Keppel Infrastructure Fund Management Pte Ltd

Registration No. 200803959H

Directors' Statement and Financial Statements

Year ended December 31, 2016

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Keppel Infrastructure Fund Management Pte Ltd

Registration No. 200803959H

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Directors' Statement

The directors present their statement together with the audited financial statements of the Company for the financial year ended December 31, 2016.

In the opinion of the directors, the financial statements as set out on pages 6 to 18 are drawn up so as to give a true and fair view of the financial position of the Company as at December 31, 2016, and the financial performance, changes in equity and cash flows of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

1 Directors

The directors of the Company in office at the date of this statement are:

Koh Ban Heng
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)

2 Arrangements to enable directors to acquire shares and debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

3 Directors' interests in shares and debentures

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and its related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Interest held	
Name of directors and corporations in which interests are held	**At beginning of year or date of appointment, if later**	**At end of year**
Interest in Keppel Corporation Limited		
Ordinary shares		
Thio Shen Yi	2,200	2,200
Daniel Cuthbert Ee Hock Huat	10,000	10,000
Ong Tiong Guan	644,366	721,672
Alan Tay Teck Loon	8,300	10,000
Share options		
Ong Tiong Guan	946,000	946,000
Shares under Restricted Share Plan (1)		
Ong Tiong Guan	125,706	143,300
Christina Tan Hua Mui	70,000	70,000
Alan Tay Teck Loon	46,700	64,400
Shares under Performance Share Plan (2)		
Ong Tiong Guan	187,114	210,000
Christina Tan Hua Mui	135,000	135,000
Shares under Performance Share Plan – Transformation Incentive (3)		
Ong Tiong Guan	-	300,000
Christina Tan Hua Mui	337,500	337,500
Alan Tay Teck Loon	-	70,000
Interest in Keppel REIT		
Units		
Thio Shen Yi	839	887
Daniel Cuthbert Ee Hock Huat	1,400	1,447
Ong Tiong Guan	141,680	144,106
Christina Tan Hua Mui	2,000	2,000

Name of directors and corporations in which interests are held	Interest held At beginning of year or date of appointment, if later	At end of year
Interest in Keppel Infrastructure Trust		
Units		
Thio Shen Yi	906	906
Kunnasagaran Chinniah	513,600	513,600
Kunnasagaran Chinniah (deemed interest)	421,346	421,346
Interest in Keppel DC REIT		
Units		
Christina Tan Hua Mui	50,000	63,700

(1) Depending on the achievement of pre-determined performance targets, the actual number of restricted shares to be released could be zero or the numbers stated.
(2) Depending on the achievement of pre-determined performance targets, the actual number of performance shares to be released could range from zero to 150% of the numbers stated.
(3) The Performance Share Plan-Transformation Incentive ("PSP-TIP") is a transformation incentive under the KCL Performance Share Plan ("PSP") scheme with 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 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.

4 Share options

(a) Options to take up unissued shares
During the financial year, no options to take up unissued shares of the Company were granted.

(b) Options exercised
During the financial year, there was no share of the Company issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued share under options
At the end of the financial year, there was no unissued share of the Company under options.

5 Independent auditor
The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Koh Ban Heng

Christina Tan Hua Mui

February 22, 2017

Independent Auditor's Report
to the member of Keppel Infrastructure Fund Management Pte Ltd

Report on the Audit of the Financial Statements

Our Opinion
In our opinion, the accompanying financial statements of Keppel Infrastructure Fund Management Pte. Ltd. (the "Company") are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at December 31, 2016 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

What we have audited
The financial statements of the Company comprise:
- the balance sheet as at December 31, 2016;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies

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

Independence
We are independent of the Company 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.

Other Information
Management is responsible for the other information. The other information comprises the Directors' Statement included in pages 2 to 3 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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 Management and Directors for the Financial Statements
Management 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 a 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, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities 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 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 Company's internal control.

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

- Conclude on the appropriateness of management'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 Company'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 Company 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.

We communicate with the directors 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.

Report on Other Legal and Regulatory Requirements
In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and
Chartered Accountants
Singapore

February 22, 2017

Statement of Financial Position

December 31, 2016

	Note	2016 $'000	2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	**4,160**	3,534
Trade and other receivables	8	**2,711**	3,266
Total current assets		**6,871**	6,800
Non-current asset			
Plant and equipment	9	**169**	214
Total assets		**7,040**	7,014
LIABILITIES AND EQUITY			
Current liabilities			
Other payables	10	**2,614**	2,651
Income tax payable		**795**	1,349
Total current liabilities		**3,409**	4,000
Non-current liabilities			
Other payables	10	**179**	-
Capital and reserves			
Share capital	11	**1,000**	1,000
Revenue reserves		**2,452**	2,014
Total equity		**3,452**	3,014
Total liabilities and equity		**7,040**	7,014

See accompanying notes to financial statements.

Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2016

	Note	2016 $'000	2015 $'000
Revenue	6	**9,785**	12,790
Staff costs	12	**(4,028)**	(3,438)
Depreciation	9	**(55)**	(53)
Other operating expenses	13	**(1,630)**	(1,375)
Loss on disposal of plant and equipment		**-**	(28)
Interest income	5	**33**	40
Profit before income tax		**4,105**	7,936
Income tax expense	14	**(667)**	(1,357)
Profit for the year, representing total comprehensive income for the year		**3,438**	6,579

See accompanying notes to financial statements.

Statement of Changes in Equity

Year ended December 31, 2016

	Share capital $'000	Revenue reserves $'000	Total $'000
Balance as at January 1, 2015	1,000	6,435	7,435
Profit for the year, representing total comprehensive income for the year	-	6,579	6,579
Dividends (Note 15)	-	(11,000)	(11,000)
Balance as at December 31, 2015	**1,000**	**2,014**	**3,014**
Profit for the year, representing total comprehensive income for the year	**-**	**3,438**	**3,438**
Dividends (Note 15)	**-**	**(3,000)**	**(3,000)**
Balance as at December 31, 2016	**1,000**	**2,452**	**3,452**

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended December 31, 2016

	2016 $'000	2015 $'000
Operating activities		
Profit before income tax	**4,105**	7,936
Adjustments for:		
Interest income	**(33)**	(40)
Depreciation	**55**	53
Loss on disposal of plant and equipment	**-**	28
Share-based expenses	**341**	-
Operating cash flows before movements in working capital	**4,468**	7,977
Trade and other receivables	**544**	(763)
Other payables	**(186)**	1,206
Cash generated from operations	**4,826**	8,420
Interest received	**31**	42
Income tax paid	**(1,221)**	(321)
Net cash from operating activities	**3,636**	8,141
Investing activity		
Purchase of plant and equipment, representing cash used in investing activity	**(10)**	(250)
Financing activity		
Dividends paid, representing cash used in financing activity	**(3,000)**	(11,000)
Net increase/(decrease) in cash and cash equivalents	**626**	(3,109)
Cash and cash equivalents at the beginning of the year	**3,534**	6,643
Cash and cash equivalents at the end of the year (Note 7)	**4,160**	3,534

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2016

1 General

The Company (Registration No. 200803959H) is incorporated in Singapore. The registered address and principal place of business of the Company are 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 Company's principal activity is that of trust management.

The Company is the Trustee-Manager of Keppel Infrastructure Trust ("KIT" or the "Trust"), which was formerly known as CitySpring Infrastructure Trust, from May 18, 2015 onwards. The Trustee-Manager is responsible for safeguarding the interests of unitholders and for carrying out KIT's investment and financing strategies, asset acquisition and disposