**3,389**	3,649
Other comprehensive income attributable to unitholders of the Trust	**1,079**	621
Other comprehensive income attributable to NCI	**462**	266
Other comprehensive income for the year	**1,541**	887
Total comprehensive income attributable to unitholders of the Trust	**3,451**	3,175
Total comprehensive income attributable to NCI	**1,479**	1,361
Total comprehensive income for the year	**4,930**	4,536
Dividends paid to NCI	**2,430**	1,731
Other summarised information		
Net cash from operating activities	**18,184**	13,762

Notes to the Financial Statements

8. Investment in Subsidiaries (continued)

Summarised financial information of subsidiaries with material NCI (continued)

Keppel Merlimau Cogen Pte Ltd

Summarised statement of financial position

	2016 $'000	2015 $'000
Current assets	**136,261**	188,224
Current liabilities	**(29,090)**	(27,755)
Net current assets	**107,171**	160,469
Non-current assets	**1,645,554**	1,685,179
Non-current liabilities	**(1,362,173)**	(1,370,990)
Net non-current assets	**283,381**	314,189
Net assets	**390,552**	474,658
Equity attributable to unitholders of the Trust	**201,873**	244,892
NCI	**188,679**	229,766

Summarised statement of profit or loss and other comprehensive income

	From January 1, 2016 to December 31, 2016 $'000	From April 1, 2015 to December 31, 2015 $'000
Revenue	**128,714**	65,128
Loss before tax	**(76,971)**	(37,489)
Income tax credit/(expense)	**3,067**	(164)
Loss after tax	**(73,904)**	(37,653)
Loss attributable to unitholders of the Trust	**(37,816)**	(19,266)
Loss attributable to NCI	**(36,088)**	(18,387)
Loss after tax	**(73,904)**	(37,653)
Other comprehensive income attributable to unitholders of the Trust	**(5,203)**	3,282
Other comprehensive income attributable to NCI	**(4,999)**	3,153
Other comprehensive income for the year	**(10,202)**	6,435
Total comprehensive income attributable to unitholders of the Trust	**(43,019)**	(15,984)
Total comprehensive income attributable to NCI	**(41,087)**	(15,234)
Total comprehensive income for the year	**(84,106)**	(31,218)
Other summarised information		
Net cash used in operating activities	**(84,028)**	(60,189)

Impairment testing of investment in subsidiaries
The Trustee-Manager performed an impairment assessment for the Trust's investments in its subsidiaries and no impairment was recognised except for the following:

Senoko Trust, Ulu Pandan Trust and Tuas DBOO Trust ("subtrusts") and Keppel Merlimau Cogen Pte Ltd ("KMC")
As described in Note 40, the Group completed the acquisition of the Crystal Assets in 2015 and the purchase consideration was determined based on (a) the fixed exchange ratio of 2.106 units of the Trust for every unit in Crystal Trust; and (b) the quoted unit price of the Trust as at the completion date.

The service concessions of the subtrusts (Note 12) and KMC's plant have finite lives and the recoverable amounts of the Trust's investments are expected to decrease in tandem with the remaining service concession periods and plant life, respectively.

In 2016, the Trustee-Manager performed an impairment assessment on the costs of investment in the subtrusts and KMC against their recoverable amounts and allowances for impairment of $20.0 million (2015 : $177.3 million), $6.0 million (2015 : $8.7 million), $1.0 million (2015 : $29.0 million) and $53.5 million (2015 : Nil) were recognised for the investments in Senoko Trust, Tuas DBOO Trust, Ulu Pandan Trust and KMC respectively.

The recoverable amount was determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to tariffs and direct costs during the period. The Trustee-Manager estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the subtrusts and KMC. The growth rates of 2.0% (2015 : 2.0%) per annum used are based on the industry growth forecasts. Changes in tariffs and direct costs are based on past practices and current contractual agreements.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Trustee-Manager covering a period of 7.67 to 17.84 years (2015 : 8.67 to 18.84 years) for the subtrusts and 23.5 years (2015 : 24.5 years) for KMC based on the current contractual agreements with the major customers. The discount rates used were 4.90% (2015 : 4.80%) per annum for the subtrusts and 4.90% (2015 : 4.90%) per annum for KMC .

Sensitivity analysis
Based on the value in use calculations as determined by Trustee-Manager, an increase or decrease by 1 percentage point to the discount rates used in the assessment will affect the value in use as follows:

	2016		2015	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Senoko Trust	(9,836)	10,411	(13,304)	14,221
Ulu Pandan Trust	(2,798)	3,008	(3,396)	3,687
Tuas DBOO Trust	(9,092)	10,188	(10,700)	12,096
Keppel Merlimau Cogen Pte Ltd	(129,407)	149,396	N/A	N/A

Information about the composition of the Group at the end of the financial year is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2016	2015
Collection and treatment of solid waste to generate green energy	Singapore	2	2
Collection, purification and distribution of water	Singapore	1	1
Investment holding	Singapore	2	2
Production and retail of town gas, retail of natural gas and sales of gas appliances	Singapore	1	1
Provision of financial and treasury services	Singapore	1	1
Trustee	Singapore	5	5
Trustee-Manager	Singapore	1	1
Investment holding	Australia	4	4
Operation of subsea electricity interconnector	Australia	1	1
Operation of telecom business	Australia	1	1

Notes to the Financial Statements

8. Investment in Subsidiaries (continued)

Impairment testing of investment in subsidiaries (continued)

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2016	2015
Finance trust	Australia	1	1
Trustee	Australia	1	1
Investment holding	Cayman Islands	1	1
		22	22

9. Investment In and Advances to Joint Venture

	Group	
	2016 $'000	2015 $'000
Cost of investment in joint venture [1]	510	510
Advances to joint venture [2]	22,980	21,262
	23,490	21,772
Share of post-acquisition reserves	(58)	(338)
Total	23,432	21,434

[1] The Group has 51% (2015 : 51%) interest in the ownership and voting rights in a joint venture, DataCentre One Pte Ltd that is held through a subsidiary. This joint venture is incorporated in Singapore and is in the business of developing and owning data centres. The Group jointly controls the venture with another partner under the contractual agreement which requires unanimous consent for all major decisions over the relevant activities.

The joint venture is accounted for using the equity method in the consolidated financial statements and is audited by Deloitte & Touche LLP Singapore.

[2] Advances to the joint venture are quasi-equity loans which represent an extension of investment in the joint venture. It is unsecured and interest-free. Settlements are neither planned nor likely to occur in the foreseeable future.

Summarised financial information in respect of DataCentre One Pte Ltd based on its financial statements prepared in accordance with FRS, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised statement of financial position

	2016 $'000	2015 $'000
Current assets	9,793	2,722
Non-current assets	116,270	99,765
Current liabilities	(9,010)	(30,299)
Non-current liabilities	(116,166)	(71,851)
Net assets	887	337
Proportion of the Group's ownership	51%	51%
Group's share of net assets	452	172

The above amount of assets and liabilities include the following:

	2016 $'000	2015 $'000
Cash and cash equivalents	8,622	1,585
Current financial liabilities (excluding trade and other payables and provisions)	(5,414)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	(115,553)	(70,890)

Summarised statement of profit or loss and other comprehensive income

	From January 1, 2016 to December 31, 2016 $'000	From April 1, 2015 to December 31, 2015 $'000
Revenue	**8,237**	–
Profit/(Loss) before tax	**2,090**	(335)
Income tax expense	**(698)**	–
Profit/(Loss) after tax	**1,392**	(335)
Other comprehensive income	**(843)**	–
Total comprehensive income	**549**	(335)
The above profit/(loss) for the year include the following:		
Interest income	**5**	8
Depreciation	**(3,485)**	–
Interest expense	**(2,138)**	–

10. Notes Receivables

	Trust	
	2016 $'000	2015 $'000
Notes issued by subsidiaries	**775,712**	775,712

(a) The notes receivable of $195,570,000 (2015 : $195,570,000) from a subsidiary matures in Year 2037 and bears interest payable quarterly in arrears with a one-time option for the subsidiary, on any interest payment date, to switch to a floating rate per annum equal to three-months Singapore Dollar Swap Offer Rate plus 2.5% per annum. The fixed interest rate for the notes is 13.0% per annum (2015 : 13.0%).

(b) The notes receivable of $35,000,000 (2015 : $35,000,000) from a subsidiary matures in Year 2025 and bears interest payable quarterly in arrears with a one-time option for the subsidiary, on any interest payment date, to switch to a floating rate per annum equal to three-months Singapore Dollar Swap Offer Rate plus 2.5% per annum. The fixed interest rate for the notes is 6.5% per annum (2015 : 6.5%).

(c) The notes receivables of $152,398,000 (2015 : $152,398,000), $91,473,000 (2015 : $91,473,000) and $46,271,000 (2015 : $46,271,000) from subsidiaries mature in Year 2024, 2028 and 2023 respectively. The fixed interest rate for the notes is 6.0% per annum (2015 : 6.0%), payable semi-annually.

(d) The notes receivable of $255,000,000 (2015 : $255,000,000) from a subsidiary mature in Year 2040, with fixed interest rate of 17.5% per annum (2015 : 17.5%), payable quarterly.

The above notes are direct, unsecured and subordinated obligations of the subsidiaries, and can be redeemed at par by the subsidiaries prior to their maturity dates.

The Trustee-Manager estimates that the carrying value of the notes receivables approximate their fair value as these notes may be redeemed at par prior to their maturity dates on any interest payment date.

11. Amount Receivable from a Subsidiary

Amount receivable from a subsidiary is non-trade related, unsecured, repayable in 2024, and bears interest at floating rates. The weighted average effective interest rate on the amount receivable approximates 1.21% (2015 : Nil) per annum. The Trustee-Manager estimates that the carrying value of the amount receivable from a subsidiary approximate its fair value as the loan amount receivable bears interest at floating rates.

Notes to the Financial Statements

12. Service Concession Receivables

	Group 2016 $'000	Group 2015 $'000
Service concession receivables	**468,059**	494,085
Less: Due within 12 months	**(44,034)**	(57,853)
Due after 12 months	**424,025**	436,232

This relates to service concession receivables from the following plants:

(a) **Senoko Plant**
A 15-year contract commencing on September 1, 2009 to own and operate an incinerator plant with a requirement to carry out the Flue Gas Treatment Upgrade, which has contracted incineration capacity of 2,100 tonnes per day with six incinerator-boiler units and two condensing turbine-generators with a power generation capacity of 2x28MW. On September 26, 2014, the sub-trust entered into a supplemental agreement to progressively increase the incineration capacity of the plant by up to 10% and the upgrading work was completed in September 2016, increasing capacity to 2,310 tonnes per day. The sub-trust has a contractual right under the concession arrangement to receive fixed and determinable amounts of payment during the concession period irrespective of usage of the plant.

(b) **Tuas DBOO Plant**
A 25-year Design-Build-Own-Operate ("DBOO") contract commencing on October 30, 2009 to design, build, own and operate a waste-to-energy plant, which has contracted incineration capacity of 800 tonnes per day with two incinerator-boiler units and one condensing turbine-generator with a power generation capacity of 22MW. The sub-trust has a contractual right under the concession arrangement to receive fixed and determinable amounts of payment during the concession period irrespective of usage of the plant.

(c) **Ulu Pandan Plant**
A 20-year DBOO contract commencing on March 28, 2007 to design, build, own and operate a water treatment plant, which has the capacity to produce 148,000m ^{3} of NEWater daily. The sub-trust has a contractual right under the concession arrangement to receive fixed and determinable amounts of payment during the concession period irrespective of the output produced.

In arriving at the carrying value of the service concession arrangements as at the end of the reporting period, weighted average interest rates ranging from 2.50% to 4.68% (2015 : 2.50% to 4.68%) per annum were used to discount the future expected cash flows.

13. Finance Lease Receivables

Future minimum finance lease receivables under finance leases together with the present value of the net minimum finance lease receivables are as follows:

	Group 2016 $'000	Group 2015 $'000
Minimum finance lease receivables:		
Not later than one year	**13,147**	13,183
Later than one year but not later than five years	**52,622**	52,622
Later than five years	**52,131**	65,277
Total minimum lease receivables	**117,900**	131,082
Less: Future finance income	**(20,020)**	(24,207)
Present value of minimum lease receivables	**97,880**	106,875
Unguaranteed residual value	**26,262**	26,262
Net investment in finance lease	**124,142**	133,137
Less: Present value of finance lease receivables not later than one year	**(9,319)**	(8,995)
Non-current financial lease receivables	**114,823**	124,142

The present value of the finance lease receivables is analysed as follows:

	Group	
	2016 $'000	2015 $'000
Not later than one year	**9,319**	8,995
Later than one year but not later than five years	**41,107**	39,559
Later than five years	**47,454**	58,321
Present value of minimum lease receivables	**97,880**	106,875

The finance lease receivables relates to the lease arrangement under a Water Purchase Agreement ("WPA").

A subsidiary of the Group had signed a WPA with Singapore PUB to supply treated water to PUB from a seawater desalination plant which the subsidiary owns. On the date of acquisition of the subsidiary, the WPA had a remaining term of approximately 18 years ending on December 15, 2025. The desalination plant is located on a piece of leasehold land with lease period expiring in January 2034.

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate was 3.91% (2015 : 3.91%) per annum.

In accordance with INT FRS 104 Determining whether an Arrangement contains a Lease, the WPA is a lease arrangement and is classified as a finance lease in accordance with FRS 17 (Revised) - Leases.

The desalination plant is pledged for certain borrowings (Note 19).

14. Derivative Financial Instruments

	Average contracted rate	Notional contract Amount	Asset $'000	Liability $'000
Group				
2016				
Cash flow hedges				
- Foreign currency forward	**US$ 1.3784**	**US$78,800**	**5**	**–**
- Interest rate swaps	**1.68% – 4.85%**	**$1,549 million**	**–**	**105,547**
			5	**105,547**
Less: Current portion			**(5)**	**(19,571)**
Non-current portion			**–**	**85,976**
Fair value through profit or loss				
- Commodity Swap	**US$ 228/mt**	**7,450 mt**	**1,050**	**–**
Less: Current portion			**(1,050)**	**–**
Non-current portion			**–**	**–**
2015				
Cash flow hedges				
- Interest rate swaps	1.68% – 4.85%	$1,444 million	12,939	93,793
Less: Current portion			–	(20,481)
Non-current portion			12,939	73,312
Trust				
2016				
Cash flow hedges				
- Interest rate swap	**1.70%**	**$100.8 million**	**–**	**986**
			–	**986**
Less: Current portion			**–**	**–**
Non-current portion			**–**	**986**

The Trust had no derivative financial instruments as at December 31, 2015.

Notes to the Financial Statements

14. Derivative Financial Instruments (continued)

Interest rate swaps

Interest rate swaps including the interest rate swap contract embedded in an operating agreement acquired through a business combination, were entered into to hedge floating interest payments on borrowings. The interest rate swaps entitle the Group and Trust to receive interest at floating rates on notional principal amounts and oblige the Group and Trust to pay interest at fixed rates on the same notional principal amounts. Fair value gains and losses on the effective hedge portion of the interest rate swaps are recognised in the hedging reserve and are transferred to profit or loss when the finance cost on the borrowings is recognised in profit or loss. The fair value gain or loss on the portion not designated for hedging is recognised in profit or loss. The period when the cash flows on cash flow hedges is expected to occur or affect profit or loss is Year 2017 to Year 2031. The Group and Trust have entered into interest rate swaps to manage the Group's exposure to cash flow interest rate risk on its borrowings.

Commodity swaps

This relates to a fuel swap contract entered into by a subsidiary to hedge a fixed price contract offered to a customer. Fair value gains and losses on the fuel hedge derivative liability and derivative asset are recognised in the profit or loss.

15. Other Assets

	Group		Trust	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Deposits	**997**	665	**–**	–
Prepayments	**142,913**	52,389	**55**	172
Deferred lease expenses	**859**	1,193	**–**	–
Others	**239**	247	**–**	–
	145,008	54,494	**55**	172
Less: Current portion	**(22,134)**	(22,362)	**(55)**	(172)
Non-current portion	**122,874**	32,132	**–**	–

Included in the prepayments balance is an amount of $139,758,000 (2015 : $49,619,000) arising from the prepaid tolling fees in relation to the Capacity Tolling Arrangement ("CTA") with a related party. The prepaid tolling fee is amortised to profit or loss over the CTA period of 15 years.

16. Cash and Cash Equivalents

	Group	
	2016 $'000	2015 $'000
Cash and bank deposits	**266,859**	243,636
Less: Restricted cash	**(52,346)**	(43,572)
Cash and cash equivalents in the consolidated statement of cash flows	**214,513**	200,064

Included in the restricted cash is the amount of cash and bank deposits to be set aside to meet interest and principal repayments for loans extended to the subsidiaries and also for secured bank guarantees for the Group and Trust.

Also included in the Group's restricted cash is the insurance proceeds in relation to Basslink cable outage, the usage of which is subject to the consent of the lenders.

Short-term deposits are made for an average period of 2 months (2015 : 2 months). The weighted average effective interest rate as at December 31, 2016 for the Group and Trust were 0.71% (2015: 1.02%) and 0.53% (2015 : 0.76%) per annum respectively.

17. Trade and Other Receivables

	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Trade receivables:				
- Third parties	**46,294**	45,890	**–**	–
- Related parties	**3,867**	14,284	**–**	–
Unbilled receivables	**43,201**	15,782	**–**	–
Less: Allowance for impairment (third parties)	**(867)**	(908)	**–**	–
Trade receivables - net	**92,495**	75,048	**–**	–
Other receivables	**25,729**	15,076	**226**	328
Interest receivable	**441**	211	**7**	13
Amounts due from related parties (non-trade)	**201**	127	**–**	–
Amounts due from subsidiaries (non-trade)	**–**	–	**4,484**	5,253
	118,866	90,462	**4,717**	5,594

Trade receivables

Trade receivables are non-interest bearing and are generally receivable on 30 to 60 (2015 : 30 to 60) days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Other receivables

Included in other receivables is an amount of $2,208,000 (2015 : $10,491,000) receivable from a government agency on behalf of a customer. A corresponding non-trade payable amount has been recognised in Note 22 under other payables.

Also included in other receivables is a portion of costs incurred to repair the Basslink Interconnector which the Group expects to recover from the insurer.

Amounts due from related parties and subsidiaries (non-trade)

These amounts are unsecured, interest-free, repayable on demand and expected to be settled in cash.

Financial assets that are neither past due nor impaired

Financial assets that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially from individuals and companies with a good collection track record with the Group.

Financial assets that are past due but not impaired

The age analysis of trade receivables past due but not individually impaired is as follows:

	Group 2016 $'000	Group 2015 $'000
Past due but not impaired		
Past due 0 to 3 months	**4,990**	4,587
Past due 3 to 6 months	**7,621**	209
Past due over 6 months	**95**	105
	12,706	4,901

The carrying amount of trade receivables collectively determined to be impaired are fully impaired and the movement in the related allowance for impairment is as follows:

	Group 2016 $'000	Group 2015 $'000
Beginning of year	**908**	896
Charge to profit or loss	**310**	348
Allowance utilised	**(351)**	(336)
End of year	**867**	908

The allowance for impairment of $310,000 (2015: $348,000) was recognised in profit or loss and included in "other operating expenses".

Notes to the Financial Statements

18. Inventories

	Group	
	2016 $'000	2015 $'000
Fuel	11,968	13,986
Spare parts and accessories	42,380	41,884
Pipes and fittings	108	120
	54,456	55,990

Inventories written-down recognised as an expense and included in other operating expenses amounted to $65,000 (2015 : $25,000).

Inventories of $17,843,000 (2015 : $17,452,000) are pledged for certain borrowings (Note 19).

19. Borrowings

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current	752,106	25,108	–	–
Non-current	1,058,576	1,644,530	122,612	–
Total borrowings	1,810,682	1,669,638	122,612	–

The weighted average effective interest rates at the end of the reporting period were as follows:

	Group		Trust	
	2016 %	2015 %	2016 %	2015 %
Borrowings	3.56	4.49	2.03	–

(a) A subsidiary has an A$717 million five-year senior, secured loan facility, provided by a group of lenders. Repayments commenced in Year 2014 and will continue until Year 2019. The bank loan is secured by a charge over all the assets of, and the units and shares in, all of the entities in the subsidiary group. The carrying amount of the loan at the end of the financial year is $741,688,000 (2015 : $713,694,000).

(b) A subsidiary has a term loan of $700 million. The term loan is repayable in Year 2020 and secured by a first ranking charge over its receivable and related rights under the Capacity Tolling Agreement. The carrying amount of the loan at the end of the financial year is $698,312,000 (2015 : $697,845,000).

(c) The bank loans of $177,165,000 (2015 : $176,780,000) obtained by a subsidiary are secured by a first ranking charge over its assets and business undertakings. This loan is repayable in Year 2019.

(d) The bank loans of $70,905,000 (2015 : $81,319,000) obtained by a subsidiary are secured by a first ranking charge over its assets and business undertakings. In addition, the loan is secured by a charge over the units in the subsidiary (inclusive of the units held by the non-controlling interest) and a charge over the shares in the trustee-manager of the subsidiary. Repayments commenced in Year 2007 and will continue until Year 2024.

(e) The Trust has a $200 million three-year term loan and revolving credit facility. The bank loan is repayable in Year 2019, is unsecured and the carrying amount of the loan at the end of financial year is $122,612,000 (2015 : Nil).

All borrowings impose certain covenants. These covenants include having to maintain sufficient funds to pay principal, interest and retention of additional amounts.

As disclosed in Note 43, as a result of the Basslink cable outage, a subsidiary was unable to meet its minimum debt service coverage ratio on its loan covenant which constituted an event of default in the loan agreement. As a condition of waiver, the subsidiary was required to agree with the lenders a long term financing plan ("LTFP"). The subsidiary has been in discussions with its lenders on the LTFP which was not agreed as at December 31, 2016. Accordingly, the bank borrowings of $741,688,000 has been classified as current liabilities as at December 31, 2016.

Total assets of the Group with carrying amount of $1,612 million (2015 : $1,583 million) are pledged for certain borrowings.

20. Loan from a Related Party

During the year, the Group and Trust repaid its short-term loan of $4,541,000 from an affiliated company of a corporate unitholder which was unsecured and bore interest of 2.49% per annum.

21. Loan from a Subsidiary

The loan from a subsidiary was obtained in October 2015. Repayments commenced from February 2016 and will continue until May 2017. The loan is unsecured and bears effective interest at 2.36% (2015 : 2.36%) per annum.

22. Trade and Other Payables

	Group		Trust	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Trade payables:				
- Third parties	**18,494**	6,080	**–**	–
- Related parties	**5,290**	1,002	**–**	–
Other payables:				
- Third parties	**8,477**	16,619	**–**	69
- Trustee-Manager	**2,600**	2,926	**2,569**	2,926
- Subsidiaries	**–**	–	**233**	218
- Related parties	**11,761**	16,853	**17**	30
Accruals	**40,388**	32,153	**75**	117
Interest payable	**5,096**	4,585	**1,228**	663
Deferred income (Note 25)	**1,622**	1,561	**–**	–
Advance payments received	**31,669**	27,588	**–**	–
Refundable customer deposits	**34,796**	34,912	**–**	–
	160,193	144,279	**4,122**	4,023

Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 60 (2015 : 30 to 60) days' terms.

Other payables

Other payables are non-interest bearing, unsecured, repayable on demand and expected to be settled in cash.

23. Provisions

	Group	
	2016 $'000	2015 $'000
Provision for decommissioning costs	**31,280**	38,143
Movements in the provision are as follows:		
Beginning of year	**38,143**	55,253
Addition	**–**	2,262
Reversal (Note 6)	**(9,093)**	(20,214)
Unwinding of discounts (Note 35)	**1,147**	940
Currency translation differences	**1,083**	(98)
End of year	**31,280**	38,143

Provision for decommissioning costs

This relates to provision made by two subsidiaries in respect of costs to decommission, restore and rehabilitate (i) the interconnector sites, and (ii) the land where the combined cycle gas turbine generation facility operates, at the end of the operating life of the assets, based on the net present value of estimated future costs, expected to be required to settle the obligation.

Change in discount rate in provision for decommissioning costs

As at the end of the reporting period, the Group conducted a review on the decommissioning costs and adjusted the discount rates used in determining the fair value of the provision to reflect the current best estimate.

Notes to the Financial Statements

23. Provisions (continued)

The effects of the revision on depreciation charge and finance costs are as follows:

	2017 $'000	2018 $'000	2019 and beyond $'000
Decrease in depreciation charge	(164)	(164)	(8,764)
Decrease in finance costs	(256)	(264)	(31,588)
Total	(420)	(428)	(40,352)

Provision for long-term incentive awards

Prior to 2015, the senior management team of certain subsidiaries were entitled to receive long-term incentive awards. The vesting period was three years from the date of each award, provided the eligible participant remained under the employment at the date of vesting. The amount of the incentive awards vested was dependent on the performance of the total unitholders and absolute return of the Trust. The balance of provision for long-term incentive awards of $647,000 as at April 1, 2015 was reversed in the year ended December 31, 2015 following the vesting of the incentive awards in the year.

24. Notes Payable to Non-Controlling Interests

This relates to notes denominated in Singapore Dollars issued by subsidiaries to their non-controlling interests.

1. The notes of $15,000,000 (2015 : $15,000,000) mature in Year 2025 but can be redeemed at par by the subsidiary prior to its maturity date and bear interest payable quarterly in arrears at a fixed rate of 6.5% (2015 : 6.5%) per annum with a one-time option for the subsidiary, on any interest payment date, to switch to a floating rate per annum equal to three-month Singapore Dollar Swap Offer Rate plus 2.5% per annum.

2. The notes of $245,000,000 (2015 : $245,000,000) mature in Year 2040, with a fixed rate of 17.5% (2015 : 17.5%) per annum, payable quarterly.

The notes are direct, unsecured, subordinated obligations of the subsidiaries and can be redeemed at par by the subsidiary prior to its maturity date.

The Trustee-Manager estimates that the carrying value of the notes payable to non-controlling interests approximate their fair value as these notes may be redeemed at par prior to its maturity date on any interest payment date.

25. Other Payables (Non-Current)

	Group	
	2016 $'000	2015 $'000
Long term customer deposit	**24,722**	22,451
Deferred income	**21,555**	22,302
Advance payments received	**167,849**	177,587
Other payables	**54,712**	43,318
	268,838	265,658

Long term customer deposit and deferred income

Long term customer deposit represents the A$50.0 million (2015 : A$50.0 million) deposit equivalent to $53.0 million (2015 : $51.0 million) placed by a customer which has been recognised as a liability. The deposit received is interest-free and is repayable in 12 quarterly payments commencing in Year 2028.

Deferred income represents the difference between the fair value of this liability and the amount of the A$50.0 million deposit to be repaid, computed based on the present value of future payment discounted at the applicable interest rate of 5.87% (2015 : 5.87%) per annum. This is amortised to profit or loss, using the effective interest rate method, over the life of the agreement. The current portion of deferred income is included in Note 22.

Advance payments received

This relates to amounts that have been received but services have not yet been rendered.

26. Deferred Tax Liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred taxes relates to the same fiscal authority.

	Group	
	2016 $'000	2015 $'000
Movement in deferred tax account is as follows:		
Beginning of the year	**29,596**	22,737
(Credited)/Charged to		
- Profit or loss (Note 38)	**(4,546)**	(1,315)
- Equity (Note 38)	**(2,372)**	1,674
Arising from acquisition of subsidiaries (Note 40)	**–**	6,500
End of the year	**22,678**	29,596

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year were as follows:

Deferred tax liabilities

	Accelerated tax depreciation $'000	Fair value of intangible assets $'000	Derivative financial instruments $'000	Others $'000	Total $'000
At April 1, 2015	23,670	19,196	–	12,664	55,530
Currency translation differences	(495)	(261)	–	(34)	(790)
(Credited)/Charged to					
- Profit or loss	(4,851)	(1,870)	–	1,376	(5,345)
- Equity	–	–	1,517	–	1,517
Arising from acquisition of subsidiaries (Note 40)	–	6,500	–	–	6,500
At December 31, 2015	**18,324**	**23,565**	**1,517**	**14,006**	**57,412**
Currency translation differences	**634**	**381**	**–**	**58**	**1,073**
(Credited)/Charged to					
- Profit or loss	**(465)**	**(2,612)**	**–**	**1,705**	**(1,372)**
- Equity	**–**	**–**	**(1,517)**	**–**	**(1,517)**
At December 31, 2016	**18,493**	**21,334**	**–**	**15,769**	**55,596**

Deferred tax assets

	Allowances against assets $'000	Derivative financial instruments $'000	Recognised unutilised tax losses $'000	Others $'000	Total $'000
At April 1, 2015	(85)	(427)	(15,362)	(16,919)	(32,793)
Currency translation differences	–	–	387	403	790
Charged/(Credited) to					
- Profit or loss	31	–	(1,804)	5,803	4,030
- Equity	–	157	–	–	157
At December 31, 2015	**(54)**	**(270)**	**(16,779)**	**(10,713)**	**(27,816)**
Currency translation differences	**–**	**–**	**(738)**	**(335)**	**(1,073)**
Charged/(Credited) to					
- Profit or loss	**(28)**	**–**	**(5,656)**	**2,510**	**(3,174)**
- Equity	**–**	**(855)**	**–**	**–**	**(855)**
At December 31, 2016	**(82)**	**(1,125)**	**(23,173)**	**(8,538)**	**(32,918)**

Net deferred tax liabilities	
2016	**22,678**
2015	29,596

Notes to the Financial Statements

26. Deferred Tax Liabilities (continued)

Unrecognised tax losses

The Group has unrecognised tax losses of approximately $374,792,000 (2015 : $359,131,000) to set off against future taxable income, for which no deferred tax is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to meeting certain statutory requirements by those subsidiaries with unrecognised tax losses in their respective countries of incorporation. The tax losses have no expiry dates.

Tax consequences of proposed distributions

There are no income tax consequences attached to the distributions to the unitholders proposed by the Trust but not recognised as a liability in the financial statements for both 2016 and 2015 (Note 30).

27. Units in Issue

	Group and Trust			
	2016 Units	2015 Units	**2016 $'000**	2015 $'000
Beginning of year	**3,856,931,931**	1,518,893,062	**2,137,322**	886,731
Units issued (at $0.550 per unit) as consideration for the Crystal Acquisition	**–**	1,326,319,374	**–**	729,475
Units issued (at $0.515 to $0.520 per unit) pursuant to equity fund raising	**–**	1,011,719,495	**–**	521,116
Units issued (at $0.509 per unit) as Trustee-Manager's fees	**131,700**	–	**67**	–
End of year	**3,857,063,631**	3,856,931,931	**2,137,389**	2,137,322

a) Each unit in the Trust represents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

(i) Receive income and other distributions attributable to the units held;

(ii) Participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust; and

(iii) Receive audited accounts and the annual reports of the Trust.

b) The restrictions of a Unitholder include the following:

(i) A Unitholder has no right to request the Trustee-Manager to transfer to him any asset of the Trust; and

(ii) A Unitholder cannot give any directions to the Trustee-Manager (whether at a meeting of Unitholders or otherwise) if it would require the Trustee-Manager to do or omit doing anything which may result in:

- the Trust ceasing to comply with applicable laws and regulations; or
- the exercise of any discretion expressly conferred to the Trustee-Manager by the Trust Deed.

c) A Unitholder's liability is limited to the amount paid or payable for any units in the Trust. The provisions of the Trust Deed provide that no Unitholder will be personally liable to indemnify the Trustee-Manager or any creditor of the Trustee-Manager in the event the liabilities of the Trust exceeded its assets.

28. Hedging Reserve

Hedging reserve records the portion of the fair value changes on derivatives that are designated as hedging instruments in cash flow hedges that are determined to be effective.

	Group		Trust	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Beginning of the year	**(201,772)**	(236,114)	**–**	–
Fair value gain/(loss):				
Fair value gain/(loss)	**(28,407)**	23,252	**(1,702)**	(210)
Tax on fair value gain/(loss)	**1,366**	(1,035)	**–**	–
	(27,041)	22,217	**(1,702)**	(210)
Transfer to profit or loss:				
Finance cost (Note 35)	**21,903**	16,183	**716**	210
Tax on transfers	**(2,104)**	(639)	**–**	–
	19,799	15,544	**716**	210
Non-controlling interests (net of tax)	**4,536**	(3,419)	**–**	–
	(204,478)	(201,772)	**(986)**	–

29. Capital Reserve

In prior years, the Group's subsidiary, City Gas Trust, disposed 49% of its equity interest in City-OG Gas Energy Services Pte Ltd ("City-OG Gas") to Osaka Gas Co., Ltd ("Osaka Gas") for a consideration of $39.2 million. The Group retained control in the remaining 51% equity interest in City-OG Gas. With the disposal of the equity interest in City-OG Gas, the Group recorded a capital reserve of $38.7 million.

30. Distributions Paid to the Unitholders of the Trust

Tax exempt distributions paid during the financial year are as follows:

	Group and Trust	
	From January 1, 2016 to December 31, 2016 $'000	From April 1, 2015 to December 31, 2015 $'000
For the period from January 1, 2015 to March 31, 2015 - 0.82 cents per unit	**–**	12,455
For the period from April 1, 2015 to May 17, 2015 - 0.42 cents per unit	**–**	6,433
For the period from May 18, 2015 to May 28, 2015 - 0.11 cents per unit	**–**	3,132
For the period from May 29, 2015 to June 30, 2015 - 0.25 cents per unit	**–**	9,642
For the period from July 1, 2015 to September 30, 2015 - 0.93 cents per unit	**–**	35,869
Special distribution - 3.03 cents per unit	**–**	59,947
For the period from October 1, 2015 to December 31, 2015 - 0.93 cents per unit	**35,869**	–
For the period from January 1, 2016 to March 31, 2016 - 0.93 cents per unit	**35,871**	–

Notes to the Financial Statements

30. Distributions Paid to the Unitholders of the Trust (continued)

	Group and Trust	
	From January 1, 2016 to December 31, 2016 $'000	From April 1, 2015 to December 31, 2015 $'000
For the period from April 1, 2016 to June 30, 2016		
- 0.93 cents per unit	**35,871**	–
For the period from July 1, 2016 to September 30, 2016		
- 0.93 cents per unit	**35,871**	–
	143,482	127,478
The following distributions have been declared after the financial year end but not recognised as a liability		
Distribution of 0.93 cents per unit for the period from October 1, 2015 to December 31, 2015	**–**	35,869
Distribution of 0.93 cents per unit for the period from October 1, 2016 to December 31, 2016	**35,871**	–

31. Revenue

	Group	
	From January 1, 2016 to December 31, 2016 $'000	From April 1, 2015 to December 31, 2015 $'000
Sale of goods	**281,188**	237,354
Service income	**210,425**	137,359
Finance income from service concession arrangements	**15,633**	8,884
Finance lease income	**4,188**	3,333
Operation and maintenance income	**49,316**	29,704
Construction revenue	**16,231**	8,116
Management fee income	**4,136**	3,102
	581,117	427,852

32. Other Income

	Group	
	From January 1, 2016 to December 31, 2016 $'000	From April 1, 2015 to December 31, 2015 $'000
Interest income	**1,911**	1,871
Other miscellaneous income	**25,623**	1,131
	27,534	3,002

In 2016, other miscellaneous income comprises mainly insurance compensation to cover the loss of income arising from business interruption in relation to the Basslink cable outage.

33. Other (Losses)/Gains – Net

	Group	
	From January 1, 2016 to December 31, 2016 $'000	From April 1, 2015 to December 31, 2015 $'000
Fair value (loss)/gain on derivative financial instruments	**(9,199)**	2,697
Exchange differences	**163**	(196)
Others	**(503)**	13
	(9,539)	2,514

34. Staff Costs

	Group	
	From January 1, 2016 to December 31, 2016 $'000	From April 1, 2015 to December 31, 2015 $'000
Salaries and wages	**21,626**	15,601
Employer's contribution to defined contribution plans, including Central Provident Fund	**2,502**	1,773
Other short-term benefits	**1,843**	1,334
	25,971	18,708

35. Finance Cost

	Group	
	From January 1, 2016 to December 31, 2016 $'000	From April 1, 2015 to December 31, 2015 $'000
Interest expense		
- Bank borrowings	**48,343**	38,156
- Notes payable to non-controlling interests	**43,972**	22,466
- Related party	**42**	43
Unwinding of discounts		
- Provision for decommissioning costs (Note 23)	**1,147**	940
- Interest-free customer deposits	**1,346**	970
Cash flow hedges, transfer from hedging reserve (Note 28)	**21,903**	16,183
Others	**217**	74
	116,970	78,832

Notes to the Financial Statements

36. Trustee-Manager's Fees

	Group	
	From January 1, 2016 to December 31, 2016 $'000	From April 1, 2015 to December 31, 2015 $'000
Base fee	**2,767**	2,553
Performance fee	**6,902**	4,697
	9,669	7,250

Subsequent to the change in the trustee-manager in 2015, the Trustee-Manager's fees comprise:

1) A Base fee of $2.0 million per annum subject to increase each year by such percentage increase (if any) in the average of the monthly Singapore CPI for the 12 calendar months immediately preceding the beginning of each financial year over the average of the monthly Singapore CPI for 2010.

2) Performance fee is charged at 4.5% per annum on all the cash inflows received by the Trust from subsidiaries, associates, sub-trusts and its investments (including but not limited to dividends, distributions, interest earned, revenues earned, principal repayment of debt securities and all other receipts).

3) In addition to the Base Fee and the Performance Fee, the Trustee-Manager (in its personal capacity) is also entitled to receive an Acquisition Fee in respect of any investment acquired by the Trust or special purpose vehicles holding or constituted to hold the Trust's investment and a Divestment Fee in respect of any investment sold or divested by the Trust or its special purpose vehicles.

Prior to the change in the trustee-manager in 2015, the Trustee-Manager's fee was based on 1.0% per annum of the market capitalisation of the units in the Trust subject to a minimum of $3.5 million per annum.

37. Profit Before Tax

The following items have been included in arriving at profit before tax:

	Group	
	From January 1, 2016 to December 31, 2016 $'000	From April 1, 2015 to December 31, 2015 $'000
Auditors' remuneration		
- auditors of the Group	**398**	439
Non-audit fees to		
- auditors of the Group	**14**	14
Property, plant and equipment written off (Note 6)	**486**	99
Transaction costs in relation to the Crystal Acquisition and KMC Acquisition (Note 40) not eligible for capitalisation, recorded under "Other operating expenses"	**–**	1,914

38. Income Tax Expense

Major components of income tax expense

The major components of income tax expense for the years ended December 31, 2016 and 2015 are:

	Group	
	From January 1, 2016 to December 31, 2016 $'000	From April 1, 2015 to December 31, 2015 $'000
Consolidated profit or loss:		
Current tax	**4,961**	4,081
Deferred tax (Note 26)	**(4,546)**	(1,315)
Income tax expense recognised in profit or loss	**415**	2,766
Consolidated statement of other comprehensive income:		
Deferred tax expense related to other comprehensive income:		
- Fair value (loss)/gain and reclassification adjustments on cash flow hedges (Note 26)	**(2,372)**	1,674

Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the year ended December 31, 2016 and 2015 are as follows:

	Group	
	From January 1, 2016 to December 31, 2016 $'000	From April 1, 2015 to December 31, 2015 $'000
Profit before tax	**6,536**	1,163
Tax calculated at a tax rate of 17%	**1,111**	198
Effect of:		
- Different tax rates in other countries	**(1,468)**	(1,854)
- Expenses not deductible for tax purposes	**6,391**	6,642
- Income not subject to tax	**(8,094)**	(9,241)
- Deferred tax assets not recognised	**7,774**	7,452
- Recognition of future deductible amounts allowable under overseas tax regime	**(5,875)**	(812)
- Adjustment recognised in the current year in relation to the current tax for prior year	**447**	380
- Tax relief	**(136)**	(182)
- Others	**265**	183
	415	2,766

Notes to the Financial Statements

39. Earnings Per Unit

The calculation of basic and diluted earnings per unit is based on the weighted average number of units outstanding during the financial year and profit after tax attributable to the unitholders of the Trust.

	Group	
	From January 1, 2016 to December 31, 2016	From April 1, 2015 to December 31, 2015
Profit for the financial year attributable to unitholders of the Trust ($'000)	**41,188**	15,457
Weighted average number of units during the financial year	**3,857,044,200**	3,389,268,367
Basic and diluted earnings per unit (cents)	**1.07**	0.46

Diluted earnings per unit is the same as the basic earnings per unit as there are no dilutive instruments in issue during the financial year.

40. Acquisition of Subsidiaries

In 2015, the Group entered into the following significant transactions:

Crystal Assets Acquisition

On May 18, 2015, the Trust acquired the businesses of collection, purification and distribution of water and waste incineration and electricity generation from Crystal Trust through the acquisition of Ulu Pandan Trust, Keppel Seghers NEWater Development Co Pte Ltd, Senoko Trust, Senoko Waste-To-Energy Pte Ltd, Tuas DBOO Trust and Keppel Seghers Tuas Waste-To-Energy Plant Pte Ltd, collectively known as the Crystal Assets, for a total purchase consideration of $729 million via the issue of 1,326,319,374 new units for the acquisition.

KMC Acquisition

On June 30, 2015, the Trust acquired a 51% equity stake in KMC which owns the Keppel Merlimau Cogen power plant, a combined cycle gas turbine generation facility at Jurong Island. The total purchase consideration of $510 million was financed by an equity fund raising, of which $255 million was paid to the vendor and $255 million was injected via Qualifying Project Debt Securities ("QPDS") Notes.

During the financial year ended December 31, 2015, the fair values of the net assets and the net cash outflows of the acquisitions were as follows:

	Crystal Assets $'000	KMC $'000	Total $'000
ASSETS			
Property, plant and equipment	1,532	1,635,111	1,636,643
Intangibles arising from acquisition (Note 7)	38,234	–	38,234
Cash and bank deposits	11,876	229,976	241,852
Trade and other receivables	27,058	16,985	44,043
Service concession receivables	509,468	–	509,468
Inventories	11,107	27,843	38,950
Total assets	599,275	1,909,915	2,509,190
LIABILITIES			
Borrowings	(3,479)	(700,000)	(703,479)
Trade and other payables	(10,971)	(704,040)	(715,011)
Current tax liabilities	(2,275)	–	(2,275)
Deferred tax liabilities (Note 26)	(6,500)	–	(6,500)
Total liabilities	(23,225)	(1,404,040)	(1,427,265)
Net identifiable assets acquired	576,050	505,875	1,081,925
Non-controlling interest measured at non-controlling's proportionate share of the net assets	–	(245,000)	(245,000)
Goodwill arising from acquisition (Note 7)	153,425	–	153,425
Total purchase consideration	729,475	260,875	990,350
Less: Purchase consideration via units swap	(729,475)	–	(729,475)
Less: Cash and cash equivalents in subsidiaries acquired	(11,876)	(229,976)	(241,852)
Less: Transaction cost paid	–	(5,875)	(5,875)
Acquisition of subsidiaries, net of cash acquired	(11,876)	25,024	13,148

Goodwill arose through the acquisition of the Crystal Assets because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies of the Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on the acquisition of the Crystal Assets is not expected to be deductible for tax purposes. The acquisition of KMC was accounted for as an acquisition of an asset as it does not meet the definition of a business combination. The factors considered by the Trustee-Manager in determining the KMC acquisition as an acquisition of asset include the absence of any inputs or outputs acquired or processes transferred.

The revenue and profit for the year ended December 31, 2015 of the Group, attributable to the additional business generated by the Crystal Assets are as follows:

	Crystal Assets $'000
Revenue	46,704
Profit for the year	392

Had the business combination during the year been effected at April 1, 2015, the revenue and loss for the year of the Group would have been as follows:

	From April 1, 2015 to December 31, 2015 $'000
Revenue	441,196
Loss for the year	(1,491)

The Trustee-Manager considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the 'pro-forma' revenue and profit of the Group had the Crystal Assets been acquired at April 1, 2015, the Trustee-Manager has factored in the amortisation of the intangible assets arising from the acquisition.

41. Operating Lease Arrangements and Capital Commitments

(a) Operating lease arrangements

The Group leases office premises and pipe rack under non-cancellable operating lease agreements. Minimum lease payments recognised as an expense in profit or loss for the financial year ended December 31, 2016 amounted to $3,015,000 (2015 : $1,124,000). The future minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as payable, are as follows:

	Group	
	2016 $'000	2015 $'000
Not later than one year	**3,999**	3,410
Later than one year but not later than five years	**11,458**	10,173
Later than five years	**66,212**	68,240
	81,669	81,823

Included in the future minimum lease payments under non-cancellable operating leases comprise future minimum lease payments with related parties which amounted to $16,284,000 (2015 : $16,582,000).

Operating lease payments represent rentals payable by the Group for certain of its office properties and pipe racks. Rentals are negotiated for an average term of 1 to 48 years (2015 : 2 to 49 years).

(b) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2016 $'000	2015 $'000
Property, plant and equipment	**2,756**	486
Capital commitment by the joint venture	**–**	12,181
Capital expenditure on capacity expansion works to be carried out by a subsidiary	**–**	15,458

Notes to the Financial Statements

42. Segment Information

The Trustee-Manager monitors the results of the Trust based on the following reportable segments for the purpose of making decisions in resource allocation and performance assessment:

- Gas: production and retailing of town gas and retailing of natural gas in Singapore;
- Concessions: concessions in relation to the desalination plant, water treatment plant and waste-to-energy plants in Singapore;
- Power: tolling arrangement for the power plant in Singapore;
- Electricity: operator of subsea electricity interconnector in Australia; and
- Corporate: investment holding, asset management and business development.

Information regarding the Trust's reportable segments for the years ended December 31, 2016 and 2015 are set out below:

	Gas (Singapore) $'000	Concessions (Singapore) $'000	Power (Singapore) $'000	Electricity (Australia) $'000	Corporate (Singapore) $'000	Total Group $'000
2016						
Revenue	**287,982**	**113,303**	**128,714**	**46,982**	**4,136**	**581,117**
Profit/(Loss) before tax	**35,158**	**23,801**	**(32,225)**	**(11,289)**	**(8,909)**	**6,536**
Funds from operations [1]	**40,558**	**77,480**	**44,580**	**20,160**	**(5,553)**	**177,225**
Other segment items:						
Depreciation and amortisation	(12,598)	(7,050)	(75,668)	(18,396)	–	(113,712)
Fair value gain/(loss) on derivative financial instruments	1,050	–	–	(10,249)	–	(9,199)
Allowance for trade and other receivables	(310)	–	–	–	–	(310)
Share of results of joint venture	–	–	–	–	710	710
Finance costs [2]	(4,824)	(5,181)	(63,125)	(42,399)	(1,441)	(116,970)

A reconciliation of funds from operations to profit before tax is provided as follows:

	2016 $'000
Funds from operations	**177,225**
Reduction in concession / lease receivables	**(51,252)**
Non-cash finance cost	**(7,757)**
Other non-cash items	**(1,743)**
Depreciation and amortisation	**(113,712)**
Maintenance capital expenditure	**947**
Finance cost attributable to NCI	**(43,972)**
Funds from operations of joint venture	**(2,916)**
Funds from operations attributable to NCI	**49,716**
Profit before tax	**6,536**

	Gas (Singapore) $'000	Concessions (Singapore) $'000	Power (Singapore) $'000	Electricity (Australia) $'000	Corporate (Singapore) $'000	Total Group $'000
2016						
Segment and consolidated total assets	**569,494**	**714,757**	**1,737,256**	**1,018,470**	**78,665**	**4,118,642**
Segment liabilities	**316,752**	**105,451**	**961,373**	**947,998**	**304,966**	**2,636,540**
Unallocated liabilities:						
Current tax liabilities						**5,454**
Deferred tax liabilities						**22,678**
Consolidated total liabilities						**2,664,672**
Other segment items						
Additions to non-current assets						
Investment in and advances to joint venture	**–**	**–**	**–**	**–**	**1,717**	**1,717**
Capital expenditure						
- property, plant and equipment	**912**	**27**	**8**	**–**	**–**	**947**
2015						
Revenue	241,469	74,459	65,128	43,694	3,102	427,852
Profit/(Loss) before tax	25,111	16,541	(14,743)	(14,262)	(11,484)	1,163
Funds from operations [1]	34,745	46,977	23,302	(789)	(8,874)	95,361
Other segment items:						
Depreciation and amortisation	(11,180)	(4,722)	(37,766)	(14,053)	–	(67,721)
Fair value gain on derivative financial instruments	–	–	–	2,697	–	2,697
Allowance for trade and other receivables	(348)	–	–	–	–	(348)
Share of results of joint venture	–	–	–	–	(171)	(171)
Finance costs [2]	(3,846)	(2,992)	(30,479)	(38,100)	(3,415)	(78,832)

A reconciliation of funds from operations to profit before tax is provided as follows:

	2015 $'000
Funds from operations	95,361
Reduction in concession / lease receivables	(30,070)
Non-cash finance cost	(5,331)
Other non-cash items	4,396
Depreciation and amortisation	(67,721)
Transaction Costs in relation to acquisition	(1,914)
Maintenance capital expenditure	1,454
Finance cost attributable to NCI	(22,466)
Funds from operations of joint venture	171
Funds from operations attributable to NCI	27,283
Profit before tax	1,163

Notes to the Financial Statements

42. Segment Information (continued)

	Gas (Singapore) $'000	Concessions (Singapore) $'000	Power (Singapore) $'000	Electricity (Australia) $'000	Corporate (Singapore) $'000	Total Group $'000
2015						
Segment and consolidated total assets	558,209	754,569	1,730,404	990,725	81,571	4,115,478
Segment liabilities	291,194	118,437	959,174	916,282	190,965	2,476,052
Unallocated liabilities:						
Current tax liabilities						9,044
Deferred tax liabilities						29,596
Consolidated total liabilities						2,514,692
Other segment items						
Additions to non-current assets						
Investment in and advances to joint venture	–	–	–	–	21,434	21,434
Intangibles (arising from acquisition)	94,420	38,234	–	59,005	–	191,659
Capital expenditure						
- property, plant and equipment	1,247	–	–	207	–	1,454

1 Funds from operations is defined as profit after tax adjusted for reduction in concession/lease receivables, transaction costs, non-cash interest and current cash tax, maintenance capital expenditure, non-cash adjustments and non-controlling interests adjustments.

2 Excludes interest payable on notes issued by subsidiaries to the Trust.

The Group's Gas, Concessions and Power business segments operate in Singapore whilst the Electricity segment operates in Australia. Revenue is based on the country in which the customer is located. Total non-current assets are shown by the geographical area where the assets are located.

	Revenue		Non-current assets *	
	From January 1, 2016 to December 31, 2016 $'000	From April 1, 2015 to December 31, 2015 $'000	**2016 $'000**	2015 $'000
Singapore	**534,135**	384,158	**2,011,858**	2,106,691
Australia	**46,982**	43,694	**928,339**	924,044
	581,117	427,852	**2,940,197**	3,030,735

* Comprise property, plant and equipment, intangibles and investment in and advances to joint venture.

Revenue from Concessions segment of $113,303,000 (2015 : $74,459,000) was solely derived from the only customer of the respective subtrusts. For the Power segment, revenue of $128,714,000 (2015 : $65,128,000) was derived from its only customer. For Electricity segment, revenue from its major customer was $44,866,000 (2015 : $41,308,000).

43. Contigent Liability

Basslink Pty Ltd ("Basslink"), a wholly-owned subsidiary of the Group, operates a subsea electricity Interconnector ("Interconnector") between the electricity grids of the States of Tasmania and Victoria in Australia.

On December 20, 2015, the Interconnector was taken out of service due to a cable fault incident. The cable returned to service on June 13, 2016. The customer, Hydro Tasmania ("HT"), has not paid Basslink facility fees since September 2016 as HT disagrees with Basslink that the outage was a force majeure event.

The independent submarine power cable expert engaged by Basslink completed the investigations in December 2016 and concluded amongst others, that the cause of the cable fault is "cause unknown". Based on current circumstances and professional advice, Basslink maintains that the outage is a force majeure event.

Basslink has ongoing discussions with HT on matters arising from the outage. While HT has not paid Basslink facility fees since September 2016, Basslink has received good faith payments from HT after the release of the outage investigation report, whilst the outstanding matters are being resolved. Basslink continues to work closely and engage with HT towards achieving a satisfactory outcome.

No legal claims have been received by the Group as at the date of this report.

44. Comparative Figures

The comparative information relates to the period from April 1, 2015 to December 31, 2015. Accordingly, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the comparative period are not comparable to those for the current year.

Corporate Governance

The Board and Management of Keppel Infrastructure Fund Management Pte. Ltd. (KIFM), as the Trustee-Manager of Keppel Infrastructure Trust (KIT), are fully committed to maintaining good corporate governance as they firmly believe that it is essential to protect the best interests of the unitholders of KIT (Unitholders).

The Business Trusts Act, Chapter 31A, of Singapore (BTA) sets out the requirements and obligations in respect of corporate governance. The Business Trusts Regulations (BTR) set out the requirements for, amongst other matters, the board composition of a trustee-manager, the independence of its directors, and the audit committee composition of a trustee-manager.

In addition, the Trustee-Manager adopts the Code of Corporate Governance 2012 [1] (the 2012 Code) as its benchmark for corporate governance policies and practices. The following describes the Trustee-Manager's main corporate governance policies and practices with specific reference to the 2012 Code.

BOARD'S CONDUCT OF AFFAIRS
Principle 1: Effective Board to lead and control the company

The Board of Directors of the Trustee-Manager (the Board) is responsible for the overall management and the corporate governance of KIT, including establishing goals for Management and monitoring the achievement of these goals.

Role: The principal functions of the Board are to:

- Decide on matters in relation to KIT's activities which are material in nature, including decisions on strategic directions and guidelines and the approval of periodic plans and major investments and divestments;

- Oversee the business and affairs of KIT, establish, with Management, the strategies and financial objectives to be implemented by Management, and monitor the performance of Management;

- Oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance, and satisfy itself as to the adequacy and effectiveness of such processes; and

- Assume responsibility for corporate governance.

Independent Judgment: All directors of the Trustee-Manager (the Directors) are expected to exercise independent judgment in the best interests of KIT. This is one of the performance criteria for the peer and self-assessment of the effectiveness of the individual Directors. Based on the results of the peer and self-assessment carried out by the Directors for the financial year ended 31 December 2016 (FY 2016), all Directors have discharged their duty consistently well.

Board Committees: To assist the Board in the discharge of its oversight function, the Audit Committee, the Nominating and Remuneration Committee and the Conflicts Resolution Committee have been constituted with clear written terms of reference. The Board Committees are actively engaged and play an important role in ensuring good corporate governance. The terms of reference of the respective Board committees are disclosed in the Appendix to this report at pages 142 to 144.

Meetings: The Board meets at least four times a year and as warranted by particular circumstances to discuss and review the Trustee-Manager's key activities, including its business strategies and policies for KIT, proposed acquisitions and disposals, the annual budget, review the performance of the business and the financial performance of KIT and the Trustee-Manager. The Board also reviews and approves the release of the quarterly and full-year results. In addition, the Board reviews the risks to the assets of KIT, and acts upon any comments from the auditors of KIT.

Board meetings are scheduled and circulated to the Directors prior to the start of the financial year to allow Directors to plan ahead to attend such meetings, so as to maximise participation. Meetings may also be scheduled on a need-be basis.

[1] The Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore on 2 May 2012.

The Trustee-Manager's Constitution permits Board meetings to be held by way of conference by telephone or any other electronic means of communication by which all persons participating are able, contemporaneously, to hear and be heard by all other participants. Further, the non-executive Directors meet without the presence of Management on a need-be basis.

The current Directors' appointments and details of membership on Board committees, number of Board and Board committee meetings held during FY 2016, as well as the attendance of each Board member at these meetings, are disclosed below.

Board and Board committee meetings for FY 2016:

	Board Meetings	Audit Committee Meetings	Nominating & Remuneration Committee Meetings	Conflicts Resolution Committee Meetings	Non-Executive Directors' Meeting (without presence of Management)
Koh Ban Heng	5	4	2	-	2
Thio Shen Yi	4	-	2	1	2
Daniel Cuthbert Ee Hock Huat [2]	5	2 out of 2	-	1	2
Mark Andrew Yeo Kah Chong	5	4	-	-	2
Kunnasagaran Chinniah [3]	5	-	0 out of 0	0 out of 0	2
Ong Tiong Guan	5	-	2	-	2
Alan Tay Teck Loon	5	-	-	-	2
Christina Tan Hua Mui [4]	1 out of 1	-	0 out of 0	-	0 out of 0
Quek Soo Hoon [5]	2 out of 3	2 out of 2	2 out of 2	1 out of 1	1 out of 1
Number of Meetings Held in FY 2016	**5**	**4**	**2**	**1**	**2**

Nature of current Directors' appointments on the Board and the details of their membership on Board committees

	Board Membership	Audit Committee	Nominating & Remuneration Committee	Conflicts Resolution Committee
Koh Ban Heng	Non-Executive and Independent Chairman	Member	Member	-
Thio Shen Yi	Non-Executive Independent	-	Chairman	Member
Daniel Cuthbert Ee Hock Huat	Non-Executive Independent	Member	-	Chairman
Mark Andrew Yeo Kah Chong	Non-Executive Independent	Chairman	-	-
Kunnasagaran Chinniah	Non-Executive Independent	-	Member	Member
Ong Tiong Guan	Non-Executive and Non-Independent	-	Member	-
Alan Tay Teck Loon	Non-Executive and Non-Independent	-	-	-
Christina Tan Hua Mui	Non-Executive and Non-Independent	-	Member	-

If a Director were unable to attend a Board or Board committee meeting, he or she would still receive all the papers and materials for discussion at that meeting. He or she would review them and advise the Chairman of the Board or the Board committee Chairman of his or her views and comments on the matters to be discussed so that they may be conveyed to other members at the meeting.

2 Mr Daniel Cuthbert Ee Hock Huat was appointed a member of the Audit Committee with effect from 13 May 2016.
3 Mr Kunnasagaran Chinniah was appointed a member of the Nominating and Remuneration Committee and a member of the Conflicts Resolution Committee with effect from 13 May 2016.
4 Ms Christina Tan Hua Mui was appointed a non-executive and non-independent Director and a member of the Nominating and Remuneration Committee with effect from 15 September 2016.
5 Ms Quek Soo Hoon retired from the Board with effect from 13 May 2016. Concurrently, Ms Quek ceased to be a member of the Audit Committee, the Nominating and Remuneration Committee, and the Conflicts Resolution Committee.

Corporate Governance

Internal Limits of Authority: The Trustee-Manager has adopted a set of internal guidelines which sets out the financial authority limits for investment/business acquisition, operating/capital expenditure, leasing, disposal of assets and various corporate matters that require the approval of the Board. Appropriate delegations of authority and approval sub-limits are also provided at the Management level to facilitate operational efficiency.

Director Orientation: A formal letter is sent to newly-appointed Directors upon their appointment explaining their duties and obligations as directors. All newly-appointed Directors undergo a comprehensive orientation programme which includes sites visits.

Training: Changes to laws, regulations, policies, accounting standards and industry-related matters are monitored closely. Where the changes have an important and significant bearing on KIT and its disclosure obligations, the Directors are briefed either during Board meetings, at specially convened sessions or via circulation of Board papers. The Directors are also provided with continuing education in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act, continuing listing obligations and industry-related matters, so as to update and refresh them on matters that affect or may enhance their performance as Board or Board committee members. Updates on relevant legal or regulatory developments may be provided to the Board by circulation or through seminars and presentations conducted or sponsored by the Trustee-Manager. Some Directors attended talks and forums on topics relating to corporate governance, leadership in the boardroom, finance and accounting standards, economic outlook and long term trends, among others.

BOARD COMPOSITION AND GUIDANCE
Principle 2: Strong and independent element on the Board

Board Composition: Presently, the Board consists of eight members, five of whom are independent non-executive Directors. The other Directors are non-independent non-executive Directors. The Chairman of the Board is Mr Koh Ban Heng who is an independent non-executive Director.

Board Independence: The composition of the Board complies with the BTR and comprises:

(a) at least a majority of the directors who are independent from management and business relationships with the Trustee-Manager;

(b) at least one-third of the directors who are independent from management and business relationships with the Trustee-Manager and from every substantial shareholder of the Trustee-Manager; and

(c) at least a majority of the directors who are independent from any single substantial shareholder of the Trustee-Manager.

To be considered to be independent from management and business relationships with the Trustee-Manager (whether or not the Trustee-Manager is acting for or on behalf of KIT), a Director must not have any:

(a) management relationships with the Trustee-Manager or with any of its subsidiaries; and

(b) business relationships with the Trustee-Manager or with any of its related corporations, or with any officer of the Trustee-Manager or any of its related corporations,

that could interfere with the exercise of his independent judgment with regard to the interests of all the Unitholders as a whole.

To be considered to be independent from a substantial shareholder of the Trustee-Manager, a Director must not be a substantial shareholder of the Trustee-Manager and is not connected to the substantial shareholder of the Trustee-Manager as provided under the BTR.

The Trustee-Manager is wholly-owned by Keppel Capital Holdings Pte. Ltd. (Keppel Capital) which is in turn wholly-owned by Keppel Corporation Limited (Keppel Corporation). On 1 July 2016, Keppel Corporation completed its consolidation of its interests in all four of its subsidiaries in business trust management, real estate investment trust management and fund management under Keppel Capital (Consolidation). Whilst Keppel Capital has become the shareholder of the Trustee-Manager in place of Keppel Infrastructure Holdings Pte. Ltd. (KI) pursuant to the Consolidation, the Trustee-Manager continues to remain a wholly-owned subsidiary of Keppel Corporation. The Consolidation does not change Keppel Corporation's deemed interest in KIT. KI, a wholly-owned subsidiary of Keppel Corporation remains a sponsor of KIT and is the largest unitholder of KIT. Keppel Corporation and its related and associated companies have extensive business activities in offshore and marine, infrastructure, property sectors and investments. Temasek Holdings (Private) Limited (Temasek), by virtue of their interest in Keppel Corporation, is deemed a substantial shareholder of the Trustee-Manager.

The Nominating and Remuneration Committee carried out the review on the independence of each non-executive Director in January 2017 based on the respective Directors' self-declaration in the Directors' Independence Checklist and their actual performance on the Board and Board committees.

Taking into account the views of the Nominating and Remuneration Committee, the Board has determined that:

(a) although Mr Koh Ban Heng is strictly not considered to be independent from Keppel Corporation, the indirect substantial shareholder of the Trustee-Manager, and business relationships with the Trustee-Manager according to the BTR, nonetheless, the Board considers that Mr Koh is an independent Director. Mr Koh is currently an independent non-executive director of KI, a wholly-owned subsidiary of Keppel Corporation. KI's related corporations received payments in the current and immediately preceding financial year from the Trustee-Manager and its related corporations for operations and maintenance and other services provided to KIT. After review, the Board is satisfied that the above relationships will not interfere with Mr Koh's independent judgment and ability to act with regard to the interests of all the Unitholders as a whole. The Board reached its conclusion on the basis that (i) Mr Koh is an independent non-executive director of KI, (ii) Mr Koh is joining the Board in his personal capacity, not as KI's representative, (iii) Mr Koh has declared that he does not act in accordance with the instructions of KI, and (iv) Mr Koh has declared that he does not derive any compensation from KI other than remuneration received for his service as a director of KI. Mr Koh has also shown independent judgment in his deliberation of the interests of KIT. Mr Koh's participation in the Board will benefit KIT given his expertise. Mr Koh will however, abstain from the Board's decisions in relation to any matter which involves companies within the Keppel Group.

(b) Mr Thio Shen Yi is independent from management and business relationships with the Trustee-Manager and independent from Keppel Corporation and Temasek.

(c) Mr Daniel Cuthbert Ee Hock Huat is independent from management and business relationships with the Trustee-Manager and independent from Keppel Corporation and Temasek.

(d) Mr Mark Andrew Yeo Kah Chong is independent from management and business relationships with the Trustee-Manager and independent from Keppel Corporation and Temasek.

(e) Mr Kunnasagaran Chinniah is independent from management and business relationships with the Trustee-Manager and independent from Keppel Corporation and Temasek.

(f) Dr Ong Tiong Guan is not considered to be independent from Keppel Corporation. Dr Ong is the Chief Executive Officer and a Director of KI and a director of several other companies within the Keppel Group, including Keppel Energy Pte Ltd, Keppel Electric Pte Ltd, and Keppel Gas Pte Ltd.

(g) Mr Alan Tay Teck Loon is not considered to be independent from Keppel Corporation. Mr Tay is Executive Director, Business Development, of KI.

(h) Ms Christina Tan Hua Mui is not considered to be independent from Keppel Corporation. Ms Tan is the Chief Executive Officer and a director of Keppel Capital and a director of several other companies within the Keppel Group, including Alpha Investment Partners Limited, Keppel REIT Management Limited and Keppel DC REIT Management Pte. Ltd..

Board Size: The Board, in concurrence with the Nominating and Remuneration Committee is of the view the present size of the Board of eight members is appropriate. This is considering the nature, scope and requirements of KIT's businesses and the need to avoid disruptions from changes to the composition of the Board and Board committees.

The Board now comprises eight Directors, of whom five are independent. No individual or small group of individuals dominate the Board's decision making.

The nature of the Directors' appointments on the Board and details of their membership on Board committees are set out on page 125 herein.

Board Competency: The Nominating and Remuneration Committee is satisfied that the Board and the Board committees comprise Directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge for KIT, and the core competencies such as accounting or finance, legal and regulatory, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge which are required for the Board and the Board committees to be effective. In this respect, the Nominating and Remuneration Committee recognises the merits of gender diversity in relation to the composition of the Board and, in identifying candidates for new appointment to the Board, would consider suitable female candidates. Having said that, gender is but one aspect of diversity and new Directors will continue to be selected based on objective criteria set as part of the process for appointment of new Directors and Board succession planning. In FY 2016, there was one female Director out of a total of eight Directors on the Board.

Corporate Governance

Board Information: The Board and Management fully appreciate that fundamental to good corporate governance is an effective and robust Board whose members engage in open and constructive debate and challenge Management on its assumptions and proposals. For this to happen, the Board, in particular, the non-executive Directors, are kept well informed of KIT's businesses and affairs and are knowledgeable about the industry in which the businesses operate. The non-executive Directors have constructively challenged and helped to develop proposals on strategy and robustly reviewed the performance of Management. The non-executive Directors are well supported by accurate, complete and timely information, have unrestricted access to Management, and have sufficient time and resources to discharge their oversight function effectively.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER
Principle 3: Clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making

The positions of Chairman and Chief Executive Officer (CEO) are held by two individuals to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Chairman and the CEO are not related to each other.

The independent Chairman leads the Board in working together with Management with integrity, competency and in an effective manner to address strategy, business operations and enterprise risk issues, and facilitates the effective contribution of the non-executive Directors and the Board as a whole. The Chairman, with the assistance of the Company Secretaries, schedules meetings and prepares meeting agenda to enable the Board to perform its duties responsibly having regard to the flow of KIT's operations.

The Chairman monitors the flow of information from Management to the Board to ensure that material information is provided in a timely manner to the Board. He also encourages constructive relations between the Board and Management.

At annual general meetings (AGM) and other Unitholders' meetings, the Chairman ensures constructive dialogue between Unitholders, the Board and Management. The Chairman takes a leading role in KIT's drive to achieve and maintain a high standard of corporate governance with the full support of the Directors, Company Secretaries and Management.

The Chairman and CEO are already separate persons, independent Directors currently comprise more than a majority of the Board, and the various Board committees are chaired by and comprise a majority of independent Directors.

The CEO, assisted by Management, makes strategic proposals to the Board and after constructive Board discussions, executes the strategy, manages and develops KIT's businesses.

The clear separation of roles of the Chairman and the CEO provides a healthy professional relationship between the Board and Management with clarity of roles and robust deliberation on the business activities of KIT.

BOARD MEMBERSHIP
Principle 4: Formal and transparent process for the appointment and re-appointment of directors to the Board

Nominating and Remuneration Committee
The Trustee-Manager has established a Nominating and Remuneration Committee (NRC) to, among other things, make recommendations to the Board on all Board appointments. The NRC currently comprises five Directors, majority of whom are independent, namely:

Mr Thio Shen Yi	Chairman
Mr Koh Ban Heng	Member
Mr Kunnasagaran Chinniah	Member
Dr Ong Tiong Guan	Member
Ms Christina Tan Hua Mui	Member

The responsibilities of the NRC are disclosed at page 143 of the Appendix hereto.

Process for appointment of new Directors and Board succession planning
The NRC is responsible for reviewing the succession plans for the Board. In this regard, it has put in place a formal process for the renewal of the Board and the selection of new Directors.

The NRC leads the process and makes recommendations to the Board as follows:

(a) the NRC reviews annually the balance and diversity of skills, experience, gender and knowledge required by the Board and the size of the Board which would facilitate decision-making;
(b) in light of such review and in consultation with Management, the NRC assesses if there is any inadequate representation in respect of any of those attributes and if so, determines the role and the desirable competencies for a particular appointment;
(c) external help (for example, Singapore Institute of Directors, search consultants, open advertisement) to be used to source for potential candidates if need be. Directors and Management may also make suggestions;
(d) the NRC meets with the short-listed candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required; and
(e) the NRC makes recommendations to the Board for approval.

Criteria for appointment of new Directors
All new appointments are subject to the recommendation of the NRC based on the following objective criteria:

(1) integrity
(2) independent mindedness
(3) diversity – possess core competencies that meet the current needs of KIT and the Trustee-Manager and complement the skills and competencies of the existing Directors on the Board
(4) able to commit time and effort to carry out duties and responsibilities effectively – proposed Director does not have more than six listed company board representations and/or other principal commitments
(5) track record of making good decisions
(6) experience in high-performing corporations or infrastructure funds
(7) financial literacy

Re-nomination of Directors
Having regard to each Director's contribution and performance, the NRC raises the re-nomination of Directors to the Board and the Board discusses and seeks the views and approval of the sole shareholder of the Trustee-Manager, regarding the appointment, election and re-appointment of Directors. This process is under review following the Consolidation in FY 2016.

Annual review of Directors' independence
The NRC is also charged with determining annually whether or not a Director of the Trustee-Manager is independent in the manner provided in the BTR.

Please refer to pages 126 and 127 herein on the basis of the NRC's determination as to whether a Director should or should not be deemed independent.

Annual review of Directors' time commitments
The NRC has adopted internal guidelines addressing competing time commitments that are faced when Directors serve on multiple boards and/or have other principal commitments. As a guide, Directors should not have more than six listed company board representations and/or other principal commitments.

The NRC determines annually whether a Director with other listed company board representations and/or other principal commitments is able to and has been adequately carrying out his or her duties as a director. The NRC takes into account the results of the assessment of the effectiveness of the individual Director, and the respective Director's actual conduct on the Board, in making this determination. The NRC was satisfied that where a Director had other listed company board representations and/or other principal commitments, the Director was able and had been adequately carrying out his or her duties as a Director.

Key information regarding Directors
The following key information regarding the Directors is set out in the following pages of this Annual Report:

Pages 8 to 11: Academic and professional qualifications, Board committees served on (as a member or Chairman), date of first appointment as a Director, directorships or chairmanships both present and past held over the preceding five years in other listed companies and other major appointments, whether appointment is executive or non-executive; and

Page 59: unitholding in KIT as at 21 January 2017.

Corporate Governance

BOARD PERFORMANCE

Principle 5: Formal assessment of the effectiveness of the Board and Board committees and the contribution by each director to the effectiveness of the Board

The Board has implemented formal processes for assessing the effectiveness of the Board as a whole and its Board committees, and the contribution by each individual Director to the effectiveness of the Board.

Independent Coordinator: To ensure that assessments are done promptly and fairly, the Board has appointed an independent third party (Independent Coordinator) to assist in collating and analysing the returns of the Board members. Mr Nelson Tan, director of tax at A Tax Advisor Pte Ltd, was appointed for this role. Mr Nelson Tan does not have any business relationships or any other connections with KIT or any of the Directors which may affect his independent judgment.

The evaluation of the Board and of the individual Directors was carried out by the Independent Coordinator in the last quarter of 2016 and presented to the Board in January 2017.

The evaluation processes are disclosed on pages 144 and 145 of the Appendix to this report.

Objectives and Benefits: The Board assessment exercise provided an opportunity to obtain constructive feedback from each Director on whether the Board's procedures and processes allow him or her to discharge his or her duties effectively and the changes which should be made to enhance the effectiveness of the Board and/or Board committees. The assessment exercise also helped the Directors to focus on their key responsibilities. The individual director assessment exercise allowed for peer review with a view to raising the quality of Board members. It also assisted the NRC in evaluating the skills required by the Board, the size and the effectiveness of the Board as a whole, and in determining whether Directors with multiple listed board representations and other principal commitments were nevertheless able to and adequately discharged their duties as Directors.

ACCESS TO INFORMATION

Principle 6: Board members to have complete, adequate and timely information

Management provides the Board with relevant and accurate information in a timely manner relating to matters to be brought before the Board, prior to Board meetings and on an ongoing basis.

As a general rule, Board papers are required to be sent to Directors at least seven days before the Board meeting so that the Directors may better understand the matters prior to the Board meeting and discussions may be focused on questions that the Directors may have. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. Managers who can provide additional insight into the matters at hand would be present at the relevant time during the Board meeting. The Board has separate and independent access to the Trustee-Manager's Management for further clarification if required.

KIT fully recognises that the flow of relevant information on an accurate and timely basis is critical for the Board to be effective in the discharge of its duties. Management therefore provides the Board with accurate information in a timely manner concerning KIT's progress or shortcomings in meeting its strategic business objectives or financial targets and other information relevant to the strategic issues facing KIT.

Management also provides the Board members with management accounts on a periodic basis and as the Board may require from time to time. Such reports keep the Board informed, on a balanced and understandable basis, of KIT's performance, financial position and prospects.

The Directors have separate and independent access to both Company Secretaries of the Trustee-Manager. The Company Secretaries administer, attend and prepare minutes of Board proceedings. They assist the Chairman to ensure that Board procedures (including but not limited to assisting the Chairman to ensure timely and good information flow to the Board and its Board committees, and between Management and the Directors) are followed and regularly reviewed to ensure effective functioning of the Board and that the Trustee-Manager's Constitution, trust deed and relevant rules and regulations are complied with. They also assist the Chairman and the Board to implement corporate governance practices and processes with a view to enhancing long-term Unitholder value. They are also the primary channel of communication between KIT and the SGX. At least one of the two Company Secretaries will attend Board meetings and prepare minutes of the Board proceedings. The appointment and removal of each of the Company Secretaries are subject to the approval of the Board as a whole.

Subject to the approval of the Chairman, the Directors, whether as a group or individually, may seek and obtain independent professional advice in the furtherance of their duties.

REMUNERATION MATTERS
Principle 7: The procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors should be formal and transparent
Principle 8: The level and structure of director fees are aligned with the long-term interest of the company and appropriate to attract, retain and motivate directors to provide good stewardship of the company. The level and structure of key management remuneration are aligned with the long-term interest and risk policies of the company and appropriate to attract, retain and motivate key management to successfully manage the company
Principle 9: There should be clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration

The composition of the NRC has been set out under Principle 4 on page 128. The NRC's responsibilities are set out at page 143 of the Appendix hereto. The NRC currently comprises entirely of non-executive Directors, a majority of whom are independent Directors.

The NRC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration and for determining the remuneration packages of individual Directors and key management personnel. The NRC assists the Board to ensure that remuneration policies and practices are sound in that they are able to attract, retain and motivate the Directors and key management personnel of the Trustee-Manager without being excessive, and thereby maximise Unitholder value. The NRC recommends to the Board for endorsement a framework of remuneration (which covers all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, grant of units and benefits in kind) and the specific remuneration packages for each Director and the CEO. The NRC also reviews the remuneration of the key management personnel of the Trustee-Manager and administers the Trustee-Manager's Unit-based incentive plans. In addition, the NRC reviews the Trustee-Manager's obligations arising in the event of termination of key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The NRC has access to expert advice from external remuneration consultants where required. In FY 2016, the NRC sought views on market practice and trends from external remuneration consultants, such as Aon Hewitt. The NRC undertook a review of the independence and objectivity of the external remuneration consultants through discussions with the external remuneration consultants, and has confirmed that the external remuneration consultants had no relationships with KIT which would affect their independence and objectivity.

ANNUAL REMUNERATION REPORT

Although the remuneration of the Directors and employees of the Trustee-Manager is paid by the Trustee-Manager, and not by KIT, the Trustee-Manager is disclosing the information on the remuneration of its Directors, CEO and key management personnel.

Policy in respect of Directors' remuneration
Directors' fees are established annually and the amount is dependent on their level of responsibilities on the Board and the Board committees. Each Director is paid a basic fee. In addition, Directors who perform additional services through the Board committees are paid an additional fee for such services. The Chairman of the Board and of each Board committee are paid a higher fee compared with members of the Board and of such Board committee in view of the greater responsibility carried by that office.

The Directors' fee structure, which is the same as that for the financial year ended 31 December 2015, is shown in the table below:

Main Board	Chairman	S$68,000 per annum
	Director	S$38,000 per annum
Audit Committee	Chairman	S$25,000 per annum
	Member	S$12,000 per annum
Nominating and Remuneration Committee	Chairman	S$12,000 per annum
	Member	S$6,000 per annum
Conflicts Resolution Committee	Chairman	S$12,000 per annum
	Member	S$6,000 per annum

In FY 2016, the Directors have voluntarily taken a reduction of their fees earned by 5%. This motion is to reflect the Board's solidarity with Keppel Group's senior management who have volunteered for a reduction in their monthly salary, as well as to demonstrate the Board and Management's determination to hunker down against a challenging backdrop. The Directors' fees earned, post 5% reduction, are set out at page 133.

Corporate Governance

Remuneration policy in respect of CEO and Key Management Personnel
The Trustee-Manager advocates a performance-based remuneration system that is flexible and responsive to the market and the individual employee's performance.

In designing the compensation structure, the NRC seeks to ensure that the level and mix of remuneration is competitive, relevant and appropriate in achieving a balance between current versus long-term compensation and between cash versus equity incentive compensation. The total remuneration mix comprises three key components – annual fixed cash, annual performance incentive, and long-term incentive. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances which the Trustee-Manager benchmarks against the target market level of the relevant industry. The annual performance incentive is mainly tied to the performances of KIT and the individual employee. This allows the Trustee-Manager to better align executive compensation towards Unitholders' value creation. The long-term incentive is in the form of two Unit Plans, the Restricted Unit Plan (RUP) to retain and reward, and the Performance Unit Plan (PUP) to motivate employees to achieve superior performance. Executives who have greater ability to influence strategic outcomes have a greater proportion of overall reward at risk. Eligible employees of the Trustee-Manager are granted existing Units in KIT that are or will be owned by the Trustee-Manager. Therefore, no new units are or will be issued by KIT to satisfy the grant of the Units under the RUP and/or the PUP as the Units that are granted under these plans will be taken from the Units which are owned by the Trustee-Manager.

The NRC exercises broad discretion and independent judgment in ensuring that the amount and mix of compensation are aligned with the interests of Unitholders and promote the long-term success of KIT. The mix of fixed and variable reward is considered appropriate for the Trustee-Manager and for each individual role. The NRC is of the view that the overall level of remuneration is not considered to be at a level which is likely to promote behaviour contrary to the Trustee-Manager's risk profile.

The compensation structure is directly linked to corporate and individual performance, both in terms of financial and non-financial performance, as well as the creation of wealth for Unitholders. This is achieved in the following ways:

1. by placing a significant portion of executive's remuneration at risk (at-risk component) and in some cases, subject to a vesting schedule;
2. by incorporating appropriate key performance indicators (KPIs) for awarding annual cash incentives:
    (a) there are four scorecard areas that the Trustee-Manager has identified as key to measuring its performance:
        (i) Financial;
        (ii) Process;
        (iii) Customers/ Stakeholders; and
        (iv) People.
    (b) the four scorecard areas have been chosen because they support how the Trustee-Manager achieves its strategic objectives. The framework provides a link for staff in understanding how they contribute to each area of the scorecard, and therefore to the Trustee-Manager's overall strategic goals;
3. by selecting performance conditions such as cashflow available for distribution, asset under management growth, and total unitholder returns for equity awards that are aligned with Unitholders' interests;
4. by requiring those KPIs or conditions to be met in order for the at-risk component of remuneration to be awarded or to vest; and
5. forfeiture of the at-risk component of remuneration when those KPIs or conditions are not met at a satisfactory level.

In determining the actual quantum of the variable component of remuneration, the NRC had taken into account the extent to which the performance conditions, as set out above, have been met. The NRC is of the view that remuneration is aligned to performance during FY 2016.

In order to align the interests of the CEO and key management personnel with that of the Unitholders, the CEO and key management personnel are remunerated partially in the form of Units owned by the Trustee-Manager and are encouraged to hold such Units while they remain in the employment of the Trustee-Manager.

The Directors, the CEO and the key management personnel (who are not Directors or the CEO) are remunerated on an earned basis and there are no termination, retirement and post-employment benefits that are granted over and above what have been disclosed.

In order not to hamper the Trustee-Manager's efforts to retain and nurture its talent pool and given the highly competitive conditions in the industry where poaching of senior management is commonplace, the Trustee-Manager is disclosing the remuneration of the CEO and key management personnel (who are not Directors or the CEO) in bands of S$250,000, and is not disclosing the aggregate total remuneration paid to the top five key management personnel. The Trustee-Manager is of the view that such disclosure or non-disclosure (as the case may be) will not be prejudicial to the interests of the Unitholders as sufficient information is provided on the Trustee-Manager's remuneration framework to enable Unitholders to understand the link between the remuneration paid to the CEO and its key management personnel, and performance as set out on pages 131 to 134.

Long-Term Incentive Plans – KIFM Unit Plans
The RUP and the PUP (the KIFM Unit Plans) are long-term incentive schemes implemented by the Trustee-Manager in 2015. No employee share option schemes or share schemes have been implemented by KIT.

The KIFM Unit Plans are put in place to increase the Trustee-Manager's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance and to motivate them to continue to strive for long-term Unitholder value. The KIFM Unit Plans also aim to strengthen the Trustee-Manager's competitiveness in attracting and retaining talented key management personnel and employees. The RUP applies to a broader base of employees while the PUP applies to a selected group of key management personnel. Generally, the performance targets set under the RUP and the PUP will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer-term growth.

The NRC has the discretion not to award variable incentives in any year if an executive is directly involved in a material restatement of financial statements or of misconduct resulting in restatement of financial statements or of misconduct resulting in financial losses to KIT or the Trustee-Manager. Outstanding incentives under the KIFM Unit Plans are also subject to the NRC's discretion before further payment or vesting can occur.

Level and mix of remuneration of Directors, CEO and Key Management Personnel for FY 2016
The level and mix of each of the Directors' remuneration are set out below:

Remuneration & Names of Directors	Base/ Fixed Salary (S$)	Variable or Performance-Related Income/ Bonuses (S$)	Directors' Fees [1] (S$)	Benefits- in-Kind (S$)
Koh Ban Heng	-	-	81,700	-
Thio Shen Yi	-	-	53,200	-
Daniel Cuthbert Ee Hock Huat [2]	-	-	54,757	-
Mark Andrew Yeo Kah Chong	-	-	59,850	-
Kunnasagaran Chinniah [3]	-	-	43,357	-
Ong Tiong Guan	-	-	41,800	-
Alan Tay Teck Loon	-	-	36,100	-
Christina Tan Hua Mui [4]	-	-	12,335	-
Quek Soo Hoon [5]	-	-	21,404	-

Notes
1 The Directors' fees earned in FY 2016 had taken into account the 5% reduction taken by the Board on a voluntary basis.
2 Mr Daniel Cuthbert Ee Hock Huat was appointed a member of the Audit Committee with effect from 13 May 2016. Fees are pro-rated accordingly.
3 Mr Kunnasagaran Chinniah was appointed a member of the Nominating and Remuneration Committee and a member of the Conflicts Resolution Committee with effect from 13 May 2016. Fees are pro-rated accordingly.
4 Ms Christina Tan Hua Mui was appointed a non-executive and non-independent Director and a member of the Nominating and Remuneration Committee with effect from 15 September 2016. Fees are pro-rated accordingly.
5 Ms Quek Soo Hoon retired from the Board with effect from 13 May 2016. Concurrently, Ms Quek ceased to be a member of the Audit Committee, the Nominating and Remuneration Committee, and the Conflicts Resolution Committee. Fees are pro-rated accordingly.

The level and mix of the remuneration of the CEO and each of the other key management personnel, in bands of S$250,000, are set out below:

Remuneration Band and Names of CEO and Key Management Personnel [1]	Base/ Fixed Salary	Variable or Performance-related Income/ Bonuses [2]	Benefits-in-kind	Contingent award of units/ shares		
				PUP [3]	RUP [3]	PSP-TIP [4]
Above S$750,000 to S$1,000,000						
Khor Un-Hun	42%	28%	n.m. [5]	15%	11%	4%
Above S$250,000 to S$500,000						
Chua Lionel	66%	24%	n.m.	-	10%	-
Foo Chih Chi	62%	25%	n.m.	-	13%	-
Ong Tee Yin, Jacqueline	77%	23%	n.m.	-	-	-
Below S$250,000						
Tan Chuan Huat, Kenny [6]	69%	31%	n.m.	-	-	-

Notes
1 The Trustee-Manager has less than five key management personnel other than the CEO.
2 The NRC is satisfied that the quantum of performance-related bonuses earned by the CEO and key management personnel of the Trustee-Manager was fair and appropriate taking into account the extent to which their KPIs for FY 2016 were met.

Corporate Governance

[3] Units awarded under the KIFM Unit Plans are subject to pre-determined performance targets set over a three-year and a one-year performance period respectively. As at 29 April 2016 (being the grant date), the estimated value of each unit granted in respect of the contingent awards under the KIFM PUP and KIFM RUP were $0.27 and $0.42 respectively. For the KIFM PUP, the figures are based on the value of the PUP units at 100% of the award and the figures may not be indicative of the actual value at vesting which can range from 0% to 150% of the award.

[4] The PSP-TIP is a transformation incentive plan under the Keppel Corporation Limited ("KCL") Performance Share Plan ("PSP") scheme with a five-year performance period (subject to a further year extension if the KCL Remuneration Committee concludes that such an extended performance period would be a fairer measure of performance) and are subject to pre-determined stretched performance targets set by KCL Board for 2020. The plan seeks to motivate and reward the executives towards a successful transformation of Keppel Group's business. Executives will only benefit from the plan if Keppel Group meets the pre-determined stretched financial and non-financial targets, and if the executives meet or exceed their individual performance targets. As at 29 April 2016 (being the grant date), the estimated value of each KCL share granted in respect of the contingent award under the PSP-TIP was $0.39. The figures are based on the value of the KCL shares at 100% of the award and the figures may not be indicative of the actual value at vesting, which can range from 0% to 150% of the award.

[5] "n.m." means not material.

[6] Mr Tan Chuan Huat, Kenny was appointed as the CEO of City Gas Pte Ltd on 1 August 2016. The remuneration disclosed is pro-rated accordingly.

Remuneration of employees who are immediate family members of a Director or the CEO
No employee of the Trustee-Manager was an immediate family member of a Director or the CEO and whose remuneration exceeded S$50,000 during FY 2016. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister and parent.

ACCOUNTABILITY AND AUDIT
Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects
Principle 12: Establishment of Audit Committee with written terms of reference

The Board is responsible to Unitholders for providing a balanced and understandable assessment of KIT's performance, position and prospects, including interim and other price sensitive public reports, and reports to regulators, if required.

The Board has embraced openness and transparency in the conduct of KIT's affairs, whilst preserving the commercial interests of KIT. Financial reports and other price-sensitive information are disseminated to Unitholders through announcements via SGXNET, press releases, KIT's website as well as media and analyst briefings.

KIT's Annual Report is accessible on KIT's website. KIT also sends its Annual Report to all its Unitholders in CD-ROM format. In line with KIT's drive towards sustainable development, KIT encourages Unitholders to read the Annual Report from the CD-ROM or on KIT's website. Unitholders may however request for a physical copy at no cost.

Management provides all members of the Board with management accounts which present a balanced and understandable assessment of KIT's performance, position and prospects on a periodic basis and as the Board may require from time to time. Such reports keep the Board members informed of KIT's performance, position and prospects.

Audit Committee
The Audit Committee (AC) comprises the following non-executive Directors, all of whom are independent:

Mr Mark Andrew Yeo Kah Chong	Chairman
Mr Koh Ban Heng	Member
Mr Daniel Cuthbert Ee Hock Huat	Member

All members of the AC have accounting or related financial management expertise or experience.

The AC's primary role is to assist the Board to ensure integrity of financial reporting and that there is in place sound internal control systems. The AC's responsibilities are set out on page 142 of the Appendix hereto.

The AC has explicit authority to investigate any matter within its responsibilities, full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources (including access to external consultants) to enable it to discharge its functions properly. For FY 2016, the internal audit functions of KIT and the Trustee-Manager were performed by Keppel Corporation's Group Internal Audit department (Group Internal Audit). Group Internal Audit, together with the external auditor, reported their findings and recommendations independently to the AC. KIT had obtained Unitholders' approval on 14 April 2016 to re-appoint Messrs Deloitte & Touche LLP as the external auditor of KIT to hold office until the conclusion of the next AGM of KIT.

The AC met the external auditor thrice in FY 2016. The AC also met with the internal auditor during the quarterly AC meetings. At least one of the meetings with each of the external auditor and internal auditor was held without the presence of Management. The AC reviewed and approved the internal auditor's and external auditor's plans to ensure that the plans covered sufficiently in terms of audit scope in reviewing the significant internal controls and the financial statements audits of KIT and the Trustee-Manager. Such significant controls comprise financial, operational, compliance and information technology controls, and risk management. All audit findings and recommendations put up by the internal auditor and external auditor were forwarded to the AC. Significant issues were discussed at these meetings.

In addition, the AC undertook a review of the independence and objectivity of the external auditor through discussions with the external auditor as well as reviewing the non-audit fees paid or payable to them, and has confirmed that the non-audit services performed by the external auditor would not affect their independence.

For FY 2016, aggregate fees of approximately S$412,000, comprising audit fees of approximately S$398,000 and non-audit fees of S$14,000 were paid or payable to the external auditor.

KIT has complied with Rule 712, and Rule 715 read with Rule 716 of the SGX Listing Manual (Listing Manual) in relation to its auditing firms.

The AC also performed independent review of the financial statements of KIT before the announcement of KIT's quarterly results and full year results. In the process, the AC reviewed the key areas of management judgment applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have had a material impact on the financials.

Changes to accounting standards and issues which have a direct impact on the financial statements were reported to the AC by the Trustee-Manager and highlighted by the external auditor in their report to the AC. In addition, the AC members were also invited to the annual finance seminars hosted by Keppel Corporation's Group Control & Accounts where relevant changes to the accounting standards that will impact the Keppel Group of companies were shared by, and discussed with accounting practitioners from one of the leading accounting firms.

The AC reviewed the "Whistle-Blower Protection Policy" which provides for the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in financial reporting or other matters, and was satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

To facilitate the management of incidences of alleged fraud or other misconduct, the AC is guided by a set of guidelines to ensure proper conduct of investigations and appropriate closure actions following completion of the investigations, including administrative, disciplinary, civil and/or criminal actions, and remediation of control weaknesses that perpetrated the fraud or misconduct so as to prevent a recurrence.

In addition, the AC reviews the Whistle-Blower Protection Policy yearly to ensure that it remains current. The details of the Whistle-Blower Protection Policy are set out on pages 145 and 146 of the Appendix hereto.

On a quarterly basis, Management reported to the AC the interested person transactions (IPTs) in accordance with KIT's Unitholders' Mandate (as defined below) for IPTs. The IPTs were reviewed by the internal auditor. All findings were reported during the AC meetings.

RISK MANAGEMENT AND INTERNAL CONTROLS
Principle 11: Sound system of risk management and internal controls

The Board, supported by the AC, oversees the Trustee-Manager's system of risk management and internal controls.

The AC assists the Board in the effective discharge of its responsibilities in ensuring that KIT and the Trustee-Manager maintain a sound system of risk management and internal controls to safeguard KIT's assets and Unitholders' interests. The AC reviews and guides the Trustee-Manager in the formulation of risk policies and processes to effectively identify, evaluate and manage significant risks, and ensures that the Trustee-Manager has put in place internal control policies and procedures in areas such as financial, operational, compliance and information technology controls, and risk management.

Recognising and managing risk are central to the business of KIT and to protecting Unitholders' interests and value. The Trustee-Manager has appointed experienced and well-qualified Operation and Maintenance (O&M) teams and contractors to handle KIT's assets' day-to-day operations.

The Trustee-Manager's internal and external auditors also conduct an annual review of the adequacy and effectiveness of KIT's and the Trustee-Manager's material internal controls, including financial, operational, compliance and information technology controls, and risk management. Any material non-compliance or failures in internal controls and significant risk matters, and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the internal and external auditors.

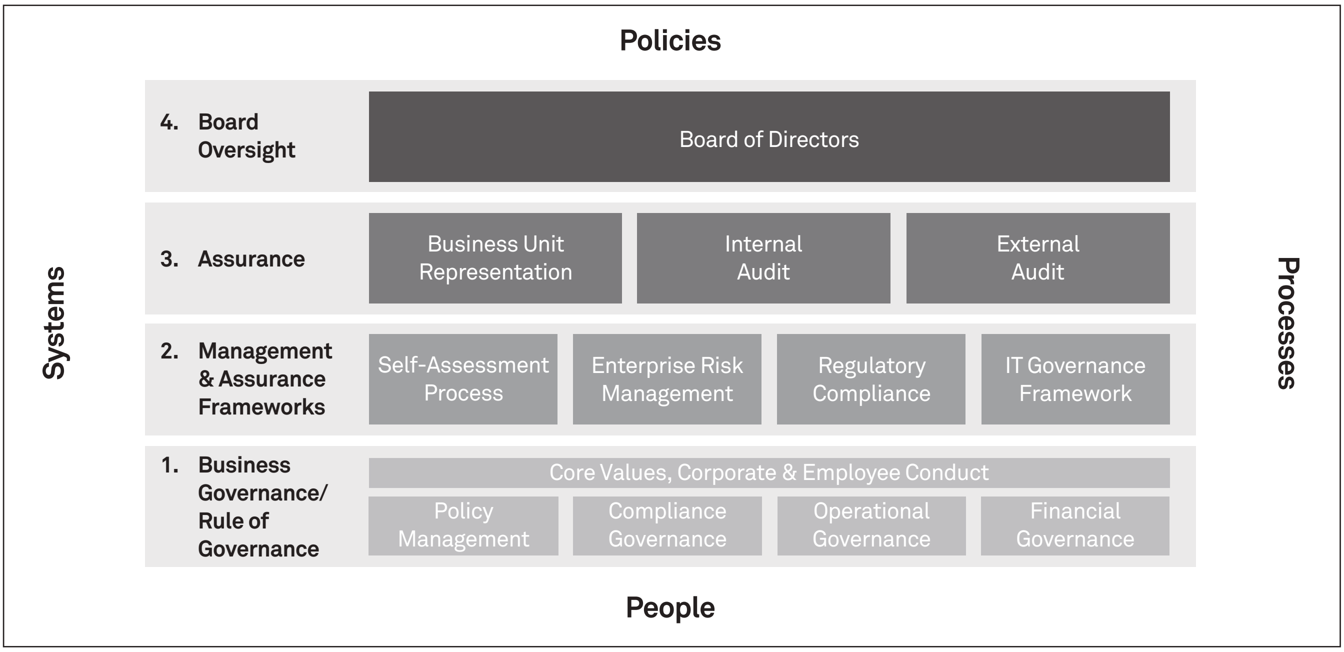
The Board met four times in FY 2016 to review the financial performance of KIT during FY 2016. During FY 2016, the Board also discussed the key business risks in KIT and the risk management policies and procedures that Management had put in place.

In assessing business risks, the Board takes into consideration the economic environment, the risks relevant to the infrastructure industry, the risks particular to KIT and the procedures put in place by the O&M teams and contractors. The Trustee-Manager has implemented a systematic risk assessment process to identify business risks and mitigating actions. The Trustee-Manager's approach to risk management and internal control and the management of key business risks is set out in the "Risk Management" section at pages 157 and 158 of this Annual Report.

Corporate Governance

KIT is guided by a set of Risk Tolerance Guiding Principles, approved by the Board, as detailed under the "Risk Management" section at pages 157 and 158 of this Annual Report.

In addition, the Trustee-Manager has adopted the Keppel's System of Management Controls Framework (the Framework) outlining its internal control and risk management processes and procedures. The Framework comprises three lines of defence towards ensuring the adequacy and effectiveness of the Trustee-Manager's system of internal controls and risk management.



Under the first Line of Defence, the Trustee-Manager is required to ensure good corporate governance through the implementation and management of policies and procedures relevant to KIT's business scope and environment. Such policies and procedures govern financial, operational, information technology and regulatory compliance matters and are reviewed and updated periodically. Compliance governance is governed by the respective regulatory compliance management committee and working teams. Employees are also guided by the Keppel Group's Core Values and expected to comply strictly with the Employee Code of Conduct.

Under the second Line of Defence, the Trustee-Manager is required to conduct a self-assessment exercise on an annual basis to assess the status of the internal controls and risk management via self-assessment questionnaires. Action plans would then be drawn up to remedy identified control gaps. Under the Enterprise Risk Management Framework, significant risks areas were also identified and assessed, with systems, policies and processes put in place to manage and mitigate the identified risks. Regulatory Compliance supports and works alongside business management to ensure relevant policies, processes and controls are effectively designed, managed and implemented to ensure compliance risks and controls are effectively managed.

Under the third Line of Defence, the CEO and Chief Financial Officer (CFO) are required to provide KIT with written assurance as to the adequacy and effectiveness of the Trustee-Manager's system of internal controls and risk management. Such assurances are sought from the internal and external auditors based on their independent assessments.

The Board has received assurance from the CEO and CFO that, amongst others:

(a) the financial records of KIT have been properly maintained and the financial statements give a true and fair view of KIT's operations and finances;

(b) the internal controls of the Trustee-Manager are adequate and effective to address the financial, operational, compliance and information technology risks which the Trustee-Manager considers relevant and material to its current business scope and environment and that they are not aware of any material weakness in the system of internal controls; and

(c) they are of the view that the Trustee-Manager's risk management system is adequate and effective.

Based on the review of the Trustee-Manager's governing framework, systems, policies and processes in addressing the key risks under the Group's Risk Management Assessment Framework, the monitoring and review of KIT's overall performance and representation from Management, the Board, with the concurrence of the AC, is of the view that, as at 31 December 2016, the Trustee-Manager's risk management system is adequate and effective.

Based on the Trustee-Manager's framework of management control, the internal control policies and procedures established and maintained by the Trustee-Manager, and the regular audits, monitoring and reviews performed by the internal and external auditors, the Board, with the concurrence of the AC, is of the opinion that, as at 31 December 2016, the Trustee-Manager's internal controls are adequate and effective to address the financial, operational, compliance and information technology risks which the Trustee-Manager considers relevant and material to its current business scope and environment.

The system of internal controls and risk management established by the Trustee-Manager provides reasonable, but not absolute, assurance that the Trustee-Manager will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

INTERNAL AUDIT
Principle 13: Effective and independent internal audit function that is adequately resourced

The KIT and Trustee-Manager's internal audit function is outsourced to Group Internal Audit. The role of Group Internal Audit is to provide independent assurance to the AC to ensure that KIT and the Trustee-Manager maintain a sound system of internal controls by reviewing key controls and procedures and ensuring their effectiveness, and undertaking investigations as directed by the AC, and conducting regular in-depth audits of high risk areas.

Staffed by suitably qualified executives, Group Internal Audit has unrestricted direct access to the AC and unrestricted access to all documents, records, properties and personnel. The Head of Group Internal Audit's primary line of reporting is to the Chairman of the AC.

Group Internal Audit is guided by the International Standards for the Professional Practice of Internal Auditing (Standards) set by the Institute of Internal Auditors (IIA). These standards consist of attribute and performance standards. External quality assessment reviews are carried out at least once every 5 years by qualified professionals, with the last assessment conducted in 2011 and the results reaffirmed that the internal audit activity conforms to the Standards. An external quality assessment review has commenced in December 2016.

Group Internal Audit performs a yearly declaration to confirm their adherence to the Employee Code of Conduct as well as the Code of Ethics established by the IIA, from which, the principles of objectivity, competence, confidentiality and integrity are based. The professional competence of Group Internal Audit is maintained through its continuing professional development programme for its staff which includes sending auditors to attend professional courses conducted by external accredited organisations to enhance their knowledge on auditing techniques, developments in the profession and relevant subject matter.

Group Internal Audit adopted a risk-based auditing approach to audit planning and execution, that focuses on significant risks, including financial, operational, compliance and information technology risks. Group Internal Audit's reports are submitted to the AC for deliberation with copies of these reports extended to the relevant senior management personnel. In addition, Group Internal Audit's summary of findings and recommendations are discussed at the AC meetings. To ensure timely and adequate closure of audit findings, the status of implementation of the actions agreed by Management is tracked and discussed with the AC.

The AC reviewed and is satisfied that Group Internal Audit is adequately resourced to perform its functions and has appropriate standing within KIT and the Trustee-Manager.

UNITHOLDER RIGHTS AND COMMUNICATION WITH UNITHOLDERS
Principle 14: Fair and equitable treatment of Unitholders and protection of Unitholders' rights
Principle 15: Regular, effective and fair communication with Unitholders
Principle 16: Greater Unitholder participation at general meetings

In addition to the matters mentioned above in relation to "Access to Information/Accountability", the Trustee-Manager regularly communicates with Unitholders, as well as receives and attends to their queries.

All Unitholders are treated fairly and equitably, and the Trustee-Manager strives to provide timely corporate updates to its Unitholders and stakeholders, including changes in KIT and/or its businesses, which may have material impact to the price or value of its Units.

The Trustee-Manager has in place an Investor Relations (IR) Policy which sets out the principles and practices that it applies when providing Unitholders and prospective investors with information necessary to make well-informed investment decisions and to ensure a level playing field. The IR Policy is published on KIT's website at www.kepinfratrust.com. The policy is reviewed regularly to ensure relevance and effectiveness.

Material information is disclosed in a comprehensive, accurate and timely manner through the SGX-ST via SGXNET and/or media releases. The Trustee-Manager ensures that unpublished price sensitive information is not selectively disclosed, and on the rare occasion when such information is inadvertently disclosed, it is immediately released to the public through the SGX-ST via SGXNET and/or media releases.

Corporate Governance

Unitholders are kept abreast of the latest announcements and updates on KIT via its corporate website. The Trustee-Manager also keeps equity research analysts apprised of corporate developments through quarterly results conference calls. In addition, the Trustee-Manager meets with investors regularly to solicit and understand the views of the investment community. In 2016, the Trustee-Manager engaged a total of 55 local and foreign investors through meetings, conference calls, post-results luncheons, site visits and non-deal roadshows in Singapore and Tokyo.

The Trustee-Manager ensures that Unitholders have the opportunity to participate effectively and vote at Unitholders' meetings. Unitholders are informed of such meetings through annual reports or circulars sent to all Unitholders and/or notices published in the newspapers and via SGXNET. Unitholders are invited to such meetings to put forth any questions they may have on the motions to be debated and decided upon. Unitholders are also informed of the rules, including voting procedures, governing such meetings.

In accordance with the BTA and the KIT trust deed, if any Unitholder is unable to attend, he or she is allowed to appoint up to two proxies to vote on his or her behalf at the meeting through proxy forms sent in advance.

At Unitholders' meetings, each distinct issue is proposed as a separate resolution. Each resolution at the AGM will be voted by way of electronic poll voting for Unitholders/proxies present at the meeting. Votes cast for and against and the respective percentages, on each resolution will be made after each poll is conducted. The total number of votes cast for or against each resolution and the respective percentages are also announced in a timely manner after the Unitholders' meeting through the SGX-ST via SGXNET.

The Chairman of the Board and each Board committee is required to be present to address questions at general meetings of Unitholders. The external auditor is also present at such meetings to assist the Directors to address Unitholders' queries, where necessary.

The Trustee-Manager will not be implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

The Company Secretaries prepare minutes of Unitholders' meetings, which incorporate substantial comments or queries from Unitholders and responses from the Board and Management. These minutes are available to Unitholders upon request.

SECURITIES TRANSACTIONS

Insider Trading Policy

The Trustee-Manager has a formal insider trading policy on dealings in the securities of KIT, which sets out the implications of insider trading and guidance on such dealings, including the prohibition on dealing with KIT's securities on short-term considerations. The policy has been distributed by KIT to its Directors and officers. In compliance with Rule 1207(19) of the Listing Manual on best practices on dealing in securities, the Trustee-Manager issues circulars to its Directors and officers informing that the Trustee-Manager and its officers must not deal in listed securities of KIT one month before the release of the full-year results and two weeks before the release of quarterly results, and if they are in possession of unpublished price-sensitive information.

CONFLICTS OF INTERESTS

General

The Board has formed a Conflicts Resolution Committee (CRC), consisting entirely of independent Directors:

Mr Daniel Cuthbert Ee Hock Huat	Chairman
Mr Thio Shen Yi	Member
Mr Kunnasagaran Chinniah	Member

The CRC's primary role is to review conflicts or potential conflicts of interest that may arise from time to time in the course of KIT's business or operations between (i) KIT and (ii) any Director or officer of the Trustee-Manager, any controlling Unitholder (as defined in the Listing Manual), or any controlling shareholder of the Trustee-Manager (as defined in the Listing Manual). The CRC's responsibilities are set out at page 144 of the Appendix hereto.

The CRC has adopted the following framework to resolve such conflicts or potential conflicts of interest:

(a) first, to identify the conflict or potential conflict and then assess and evaluate its nature and extent; and

(b) then, to develop and implement one or more appropriate measures with the aim of controlling, avoiding or mitigating such conflict or potential conflict.

The CRC will apply this framework both in the course of day-to-day conduct of business, as well as in the specific instances when a particular acquisition or disposal is contemplated. In the course of day-to-day conduct of business, all Directors, officers and employees of the Trustee-Manager are obliged to keep strictly confidential all matters received by them in the course of their service to the Trustee-Manager (including without limitation information relating to potential acquisition or disposal opportunities) and not disclose any such matter to any other person.

As an example, when the Trustee-Manager identifies an acquisition or disposal target and seeks the approval of the Board to pursue the transaction:

(a) Each Director and officer of the Trustee-Manager will be obliged to disclose to the CRC whether he or she or, as far as he or she is aware, his or her affiliates (including family members, companies of which he or she is a significant shareholder, director or employee) have an interest in pursuing the same target (Potential Conflict of Interest);

(b) If any Director discloses to the CRC that he or she or his or her affiliates have a Potential Conflict of Interest, the CRC will consider the nature and extent of the Potential Conflict of Interest and develop such measures as may be appropriate to address these issues (including, where material, disclosure of such measures to Unitholders at the appropriate time);

(c) As part of such measures, the CRC may require the relevant Director to either abstain from participating in the deliberations of the Board on the transaction, or abstain from voting in the transaction, or both;

(d) The CRC will monitor the implementation by the Trustee-Manager of the measures imposed by the CRC in order to resolve or mitigate the Potential Conflict of Interest; and

(e) The obligation on the Director to make disclosures to the CRC, and on the CRC to review, a Potential Conflict of Interest in relation to any particular transaction is an ongoing obligation and lasts for so long as that transaction is still on-going. This obligation is not imposed only at the start of the transaction. Thus, if in the course of considering the transaction, a Director should learn of a Potential Conflict of Interest, then that Director is required forthwith to make the necessary disclosure to the CRC so that the CRC may consider such matters and take the necessary actions.

The CRC will periodically review the framework to ascertain how it has worked out in practice and, where appropriate, will consider and implement further measures to fine-tune the framework so as to make it better suited to the potential conflict issues that the Trustee-Manager may face, including procedures to ensure that no controlling Unitholder or controlling shareholder of the Trustee-Manager would be able to influence the evaluation of potential acquisitions, disposals or other transactions in a manner contrary to the interests of Unitholders as a whole.

The CRC will have the power to appoint an independent adviser to advise on and recommend procedures to resolve or mitigate such conflict or potential conflict of interests, so as to enable the CRC to discharge its duties to the Unitholders. The independent adviser may also be called on to provide an opinion as to whether the procedures recommended by the CRC to resolve or mitigate conflicts or potential conflicts are carried out in an appropriate and effective manner.

The CRC and the framework will be in place for so long as (i) the Trustee-Manager remains as the Trustee-Manager of KIT; (ii) Keppel Capital, its related corporations and/or any of its associates remain as controlling shareholders (as defined in the Listing Manual) of the Trustee-Manager or in fact exercise control (as defined in the Listing Manual) over the Trustee-Manager; and (iii) KI remains as a controlling Unitholder of KIT.

The CRC also adopted additional guidelines as set out at page 144 of the Appendix hereto.

Specific potential conflict of interest
There may be potential conflict of interests between KIT, Keppel Capital, Keppel Capital group entities (ie. a subsidiary entity, trust or undertaking of Keppel Capital, excluding for the avoidance of doubt each of the Trustee-Manager and its subsidiary entities, trusts and undertakings), KI and other KI group entities (ie. a subsidiary entity, trust or undertaking of KI).

Although the Trustee-Manager is a wholly-owned subsidiary of Keppel Capital, its Board composition includes five independent Directors which make up more than the majority of the Board. All the Directors have a duty to disclose their interests in respect of any transaction in which they have any personal material interest or any actual or potential conflicts of interest (including a conflict that arises from their directorship or employment or personal investment in any corporation). Upon such disclosure, such Directors will not participate in any proceeding of the Board unless expressly invited to by the Board and shall abstain from voting in respect of any such transaction where the conflict arises, unless the AC (in the case of interested person transactions) or the CRC (in the case of a conflict of interests) has determined that there is no such interest or conflict of interest.

In respect of matters of KIT which Keppel Corporation, Keppel Capital, KI and/or their subsidiaries have an interest, direct or indirect, Chairman and the non-independent Directors shall abstain from voting in view of their directorship or employment (where applicable) with Keppel Corporation, Keppel Capital, KI and/or their subsidiaries. In such matters, the quorum will comprise a majority of the rest of the independent Directors of the Trustee-Manager and shall exclude Chairman and the non-independent Directors. Such matters will fall also within the purview of the AC.

KI and its associates cannot vote their Units at, or be part of a quorum for, any meeting of Unitholders convened to approve any matter in which KI or any of its associates has a material interest in the business to be conducted.

Corporate Governance

In addition, if the Trustee-Manager is required to decide whether to take action against any person in relation to a breach of any agreement entered into by the Trustee-Manager for and on behalf of KIT with an interested party of the Trustee-Manager, the Trustee-Manager shall consult with a reputable law firm for legal advice on the matter. For example, if there is a breach of an O&M agreement, the Trustee-Manager will be required to consult a reputable law firm for legal advice on the matter.

Disclosure of conflicts or potential conflicts of interest
For FY 2016, there were no conflicts or potential conflicts of interest in the course of KIT's business or operations between (i) KIT and any (ii) Director or officer of the Trustee-Manager, controlling Unitholder, or controlling shareholder of the Trustee-Manager, that were subject to the CRC's review.

INTERESTED PERSON TRANSACTIONS

The Trustee-Manager's Internal Control System
The Trustee-Manager has established an internal control system to ensure that all IPTs are undertaken on normal commercial terms and are not prejudicial to the interests of KIT and its minority Unitholders.

On 14 April 2016, the Trustee-Manager obtained a general mandate from KIT's Unitholders pursuant to Chapter 9 of the Listing Manual (Unitholders' Mandate) to enable KIT, a subsidiary of KIT or an associated company of KIT (collectively the Entities at Risk or EAR Group), as the term is used in the Listing Manual, in the ordinary course of their business, to enter into IPTs with interested persons which are necessary for the day-to-day operations of KIT, provided that such transactions are made on normal commercial terms and are not prejudicial to KIT and its minority Unitholders. The Unitholders' Mandate remains in force until the next AGM.

In view of the time-sensitive nature of commercial transactions and the frequency of commercial transactions between members in the EAR Group and KIT's interested persons, it would be advantageous to KIT to renew the above Unitholders' Mandate and the Trustee-Manager will seek Unitholders' approval for the same during the forthcoming AGM.

The IPTs transacted for FY 2016 (and its comparison against the previous financial year) are as follows.

Interested Person Transactions Transacted for FY 2016

Name of interested person/ Nature of transaction	Aggregate value of all interested person transactions during FY 2016 under review (excluding transactions less than S$100,000 and transactions conducted under unitholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted during FY 2016 under unitholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)	
	FY16 [1] S$'000	FY 15 [2] S$'000	FY16 [1] S$'000	FY 15 [2] S$'000
1. Temasek Holdings (Private) Limited and its Associates				
General Transaction				
(a) Sales of Goods and Services	-	-	2,380	8,244
(b) Management Fee Income	-	-	4,136	3,102
(c) Reimbursement of Expenses	-	-	6,635	4,787
(d) Purchases	-	-	162,445	145,848
(e) Rental Expense	-	-	3,400	872
(f) Management Fee Expense	-	-	-	1,204
Total	**-**	**-**	**178,996**	**164,057**
2. Keppel Corporation Group				
General Transaction				
(a) Sales of Goods and Services	-	1,052,456 #	-	-
(b) Management Fee Expense	-	-	9,689	6,493
(c) Purchases	-	194,213 #	68,207	30,288
(d) Acquisition of a Subsidiary	-	510,000 #	-	-
(e) Acquisition Fee	-	4,335 #	-	-
(f) Treasury Transactions	-	-	55,583	145,299
Total	**-**	**1,761,004 #**	**133,479**	**182,080**

Notes:
1 For the 12 months ended 31 December 2016.
2 For the 9 months ended 31 December 2015.
These transactions were approved by Unitholders during the acquisition of the assets and liabilities of Crystal Trust (formerly known as Keppel Infrastructure Trust) and the acquisition of a 51% equity stake in Keppel Merlimau Cogen Pte Ltd, prior to the approval of the Unitholders' Mandate.

MATERIAL CONTRACTS

For FY 2016, there was no material contract that was not in the ordinary course of business, entered into by KIT or any of its subsidiaries involving the interest of the CEO, any Director, or controlling Unitholder.

STATEMENT OF POLICIES AND PRACTICES

The Trustee-Manager has established policies and practices in relation to its management and governance of KIT to ensure that KIT is managed in the interest of the Unitholders. These policies and practices include:

(a) the trust property of KIT is properly accounted for and trust property is kept distinct from the property of the Trustee-Manager in its own capacity. The Trustee-Manager maintains different bank accounts in its personal capacity and in its capacity as the Trustee-Manager of KIT.

(b) the Board reviews and approves all investments, acquisitions and divestments by KIT in accordance with the business objectives and investment scope as set out in KIT's trust deed.

(c) the Board has set up the Conflicts Resolution Committee, consisting entirely of independent Directors, to deal with conflicts or potential conflicts of interest between KIT and the Trustee-Manager. The details of the measures taken are as set out at pages 138, 139, 140 and 144.

(d) the Trustee-Manager has established internal control systems to ensure that all IPTs are undertaken on normal commercial terms and are not prejudicial to the interests of KIT and its minority Unitholders. The internal auditor carries out a review of IPTs and submit a report to the AC (comprising entirely of independent Directors). The AC reviews the report submitted and ensures compliance with applicable legislation and the relevant provisions of the Listing Manual. The details of the IPTs for FY 2016 are set out at page 140.

(e) the Trustee-Manager has adopted a Whistle-Blower Protection Policy, an Employee Code of Conduct, a Code of Practice on Safeguarding Information and an Insider Trading Policy which reflect the Management's commitment to conduct its business within a framework that fosters the highest ethical and legal standards.

(f) the expense and cost allocations (if any) payable to the Trustee-Manager in its capacity as Trustee-Manager of KIT out of the trust property of KIT are reviewed and approved by the Board, to ensure that the fees and expenses charged to KIT are appropriate and in accordance with the KIT trust deed. The fees and expenses paid to the Trustee-Manager relate to Management Fees and Performance Fees disclosed at page 116.

(g) the Trustee-Manager has engaged the services of and obtained advice from professional advisers and consultants from time to time, and in particular when dealing with acquisitions and capital raising, to ensure compliance with the requirements of the BTA, BTR and the Listing Manual.

Corporate Governance

Appendix

BOARD COMMITTEES – TERMS OF REFERENCE

A. Audit Committee

(1) Review and report to the Board at least annually the adequacy and effectiveness of the Trustee-Manager's internal control system, including financial, operational, compliance and information technology controls, and risk management systems (such review can be carried out internally or with the assistance of any competent third parties);

(2) Perform a review of KIT financial statements and announcements relating to financial performance, and review significant financial reporting issues and judgments contained in them, for assurance of the integrity of such statements and announcements;

(3) Review audit plans and reports of the external and internal auditors, and consider the effectiveness of actions or policies taken by Management on the recommendations and observations;

(4) Monitor the procedures established to regulate interested person transactions, including reviewing any interested person transactions entered into from time to time and ensuring compliance with applicable legislation and the relevant provisions of the Listing Manual (this review will exclude conflicts of interest, which are dealt with by the Conflicts Resolution Committee);

(5) Monitor the implementation of the foreign exchange hedging policy approved by the Board as well as review and recommend to the Board all other hedging policies and instruments before implementation by KIT;

(6) Review the independence and objectivity of the external and internal auditors annually and as part of the review of independence, to review the nature and extent of non-audit services performed by the external auditor;

(7) Meet with external and internal auditors, without the presence of Management, at least annually;

(8) Review the adequacy and effectiveness of the Trustee-Manager's internal audit function, at least annually;

(9) Review and ensure at least annually that the internal audit function is adequately resourced and has appropriate standing within the Trustee-Manager;

(10) Approve the hiring, removal, evaluation and compensation of the accounting / auditing firm or corporation to which the internal audit function is outsourced;

(11) Recommend to the Board on the proposal to the Unitholders on the appointment, re-appointment and removal of the external auditor;

(12) Approve the remuneration of the external auditor;

(13) Review the audit quality indicators in relation to the external auditor;

(14) Investigate any matters within the Audit Committee's terms of reference, whenever it deems necessary;

(15) Obtain, at the Trustee-Manager's or KIT's expense, external professional advice on any matter within its terms of reference;

(16) Report to the Board on material matters, findings and recommendations;

(17) Review the policy and arrangements (such as whistle-blower protection policy) by which staff of the company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective should be to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken;

(18) Sub-delegate any of its powers within its terms of reference as listed above from time to time as the Audit Committee may deem fit;

(19) Review the Audit Committee's terms of reference annually and recommend any proposed changes to the Board;

(20) Perform such other functions as the Board may determine; and

(21) Carry out all other functions of the Audit Committee in accordance with Regulation 13(6) of the Singapore Business Trusts Regulations.

B. Nominating and Remuneration Committee

(1) Review and assess candidates for directorships (including executive directorships) before making recommendations to the Board for the appointment/re-appointment/removal of Directors on Trustee-Manager's Board and KIT's subsidiaries;

(2) Re-nomination for re-election of the Directors on the Trustee-Manager's Board and Keppel Infrastructure Trust's subsidiaries in accordance with the Trustee-Manager's Constitution, having regard to the Director's contribution and performance;

(3) Review annually the composition of the Board of the Trustee-Manager and conduct an annual review of balance and diversity of skills, experience, gender and knowledge required by the Board, and the size of the Board which would facilitate decision-making;

(4) Determine annually whether or not a Director of the Trustee-Manager is independent in the manner provided in the Business Trust Regulations. In this connection, the Nominating and Remuneration Committee should conduct particularly rigorous review of the independence of any director who has served on the Board beyond nine years from the date of his first appointment;

(5) Ensure that the Board of the Trustee-Manager comprises:

(a) at least a majority of the Directors who shall be independent from management and business relationships with the Trustee-Manager;
(b) at least one-third of the Directors who shall be independent from management and business relationships with the Trustee-Manager and from every substantial shareholder of the Trustee-Manager; and
(c) at least a majority of the Directors who shall be independent from any single substantial shareholder of the Trustee-Manager;

(6) Decide, where a Director has other listed company board representation and/or other principal commitments, whether the Director is able to and has been adequately carrying out his duties as Director of the Trustee-Manager;

(7) Decide how the Trustee-Manager's Board performance may be evaluated, and propose objective performance criteria to assess effectiveness of the Board as a whole and the contribution of each Director and thereafter carry out annual assessment of the Board and individual Directors based on the criteria set;

(8) Review the succession plans for the Board (in particular, the Chairman) and senior management (in particular, the Chief Executive Officer);

(9) Review and recommend to the Board a framework of remuneration for Board members and key management personnel, and the specific remuneration packages for each Director as well as for the key management personnel;

(10) Review the Trustee-Manager's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such clauses are fair and reasonable and not overly generous;

(11) Consider whether Directors should be eligible for benefits under long-term incentive schemes (including weighing the use of share schemes against the other types of long-term incentive scheme).

(12) Report to the Board on material matters and recommendations;

(13) Review the Nominating and Remuneration Committee's terms of reference annually and recommend any proposed changes to the Board;

(14) Perform such other functions as the Board may determine; and

(15) Sub-delegate any of its powers within its terms of reference as listed above, from time to time as the Nominating and Remuneration Committee may deem fit.

Save that a member of the Nominating and Remuneration Committee shall not be involved in the deliberations in respect of any matter in which he has a personal interest in. Where a member of the Nominating and Remuneration Committee is asked to consider remuneration or a form of benefits that applies generally to the Board or committee members as a whole rather than specific to that member, then the member shall be deemed not to have a personal interest in the matter.

Corporate Governance

C. Conflicts Resolution Committee

(1) Review conflicts or potential conflicts of interest that may arise from time to time in the course of KIT's business or operations between (i) KIT and (ii) any Director or officer of the Trustee-Manager, any controlling Unitholder (as defined in the Listing Manual), or any controlling shareholder of the Trustee-Manager (as defined in the Listing Manual);

(2) Consider declarations made by a Director and/or officer of the Trustee-Manager when they declare a potential conflict of interest, identify conflict or potential conflict of interest issues and then assess and evaluate its nature and extent;

(3) Develop and implement one or more appropriate measures with the aim of controlling, avoiding or mitigating such conflict or potential conflict (including, where material, disclosure of such measures to Unitholders at the appropriate time);

(4) Monitor the implementation by the Trustee-Manager of the measures imposed by the Conflicts Resolution Committee in order to resolve or mitigate conflict or potential conflict of interest;

(5) Periodically review the framework to resolve conflict or potential conflict of interest and ascertain how it has worked out in practice and, where appropriate, to consider and implement further measures to fine-tune the framework so as to make it better suited to the potential conflict issues that the Trustee-Manager may face, including procedures to ensure that no controlling Unitholder or controlling shareholder of the Trustee-Manager would be able to influence the evaluation of potential acquisitions or disposals in a manner contrary to the interests of Unitholders as a whole; and

(6) Where appropriate, appoint an independent adviser to advise on and recommend procedures to resolve or mitigate such conflict or potential conflict of interests, so as to enable the Conflicts Resolution Committee to discharge its duties to the Unitholders.

Save that the terms of reference of the Conflicts Resolution Committee would exclude review of interested person transactions which fall within the purview of the Audit Committee.

Additional Guidelines to the Conflicts Resolution Committee framework

(1) A conflict of interest situation that arises should be brought to the attention of the Conflicts Resolution Committee immediately, which will consider the situation against the guidelines and if the Conflicts Resolution Committee is of the view that the compliance with the guidelines are not adequate to control, avoid or mitigate the conflict of interest, a Conflicts Resolution Committee meeting will be convened to discuss the conflict.

(2) A distinction is to be made between the processes of participation in deliberation and the voting in the transaction as a Director on the Board. An interested Director will be required to abstain from voting on the transaction where there exists a conflict of interest but it should not prohibit the interested Director from participating in the deliberations of the relevant transaction.

(3) However, if an interested Director is also a direct counterparty (for example, if the Director is an officer or sits on the board of directors of the counterparty), such a Director will be required to not only abstain from voting, but also abstain from deliberation of the transaction. The Board may nonetheless invite such an interested director, on a case by case basis, particularly where he has the relevant expertise in the subject matter of the transaction, to attend Board meetings and discussions to assist the Board in its deliberation of the transaction, and in such event, the Board should excuse the interested director who is also a counterparty from deliberations which involves sensitive information of the transaction.

(4) It is acknowledged that a Director has a right to information but the decision whether to disclose such sensitive information (for instance, where the transaction is that of a competitive bid between interested persons) must be made in the best interests of KIT and this is to be decided on a case-by-case basis. Management should consult the Conflicts Resolution Committee in this respect.

BOARD ASSESSMENT

Evaluation Processes

Each Board member is required to complete a Board Evaluation Questionnaire and send the Questionnaire direct to the Independent Coordinator. Based on the returns of each Director, the Independent Coordinator prepares a consolidated report to brief the Chairman of the Nominating and Remuneration Committee and the Board Chairman on the report. The Independent Coordinator will thereafter present the report to the Board for discussion on the changes which should be made to help the Board discharge its duties more effectively.

Performance Criteria
The performance criteria adopted for the evaluation process have been consistently applied from year to year, and updated from time to time to account for amendments to the listing rules and Code of Corporate Governance.

The performance criteria for the Board evaluation are in respect of board size and composition, board independence, board processes, composition and effectiveness of board committees, board information and accountability, board performance in relation to discharging its principal functions and performance of board and board committees in relation to discharging their responsibilities. Based on the responses received, the Board continues to perform and fulfill its duties and responsibilities duly in accordance with the established Board processes.

The individual director's performance criteria are categorised into five segments; namely, (1) interactive skills (under which factors as to whether a Director works well with other Directors, and participates actively, are taken into account); (2) knowledge (under which factors as to the Director's industry and business knowledge, his or her ability to analyse, and contribute to the productivity of meetings are taken into consideration); (3) Director's duties (under which factors as to the Director's Board committee work contribution (where relevant), whether the Director takes his or her role of director seriously, and meeting preparations are taken into consideration); (4) availability (under which the Director's attendance at Board and Board committee meetings, whether he or she is available when needed etc are considered); and (5) overall contribution, bearing in mind that each Director was appointed for his or her strength in certain areas which, taken together with the skill sets of the other Directors, provides the Board with the required mix of skills and competencies.

WHISTLE-BLOWER PROTECTION POLICY

Whistle-Blower Protection Policy
The Whistle-Blower Protection Policy (the Policy) encourages reporting in good faith of suspected Reportable Conduct (as defined below) by establishing clearly defined processes through which such reports may be made with confidence that employees and other persons making such reports will be treated fairly and, to the extent possible, protected from reprisal.

Reportable Conduct refers to any act or omission by an employee of the Group or contract worker appointed by a company within the Group, which occurred in the course of his or her work (whether or not the act is within the scope of his or her employment) which in the view of a Whistle Blower acting in good faith, is:

(a) dishonest, including but not limited to theft or misuse of resources within the Group;
(b) fraudulent;
(c) corrupt;
(d) illegal;
(e) other serious improper conduct;
(f) an unsafe work practice; or
(g) any other conduct which may cause financial or non-financial loss to the Group or damage to the Group's reputation.

A person who files a report or provides evidence which he knows to be false, or without a reasonable belief in the truth and accuracy of such information, will not be protected by the Policy and may be subject to administrative and/or disciplinary action.

Similarly, a person may be subject to administrative and/or disciplinary action if he subjects (i) a person who has made or intends to make a report in accordance with the Policy, or (ii) a person who was called or may be called as a witness, to any form of reprisal which would not have occurred if he did not intend to, or had not made the report or be a witness.

The Head of Group Internal Audit is the Receiving Officer for the purposes of the Policy and is responsible for the administration, implementation and overseeing ongoing compliance with the Policy. She reports directly to the AC Chairman on all matters arising under the Policy.

Reporting Mechanism
The Policy emphasises that the role of the Whistle Blower is as a reporting party, and that Whistle Blowers are not to investigate, or determine the appropriate corrective or remedial actions that may be warranted.

Employees are encouraged to report suspected Reportable Conduct to their respective supervisors who are responsible for promptly informing the Receiving Officer, who in turn is required to promptly report to the AC Chairman, of any such report. The supervisor must not start any investigation in any event. If any of the persons in the reporting line prefers not to disclose the matter to the supervisor and/or Receiving Officer (as the case may be), he may make the report directly to the Receiving Officer or the AC Chairman.

Other Whistle Blowers may report a suspected Reportable Conduct to either the Receiving Officer or the AC Chairman.

All reports and related communications made will be documented by the person first receiving the report. The information disclosed should be as precise as possible so as to allow for proper assessment of the nature, extent and urgency of preliminary investigative procedures to be undertaken.

Corporate Governance

Investigation
The AC Chairman will review the information disclosed, interview the Whistle Blower(s) when required and, either exercising his own discretion or in consultation with the other AC members, determine whether the circumstances warrant an investigation and if so, the appropriate investigative process to be employed and corrective actions (if any) to be taken.

The AC Chairman will use his best endeavours to ensure that there is no conflict of interests on the part of any person involved in the investigations.

All employees have a duty to cooperate with investigations initiated under the Policy. An employee may be placed on administrative leave or investigatory leave when it is determined by the AC Chairman that it would be in the best interests of the employee, KIFM or both. Such leave is not to be interpreted as an accusation or a conclusion of guilt or innocence of any employee, including the employee on leave. All participants in the investigation must also refrain from discussing or disclosing the investigation or their testimony with anyone not connected to the investigation. In no circumstance should such persons discuss matters relating to the investigation with the person(s) who is/are subject(s) of the investigation (Investigation Subject(s)).

Identities of Whistle Blower, participants of the investigations and the Investigation Subject(s) will be kept confidential to the extent possible.

No Reprisal
No person will be subject to any reprisal for having made a report in accordance with the Policy or having participated in the investigation. A reprisal means personal disadvantage by:

(a) dismissal;
(b) demotion;
(c) suspension;
(d) termination of employment /contract;
(e) any form of harassment or threatened harassment;
(f) discrimination; or
(g) current or future bias.

Any reprisal suffered may be reported to the Receiving Officer (who shall refer the matter to the AC Chairman) or directly to the AC Chairman. The AC Chairman shall review the matter and determine the appropriate actions to be taken. Any protection does not extend to situations where the Whistle Blower or witness has committed or abetted the Reportable Conduct that is the subject of allegation. However, the AC Chairman will take into account the fact that he or she has cooperated as a Whistle Blower or a witness in determining the suitable disciplinary measure to be taken against him or her.

CODE OF CORPORATE GOVERNANCE 2012

Guidelines for Disclosure

General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	Yes, save in respect of (i) the re-nomination process of directors which is under review following the consolidation of Keppel Corporation Limited's (Keppel Corporation) interests in all four of its subsidiaries in business trust management, real estate investment trust management and fund management under Keppel Capital Holdings Pte. Ltd. (Keppel Capital); and (ii) the guidelines on disclosure of remuneration where the Trustee-Manager has disclosed the information under the Annual Remuneration Report in pages 131 to 134 of the Corporate Governance Report even though the remuneration of the Directors and employees of the Trustee-Manager is paid by the Trustee-Manager and not by Keppel Infrastructure Trust.
	b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	The information under the Annual Remuneration Report in pages 131 to 134 of the Corporate Governance Report enables investors to understand the link between remuneration paid to Directors, CEO and key management personnel, and performance.
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	The Trustee-Manager has adopted a set of internal guidelines which sets out the financial authority limits for investment/business acquisition, operating/capital expenditure, leasing, disposal of assets and various corporate matters that require the approval of the Board.
Members of the Board		
Guideline 2.6		
	(a) What is the Board's policy with regard to diversity in identifying director nominees?	The Nominating and Remuneration Committee (NRC) reviews annually the balance and diversity of skills, experience, gender and knowledge required by the Board, and the size of the Board which would facilitate decision-making. In light of such review and in consultation with management, the NRC assesses if there is any inadequate representation in respect of any of those attributes and if so, determines the role and the desirable competencies for a particular appointment.
	(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	Yes. The NRC is satisfied that the Board and the Board committees comprise Directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge for KIT, and the core competencies such as accounting or finance, legal and regulatory, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge which are required for the Board and the Board committees to be effective.

Corporate Governance

	(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	There is a process of refreshing the Board progressively. See Guideline 4.6 below on process for nomination of new directors and Board succession planning.
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	**For new directors** a. The NRC reviewed the balance and diversity of skills, experience, gender and knowledge required by the Board and the size of the Board which would facilitate decision-making. b. In light of such review and in consultation with management, the NRC assessed if there is any inadequate representation in respect of any of those attributes and if so, determines the role and the desirable competencies for a particular appointment. c. The NRC met with the short-listed candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required. d. The NRC made recommendations to the Board for approval. **For incumbent directors** Having regard to each Director's contribution and performance, the NRC raises the re-nomination of directors to the Board and the Board discusses and seeks the views and approval of the sole shareholder of the Trustee-Manager, regarding the appointment, election and re-appointment of directors. This process is under review following the Consolidation in FY 2016.
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why.	Yes, all new Directors undergo a comprehensive orientation programme.
	(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	Directors are provided with continuing education in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act, continuing listing obligations and industry-related matters.
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	Directors should not have more than six listed company board representations and/or other principal commitments. This serves as a guide and the NRC takes into account other factors in deciding on the capacity of a director.
	(b) If a maximum number has not been determined, what are the reasons?	Not applicable.
	(c) What are the specific considerations in deciding on the capacity of directors?	The NRC takes into account the results of the assessment of the effectiveness of the individual Director, and the respective Directors' actual conduct on the Board, in determining annually whether a Director with other listed company board representations and/or other principal commitments is able to and has been adequately carrying out his or her duties as a director.

Board Evaluation

Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	An independent third party (Independent Co-ordinator) was appointed to assist in collating and analysing the returns of the Board members for the annual assessment. Based on the returns of each Director, the Independent Co-ordinator prepared a consolidated report and briefed the Chairman of the NRC and the Board Chairman on the report. Thereafter, the Independent Co-ordinator presented the report to the Board for discussion on the changes which should be made to help the Board discharge its duties more effectively. The detailed process is set out on pages 130, 144 and 145 of the Corporate Governance Report.

Independence of Directors

Guideline 2.1	(b) Has the Board met its performance objectives?	Yes.
Guideline 2.3	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes.
	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.	Mr Koh Ban Heng is deemed to be independent by the Board, notwithstanding the existence of relationships under the Business Trust Regulations (BTR). Mr Koh Ban Heng is an independent non-executive director of KI, a wholly-owned subsidiary of Keppel Corporation, the indirect substantial shareholder of the Trustee-Manager and KI has business relationships with the Trustee-Manager.
	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	Although Mr Koh Ban Heng is strictly not considered to be independent from Keppel Corporation, the indirect substantial shareholder of the Trustee-Manager, and business relationships with the Trustee-Manager according to the BTR, nonetheless, the Board considers that Mr Koh is an independent Director. Mr Koh is currently an independent non-executive director of KI, a wholly-owned subsidiary of Keppel Corporation. KI's related corporations received payments in the current and immediately preceding financial year from the Trustee-Manager and its related corporations for operations and maintenance and other services provided to KIT. After review, the Board is satisfied that the above relationships will not interfere with Mr Koh's independent judgment and ability to act with regard to the interests of all the Unitholders as a whole. The Board reached its conclusion on the basis that (i) Mr Koh is an independent non-executive director of KI, (ii) Mr Koh is joining the Board in his personal capacity, not as KI's representative, (iii) Mr Koh has declared that he does not act in accordance with the instructions of KI, and (iv) Mr Koh has declared that he does not derive any compensation from KI other than remuneration received for his service as a director of KI. Mr Koh has also shown independent

Corporate Governance

		judgment in his deliberation of the interests of KIT. Mr Koh's participation in the Board will benefit KIT given his expertise. Mr Koh will however, abstain from the Board's decisions in relation to any matter which involves companies within the Keppel Group.
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	No.
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Yes. Although the remuneration of the Directors and employees of the Trustee-Manager is paid by the Trustee-Manager, and not by KIT, the Trustee-Manager has disclosed the level and mix of the remuneration of its Directors, CEO and key management personnel on pages 133 and 134 of the Corporate Governance Report. In order not to hamper the Trustee-Manager's efforts to retain and nurture its talent pool and given the highly competitive conditions in the industry where poaching of senior management is commonplace, the Trustee-Manager is disclosing the remuneration of the CEO in bands of S$250,000.
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Yes. The level and mix of the remuneration of the CEO and each of the key management personnel, in bands of S$250,000, are set out on pages 133 and 134 of the Corporate Governance Report.
	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	The Trustee-Manager has less than five key management personnel other than the CEO. In order not to hamper the Trustee-Manager's efforts to retain and nurture its talent pool and given the highly competitive conditions in the industry where poaching of senior management is commonplace, the Trustee-Manager is not disclosing the aggregate total remuneration paid to the top five key management personnel (who are not Directors or the CEO). The Trustee-Manager is of the view that such disclosure or non-disclosure (as the case may be) will not be prejudicial to the interests of the Unitholders as sufficient information is provided on the Trustee-Manager's remuneration framework to enable Unitholders to understand the link between the remuneration paid to the CEO and its key management personnel, and performance as set out on pages 131 to 134.
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	No.

Guideline 9.6

(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.

(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?

(c) Were all of these performance conditions met? If not, what were the reasons?

The compensation structure is directly linked to corporate and individual performance, both in terms of financial and non-financial performance, as well as the creation of wealth for Unitholders. This is achieved in the following ways:

1. by placing a significant portion of executive's remuneration at risk (at-risk component) and in some cases, subject to a vesting schedule;

2. by incorporating appropriate key performance indicators (KPIs) for awarding annual cash incentives:

(a) there are four scorecard areas that the Trustee-Manager has identified as key to measuring its performance:

    (i) Financial;
    (ii) Process;
    (iii) Customers/ Stakeholders; and
    (iv) People.

(b) the four scorecard areas have been chosen because they support how the Trustee-Manager achieves its strategic objectives. The framework provides a link for staff in understanding how they contribute to each area of the scorecard, and therefore to the Trustee-Manager's overall strategic goals;

3. by selecting performance conditions such as cashflow available for distribution, asset under management growth, and total unitholder returns for equity awards that are aligned with Unitholders' interests;

4. by requiring those KPIs or conditions to be met in order for the at-risk component of remuneration to be awarded or to vest; and

5. forfeiture of the at-risk component of remuneration when those KPIs or conditions are not met at a satisfactory level.

In determining the actual quantum of the variable component of remuneration, the NRC had taken into account the extent to which the performance conditions, as set out set out above, have been met. The NRC is of the view that remuneration is aligned to performance during FY 2016.

In order to align the interests of the CEO and key management personnel with that of the Unitholders, the CEO and key management personnel are remunerated partially in the form of Units owned by the Trustee-Manager and are encouraged to hold such Units while they remain in the employment of the Trustee-Manager.

Please refer to pages 131 to 134 of the Corporate Governance Report for details.

Corporate Governance

Risk Management and Internal Controls

Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Management provides the Board with relevant and accurate information in a timely manner relating to matters to be brought before the Board, prior to Board meetings and on an on-going basis. As a general rule, Board papers are required to be sent to Directors at least seven days before the Board meeting so that the Directors may better understand the matters prior to the Board meeting and discussion may be focused on questions that the Directors may have. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. Managers who can provide additional insight into the matters at hand would be present at the relevant time during the Board meeting. The Board has separate and independent access to the Trustee-Manager's Management for further clarification if required. KIT fully recognises that the flow of relevant information on an accurate and timely basis is critical for the Board to be effective in the discharge of its duties. Management therefore provides the Board with accurate information in a timely manner concerning KIT's progress or shortcomings in meeting its strategic business objectives or financial targets and other information relevant to the strategic issues facing KIT. Management also provides the Board members with management accounts on a periodic basis and as the Board may require from time to time. Such reports keep the Board informed, on a balanced and understandable basis, of KIT's performance, financial position and prospects.
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes. For FY 2016, the Trustee-Manager's internal audit function of KIT and the Trustee-Manager was performed by Keppel Corporation's Group Internal Audit department.
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	The Board, supported by the Audit Committee, oversees the Trustee-Manager's system of risk management and internal controls. The Board's view on the adequacy and effectiveness of the Trustee-Manager's risk management system is based on the review of the Trustee-Manager's governing framework, systems, policies and processes in addressing the key risks under the Group's Risk Management Assessment Framework, the monitoring and review of KIT's overall performance and representation from Management. The Audit Committee has concurred with this view. The Board's view on the adequacy and effectiveness of the Trustee-Manager's internal controls is based on the Trustee-Manager's framework of management control, the internal control policies and procedures established and maintained by the Trustee-Manager, and the regular audits, monitoring and reviews performed by the internal and external auditors. The Audit Committee has concurred with this view.

	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Yes. The Board has received assurance from the CEO and the CFO on points (i) and (ii). The Board has received assurance from the internal auditor on the adequacy and effectiveness of the Trustee-Manager's internal control systems.
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.	The audit and non-audit fees paid or payable to the external auditors for FY 2016 are approximately S$398,000 and S$14,000 respectively.
	(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	The AC undertook a review of the independence and objectivity of the external auditor through discussions with the external auditor as well as reviewing the non-audit fees paid or payable to them, and has confirmed that the non-audit services performed by the external auditor would not affect their independence.
Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	Yes. Meetings with both existing and potential investors take place throughout the year. In 2016, the Trustee-Manager engaged a total of 55 local and foreign investors through meetings, conference calls, post-results luncheons, site visits and non-deal roadshows in Singapore and Tokyo.
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	Yes.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Unitholders are kept abreast of the latest announcements and updates on KIT via its corporate website. The Trustee-Manager also keeps equity research analysts apprised of corporate developments through quarterly results conference calls. In addition, the Trustee-Manager meets with investors regularly to solicit and understand the views of the investment community.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Not Applicable.

Corporate Governance

CODE OF CORPORATE GOVERNANCE 2012

Specific Principles and Guidelines for Disclosure

Relevant Guideline or Principle	Page Reference in Corporate Governance Report
Guideline 1.3 Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	Pages 124 and 125
Guideline 1.4 The number of meetings of the Board and board committees held in the year, as well as the attendance of every board member at these meetings	Page 125
Guideline 1.5 The type of material transactions that require board approval under guidelines	Page 126
Guideline 1.6 The induction, orientation and training provided to new and existing directors	Page 126
Guideline 2.3 The Board should identify in the company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a director not to be independent, the nature of the director's relationship and the reasons for considering him as independent should be disclosed	Pages 126 and 127
Guideline 2.4 Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed.	Not applicable
Guideline 3.1 Relationship between the Chairman and CEO where they are immediate family members	Not applicable
Guideline 4.1 Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board	Pages 128, 129 and 143
Guideline 4.4 The maximum number of listed company board representations which directors may hold should be disclosed	Page 129
Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	Page 129
Guideline 4.7 Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent	Pages 8 to 11, 125 to 127
Guideline 5.1 The Board should state in the company's Annual Report how assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report	Pages 130, 144 and 145
Guideline 7.1 Names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board	Pages 128, 131 and 143
Guideline 7.3 Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the company	Page 131

Principle 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	Pages 131 to 134
Guideline 9.1 Remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO)	Pages 131 to 134
Guideline 9.2 Fully disclose the remuneration of each individual director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives	Pages 133 and 134
Guideline 9.3 Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel	Pages 133 and 134
Guideline 9.4 Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S$50,000	Page 134
Guideline 9.5 Details and important terms of employee share schemes	Pages 132 and 133
Guideline 9.6 For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met	Pages 131 to 134
Guideline 11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems The commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems	Pages 135 to 137
Guideline 12.1 Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board	Pages 134 and 142
Guideline 12.6 Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement	Page 135

Corporate Governance

Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the company's Annual Report	Pages 145 and 146
Guideline 12.8 Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements	Pages 134 and 135
Guideline 15.4 The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings	Pages 137 and 138
Guideline 15.5 Where dividends are not paid, companies should disclose their reasons.	Not applicable

Risk Management

Strengthening Enterprise Risk Management

KIT's Enterprise Risk Management (ERM) framework provides a holistic and structured approach towards assessing, monitoring and mitigating risks. During the financial year, the Board adopted the three risk tolerance guiding principles for KIT. These risk tolerance guiding principles serve to determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The three risk tolerance guiding principles are:

1. Risk taken should be carefully evaluated, commensurate with rewards and in line with the Trustee-Manager core strengths and strategic objectives.

2. No risk arising from a single area of operation, investment or undertaking should be so huge as to endanger the Trustee-Manager.

3. The Trustee-Manager does not condone safety breaches or lapses, non-compliance with laws and regulations, as well as acts such as fraud, bribery and corruption.

A robust ERM framework enables KIT to manage risks systematically and remain nimble in capitalising on opportunities. Reference is made to practices in risk management set out in the ISO31000 standards, ISO standards for Business Continuity Management (BCM), as well as the Code of Corporate Governance 2012.

The Board, supported by the Audit Committee, is responsible for the governance of risk and ensures that the Trustee-Manager maintains a sound system of risk management and internal controls to safeguard Unitholders' interests and KIT's assets. The Board and Audit Committee provide valuable advice to the Trustee-Manager in formulating various risk policies and guidelines. For FY 2016, the Board, with the concurrence of the Audit Committee, is of the opinion that KIT's risk management system is adequate and effective, in addressing the key risks identified.

The Trustee-Manager's risk governance is set out in pages 135 to 137 under Principle 11 (Risk Management and Internal Controls). The Trustee-Manager has identified and managed the following key risks to KIT:

Investment Risk

Distribution growth is dependent on KIT's ability to grow its asset base. Timing of new acquisitions is dependent on market opportunities and funding environment. The Trustee-Manager evaluates all investment opportunities according to KIT's stated investment criteria and investment mandate. Investment evaluation includes analysing the asset quality, expected returns, sustainability of asset performance and security of the cash flows.

The Trustee-Manager aims to manage and mitigate risks by diversifying the asset classes and geographic regions in which KIT will invest. KIT has a global investment mandate so as to mitigate country concentration risks.

KIT's current portfolio mainly consists of assets with contracted cash flows based on availability that are not sensitive to fluctuations in utilisation, this provides stable and predictable cashflows to support KIT's distributions to Unitholders. The Trustee-Manager intends to pursue further acquisitions that provide regular and/or predictable cash flows, and/or backed by long-term contracts with creditworthy and reputable off-takers.

Interest Rate Risk

KIT's exposure to interest rate risk is minimal, as the majority of its floating rate borrowings have been hedged. In the event KIT is exposed to interest rate risk on the loans drawn under the working capital facility or additional loans that it may undertake, the risk is managed by maintaining an appropriate level of borrowings and mix between fixed and floating rate borrowings. The Trustee-Manager will also monitor the interest rate exposure of KIT and will consider restructuring KIT's credit facilities or use derivative financial instruments to hedge interest rate risks should the need arise.

Foreign Exchange Risk

KIT's exposure to foreign exchange risk is minimal as KIT has adopted a natural hedge strategy for Basslink. In addition, KIT does not rely on Basslink for its distributions as any excess A$ cash flows are used to amortise the A$ debt in Australia. If KIT acquires other assets in future with cash flows denominated in foreign currencies, the Trustee-Manager may utilise foreign currency hedging instruments to hedge KIT's exposure to specific currency risks relating to future investments, receivables, payables and other commitments.

Credit Risk

KIT's credit risk is mainly on a few customers, the Singapore and Australian Governments, and a related Keppel entity, which are of good credit standing. Credit risk is also mitigated by the diversified customer base of City Gas. The Trustee-Manager monitors the credit risk by ensuring payments are received by the contracted date.

Risk Management

Liquidity Risk

The Trustee-Manager monitors and maintains adequate cash and cash equivalents to finance KIT's operations and mitigate the effects of cash flow fluctuations. The Trustee-Manager manages liquidity risk by maintaining adequate reserves, monitoring cash flows and matching the maturity profiles of financial assets and liabilities.

Operational Risk

Our assets are built to operate within certain input specifications. Deviations from the specifications may affect the performance of the assets or the production processes. Each asset is also subject to wear and tear and there may be periodic downtime for repairs and maintenance. If downtime exceeds the time anticipated, affecting availability or production, cashflows may be affected.

Each asset has a set of standard operating procedures including the implementation of various quality management systems such as ISO9001, Hazard Analysis Critical Control Point (HACCP) that are for the day-to-day operations and regular maintenance of the assets to ensure that the assets are performing at optimal efficiency. The Trustee-Manager monitors, reviews and manages, with the Operations & Maintenance (O&M) team or contractors, the operational risks of these assets regularly.

KIT, together with the O&M team or contractors, continue to review and assess threats that could disrupt operations. The Trustee-Manager reviews the insurance plans and ensures that adequate insurance is put in place. Business continuity plans (BCP) are tested, reviewed and refined regularly to ensure the assets are ready to respond to these threats. In 2016, various drills were conducted to address threats such as pandemic flu, chemical spillage, fire, haze and power outage. KIT will continue to enhance the robustness of its business continuity plans to ensure operational resilience.

Health, Safety & Environment (HSE) Risk

HSE is one of the core values for KIT and the O&M team and contractors. KIT does not condone safety breaches or lapses. KIT, together with the O&M team and contractors, embrace a safety culture within the work environment and constantly strive to create safety awareness and share best practices. Emphasis is placed on HSE training to foster safety awareness.

The O&M team and contractors have developed strong HSE policies and practices including the implementation of various occupational health and safety management systems such as OHSAS18001, SS506 and ensure safe working practices and environment are integrated in all of KIT's operations.

Compliance Risk

KIT's operations are subject to various government regulations and licensing regimes. In particular, those relating to environmental protection and safety, such as emission levels, noise, hazardous substances, fire safety and employment legislation, have the potential to impact the operations and profitability of the Trust. The Trustee-Manager maintains close working relationships with the O&M team/ contractors and authorities to keep abreast of developments in regulatory frameworks and the business environment. The Trustee-Manager also attends regular operations meetings to ensure that assets are meeting contractual requirements and in compliance with regulations.

Statistics of Unitholdings

As at 2 March 2017

Issued and Fully Paid Units

3,857,378,731 Units (Voting rights: 1 vote per Unit)
There is only one class of units in Keppel Infrastructure Trust

Distribution of Unitholdings

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 - 99	439	1.01	15,421	0.00
100 - 1,000	9,609	22.13	6,379,919	0.17
1,001 - 10,000	17,706	40.79	74,431,469	1.93
10,001 - 1,000,000	15,533	35.78	1,000,678,021	25.94
1,000,001 and above	127	0.29	2,775,873,901	71.96
Total	**43,414**	**100.00**	**3,857,378,731**	**100.00**

Country	No. of Unitholders	%	No. of Units	%
Singapore	42,743	98.46	3,822,887,116	99.11
Malaysia	401	0.92	25,633,295	0.66
Others	270	0.62	8,858,320	0.23
Total	**43,414**	**100.00**	**3,857,378,731**	**100.00**

Twenty Largest Unitholders

No.	Name	No. of Units	%
1.	Keppel Infrastructure Holdings Pte Ltd	702,361,054	18.21
2.	DBS Nominees (Private) Limited	426,094,818	11.05
3.	Citibank Nominees Singapore Pte Ltd	419,805,906	10.88
4.	Bartley Investments Pte. Ltd.	383,124,592	9.93
5.	Nassim Investments Pte Ltd	133,423,297	3.46
6.	Raffles Nominees (Pte) Limited	111,972,505	2.90
7.	Napier Investments Pte. Ltd.	95,396,538	2.47
8.	HSBC (Singapore) Nominees Pte Ltd	61,065,715	1.58
9.	United Overseas Bank Nominees (Private) Limited	51,990,033	1.35
10.	DBSN Services Pte. Ltd.	33,769,519	0.88
11.	DB Nominees (Singapore) Pte Ltd	30,609,786	0.79
12.	KGI Securities (Singapore) Pte Ltd	15,849,500	0.41
13.	OCBC Nominees Singapore Private Limited	14,921,024	0.39
14.	HL Bank Nominees (Singapore) Pte Ltd	14,747,500	0.38
15.	DBS Vickers Securities (Singapore) Pte Ltd	12,299,978	0.32
16.	Teh Lip Bin	11,029,181	0.29
17.	Phillip Securities Pte Ltd	10,359,957	0.27
18.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	10,305,496	0.27
19.	UOB Kay Hian Private Limited	8,849,961	0.23
20.	Heng Siew Eng	7,605,400	0.20
Total		**2,555,581,760**	**66.26**

Substantial Unitholders

Based on the Register of Substantial Unitholders' Unitholdings maintained by the Trustee-Manager as at 2 March 2017, the Substantial Unitholders of Keppel Infrastructure Trust and their interests in the Units of Keppel Infrastructure Trust are as follows:

	Direct Interest		Deemed interest	
Name	No. of units	%	No. of units	%
Keppel Infrastructure Holdings Pte. Ltd.	702,361,054	18.21	-	-
Keppel Corporation Limited [1]	-	-	702,361,054	18.21
Bartley Investments Pte. Ltd.	383,124,592	9.93	-	-
Tembusu Capital Pte. Ltd. [2]	-	-	611,944,427	15.86
Temasek Holdings (Private) Limited [3]	-	-	1,314,305,681	34.07

Notes:
1 Keppel Corporation Limited is deemed to have an interest in the Units which its wholly-owned subsidiary, Keppel Infrastructure Holdings Pte. Ltd., has interest.
2 Tembusu Capital Pte. Ltd. is deemed to have an interest in the Units in which its subsidiaries have interests.
3 Temasek Holdings (Private) Limited ("Temasek") is deemed to have an interest in the Units in which the Keppel Corporation Limited group and other subsidiaries and associated companies of Temasek hold or have deemed interests.

Public Unitholders

Based on the information available to the Trustee-Manager as at 2 March 2017, approximately 65.89% of the issued Units in Keppel Infrastructure Trust is held by the public and therefore, pursuant to Rules 1207 and 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited, it is confirmed that at least 10% of the issued Units in Keppel Infrastructure Trust is at all times held by the public.

As at 2 March 2017, there are no treasury units held.

Financial Calendar

FY 2016

Financial year-end	31 December 2016
Announcement of 2016 1Q results	13 April 2016
Announcement of 2016 2Q results	18 July 2016
Announcement of 2016 3Q results	17 October 2016
Announcement of 2016 full year results	23 January 2017
Distribution payout to Unitholders for the period 1 January 2016 to 31 March 2016	
- Books closure date	21 April 2016
- Payment date	20 May 2016
Distribution payout to Unitholders for the period 1 April 2016 to 30 June 2016	
- Books closure date	26 July 2016
- Payment date	19 August 2016
Distribution payout to Unitholders for the period 1 July 2016 to 30 September 2016	
- Books closure date	25 October 2016
- Payment date	18 November 2016
Distribution payout to Unitholders for the period 1 October 2016 to 31 December 2016	
- Books closure date	1 February 2017
- Payment date	17 February 2017
Despatch of Annual Report to Unitholders	27 March 2017
Annual General Meeting	18 April 2017

FY 2017

Financial year-end	31 December 2017
Announcement of 2017 1Q results	April 2017
Announcement of 2017 2Q results	July 2017
Announcement of 2017 3Q results	October 2017
Announcement of 2017 full year results	January 2018

Notice of Annual General Meeting

Keppel Infrastructure Trust

(Business Trust Registration No. 2007001)
(Constituted in the Republic of Singapore as a business trust pursuant to a trust deed dated 5 January 2007 (as amended))

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of the holders of units of Keppel Infrastructure Trust ("KIT", and the holders of units of KIT, "Unitholders") will be held at Suntec Singapore Convention and Exhibition Centre, Summit 2, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Tuesday, 18 April 2017 at 10.30 a.m. to transact the following business:

(A) AS ORDINARY BUSINESS

1. To receive and adopt the Trustee-Manager's Statement and the Audited Financial Statements of KIT for the year ended 31 December 2016 and the Independent Auditor's Report thereon. **Ordinary Resolution 1**

2. To re-appoint Messrs Deloitte & Touche LLP as the Auditor of KIT to hold office until the conclusion of the next AGM of KIT, and to authorise the Trustee-Manager to fix their remuneration. **Ordinary Resolution 2**

(B) AS SPECIAL BUSINESS

To consider, and, if thought fit, to pass with or without any modifications, the following resolutions as Ordinary Resolutions:

3. That pursuant to Clause 6.1 of the trust deed dated 5 January 2007 constituting KIT, as amended and restated by an Amendment and Restatement Deed dated 18 May 2015 (the "Trust Deed"), Section 36 of the Business Trusts Act (Chapter 31A of Singapore) (the "Business Trusts Act") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Trustee-Manager be authorised and empowered to: **Ordinary Resolution 3**

(a) (i) issue units in KIT ("Units") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that would or might require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Units,

at any time and on such terms and conditions and for such purposes and to such persons as the Trustee-Manager may in its absolute discretion deem fit; and

(b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time such Units are issued) issue Units in pursuance of any Instrument made or granted by the Trustee-Manager while this Resolution was in force,

provided that:

(1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent. (50%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Units to be issued other than on a pro rata basis to Unitholders (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent. (20%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below);

Notice of Annual General Meeting

(2) subject to such manner of calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (1) above, the total number of issued Units (excluding treasury Units, if any) shall be calculated based on the total number of issued Units (excluding treasury Units, if any) at the time this Resolution is passed, after adjusting for:

(a) any new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time this Resolution is passed; and

(b) any subsequent bonus issue, consolidation or subdivision of Units;

(3) in exercising the authority conferred by this Resolution, the Trustee-Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST), the Trust Deed and the Business Trusts Act;

(4) (unless revoked or varied by the Unitholders in a general meeting) the authority conferred by this Resolution shall continue in force until (a) the conclusion of the next AGM of KIT or (b) the date by which the next AGM of KIT is required by applicable regulations to be held, whichever is earlier;

(5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted in the event of rights, bonus or other capitalisation issues or any other events, the Trustee-Manager is authorised to issue additional Instruments or Units pursuant to such adjustment, notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Units are issued; and

(6) the Trustee-Manager and any of its Directors, Chief Executive Officer or Chief Financial Officer be and are hereby severally authorised to complete and do all such acts and things (including executing, as the case may be, all such documents as may be required) as the Trustee-Manager or, as the case may be, the Director, Chief Executive Officer or Chief Financial Officer may consider expedient or necessary or in the interest of KIT to give effect to the authority conferred by this Resolution.

(Please see Explanatory Note 1)

4. That: **Ordinary Resolution 4**

(a) approval be and is hereby given for the renewal of, the Unitholders' general mandate for KIT, its subsidiaries and associated companies that are "entities at risk" as defined under Chapter 9 of the Listing Manual ("Chapter 9") of the SGX-ST, or any of these entities, to enter into any of the transactions falling within the categories of interested person transactions described in the Appendix accompanying this Notice dated 27 March 2017 (the "Appendix"), and generally on the terms set out in the Appendix, provided that such transactions are made on normal commercial terms and are not prejudicial to the interests of KIT and its minority Unitholders, and are entered into in accordance with the review procedures for such interested person transactions as set out in the Appendix (the "Unitholders' Mandate");

(b) the Unitholders' Mandate shall, unless revoked or varied by the Unitholders in a general meeting, continue in force until the date that the next AGM of KIT is held or is required by law to be held, whichever is earlier;

(c) the Audit Committee of the Trustee-Manager be and is hereby authorised to take such action as it deems proper in respect of the procedures and/or modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 which may be prescribed by the SGX-ST from time to time; and

(d) the Trustee-Manager and any of its Directors, Chief Executive Officer or Chief Financial Officer be and are hereby severally authorised to complete and do all such acts and things (including, executing, as the case may be, all such documents as may be required) as the Trustee-Manager or, as the case may be, the Director, Chief Executive Officer or Chief Financial Officer may consider expedient or necessary or in the interest of KIT to give effect to the Unitholders' Mandate and/or this Resolution.

(Please see Explanatory Note 2)

(C) AS OTHER BUSINESS

5. To transact such other business as may be transacted at an AGM of KIT.

BY ORDER OF THE BOARD
Keppel Infrastructure Fund Management Pte. Ltd.
(Company Registration No. 200803959H)
as Trustee-Manager of Keppel Infrastructure Trust

Joyce Ng/Winnie Mak
Company Secretaries

Singapore
27 March 2017

Explanatory notes:

1. Ordinary Resolution 3

Ordinary Resolution 3 above, if passed, will empower the Trustee-Manager from the date of the AGM until (i) the conclusion of the next AGM of KIT, (ii) the date by which the next AGM of KIT is required by law to be held, or (iii) the date on which such authority is revoked or varied by the Unitholders in a general meeting, whichever is the earliest, to issue Units, to make or grant Instruments and to issue Units pursuant to such Instruments, up to a number not exceeding 50% of the total number of issued Units, of which up to 20% may be issued on other than on a pro rata basis to Unitholders (in each case, excluding treasury Units, if any).

For determining the aggregate number of Units that may be issued, the total number of issued Units will be calculated based on the issued Units at the time Ordinary Resolution 3 above is passed, after adjusting for new Units arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Units.

Ordinary Resolution 3 above, if passed, will empower the Trustee-Manager from the date of this AGM until the date of the next AGM of KIT, to allot and issue Units to itself instead of cash in the event the Trustee-Manager elects in accordance with Clause 11 of the Trust Deed to receive all or any part of the fees due and payable to it in Units, provided that such allotment and issue shall be in accordance with the provisions of the Trust Deed, the Business Trusts Act and applicable regulations.

2. Ordinary Resolution 4

Ordinary Resolution 4 relates to the renewal of a mandate given by the Unitholders on 14 April 2016, approving KIT, its subsidiaries and associated companies that are "entities at risk" (as that term is used in Chapter 9), or any of these entities, to enter into transactions falling within the types of interested person transactions described as Interested Person Transactions (as defined in the Appendix) with any party who is of the class of interested persons described in the Appendix. Please refer to the Appendix for details.

Notes:

1. In accordance with the Business Trusts Act and the Trust Deed, a Unitholder entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder.
2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) of Units concerned to be represented by each proxy.
3. In accordance with the Business Trusts Act and the Trust Deed, the proxy form must be deposited at the registered office of the Trustee-Manager at 1 HarbourFront Avenue, #18-01, Keppel Bay Tower, Singapore 098632 not less than 48 hours before the time fixed for the AGM.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Trustee-Manager (or its agents or service providers) for the purpose of the processing, administration and analysis by the Trustee-Manager (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Trustee-Manager (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), and (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to the Trustee-Manager (or its agents or service providers), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Trustee-Manager (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

Proxy Form

IMPORTANT

1. For CPF/SRS investors who hold units in Keppel Infrastructure Trust, this Annual Report is forwarded to them at the request of their Agent Banks/SRS Operators and is sent FOR THEIR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. CPF/SRS investors who wish to attend the Annual General Meeting as observers have to submit their requests through their Agent Banks/SRS Operators so that their Agent Banks/SRS Operators may register, within the specified timeframe, with Keppel Infrastructure Trust's Unit Registrar. Agent Banks/SRS Operators, please refer to Note 12 on the reverse side of the Proxy Form for further details.
4. CPF/SRS investors who wish to vote must submit their voting instructions to their Agent Banks/SRS Operators to enable them to vote on their behalf.
5. **PLEASE READ THE NOTES TO THE PROXY FORM.**

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the unitholder of KIT accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 27 March 2017.

Keppel Infrastructure Trust

(Business Trust Registration No. 2007001)
(Constituted in the Republic of Singapore as a business trust pursuant to a trust deed dated 5 January 2007 (as amended))

ANNUAL GENERAL MEETING

I/We ____

(Name(s) and NRIC Number(s)/Passport Number(s)/Company Registration Number)

of ____ (address)

being a Unitholder/Unitholders of Keppel Infrastructure Trust ("KIT") hereby appoint:

Name	Address	NRIC/ Passport Number	Proportion of Unitholdings	
			No. of Units	%

and/or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Proportion of Unitholdings	
			No. of Units	%

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of KIT ("AGM") to be held at Suntec Singapore Convention and Exhibition Centre, Summit 2, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Tuesday, 18 April 2017 at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they may on any other matter arising at the AGM.

No.	Ordinary Resolutions	No. of Votes For*	No. of Votes Against*
	Ordinary Business		
1.	To receive and adopt the Trustee-Manager's Statement and the Audited Financial Statements of KIT for the year ended 31 December 2016, and the Independent Auditor's Report thereon.		
2.	To re-appoint Messrs Deloitte & Touche LLP as the Auditor of KIT, and to authorise the Trustee-Manager to fix the Auditor's remuneration.		
	Special Business		
3.	To authorise the Trustee-Manager to issue Units and to make or grant convertible instruments.		
4.	To approve the renewal of the Unitholders' Mandate.		

* If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (✔) within the relevant box provided. Alternatively, if you wish to exercise your votes for both "For" and "Against" the relevant resolution, please indicate the number of Units in the respective boxes provided.

Dated this __________ day of ________________ 2017

Total Number of Units held	

____

Signature(s) of Unitholder(s)/Common Seal of Corporate Unitholder

Fold and glue along dotted line

Fold and glue along dotted line

Fold and glue along dotted line

Notes to proxy form:

1. In accordance with the Business Trusts Act and the Trust Deed, a unitholder of KIT ("Unitholder") entitled to attend and vote at the Annual General Meeting ("AGM") is entitled to appoint one or two proxies to attend and vote in his/her stead, provided that, in the case of Units entered in the Depository Register, the Trustee-Manager shall be entitled and bound:

   (a) to reject any Proxy Form lodged if the Unitholder, being the appointer, is not shown to have any Units entered against his name in the Depository Register as at 48 hours before the time of the relevant meeting as certified by CDP to KIT; and

   (b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Unitholder is or are able to cast on a poll a number which is the number of Units entered against the name of that Unitholder in the Depository Register as at 48 hours before the time of the relevant meeting as certified by CDP to KIT, whether that number is greater or smaller than the number specified in any Proxy Form executed by or on behalf of that Unitholder.

2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) of Units concerned to be represented by each proxy.

3. A proxy need not be a Unitholder.

4. A Unitholder should insert the total number of units in KIT ("Units") held. If the Unitholder has Units entered against his/her name in the Depository Register maintained by The Central Depository (Pte) Limited ("CDP"), he/she should insert that number of Units. If the Unitholder has Units registered in his/her name in the Register of Unitholders of KIT, he/she should insert that number of Units. If the Unitholder has Units entered against his/her name in the said Depository Register and registered in his/her name in the Register of Unitholders, he/she should insert the aggregate number of Units. If no number is inserted, this Proxy Form (as defined in note 5 below) will be deemed to relate to all the Units held by the Unitholder.

5. In accordance with the Business Trusts Act and the Trust Deed, the instrument appointing a proxy or proxies (the "Proxy Form") must be deposited at the registered office of the Trustee-Manager at 1 HarbourFront Avenue, #18-01, Keppel Bay Tower, Singapore 098632 not less than 48 hours before the time appointed for the AGM.

6. Completion and return of the Proxy Form shall not preclude a Unitholder from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the AGM in person, and in such event, the Trustee-Manager reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the AGM.

Fold along this line (1)

Affix
Postage
Stamp

The Company Secretaries
Keppel Infrastructure Fund Management Pte. Ltd.
(as Trustee-Manager of Keppel Infrastructure Trust)
1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632

Fold along this line (2)

7. The Proxy Form shall be in writing, under the hand of the appointor or of his/her attorney duly authorised in writing or if the appointor is a corporation either under the common seal or under the hand of an officer or attorney so authorised. The Trustee-Manager shall have the right to reject a Proxy Form which has not been properly completed. In determining the rights to vote and other matters in respect of a completed Proxy Form submitted to it, the Trustee-Manager shall have regard to any instructions and/or notes set out in the Proxy Form.

8. Where the Proxy Form is signed on behalf of the appointor by an attorney or a duly authorised officer, the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority must (failing previous registration with the Trustee-Manager) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.

9. The Proxy Form and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at such place as the Trustee-Manager may in the notice convening the meeting direct, or if no such place is appointed, then at the registered office of the Trustee-Manager not less than 48 hours before the time appointed for holding the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which the person named in the Proxy Form proposes to vote and in default the Proxy Form shall not be treated as valid. No Proxy Form shall be valid after the expiration of 12 months from the date named in it as the date of its execution.

10. All Unitholders will be bound by the outcome of the AGM regardless of whether they have attended or voted at the AGM.

11. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he/she is the Unitholder. A person entitled to more than one vote need not use all his/her votes or cast them the same way.

12. Agent Banks/SRS Operators acting on the request of the CPF/SRS investors who wish to attend the AGM as observers are requested to submit in writing, a list with details of the CPF/SRS investors' names, NRIC/Passport numbers, addresses and number of Units held. The list (to be signed by an authorised signatory of the Agent Bank/SRS Operator) should reach KIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower Singapore 048623 not less than 48 hours before the time fixed for the AGM.

General:
The Trustee-Manager shall be entitled to reject the Proxy Form if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Trustee-Manager may reject any Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by the CDP to the Trustee-Manager.

Notes

Notes

Keppel Infrastructure Fund Management Pte Ltd
(as Trustee-Manager of Keppel Infrastructure Trust)
(Incorporated in the Republic of Singapore)
230 Victoria Street
#05-08 Bugis Junction Towers
Singapore 188024

Tel: (65) 6803 1818
Fax: (65) 6803 1717
www.kepinfratrust.com

Co Reg No: 200803959H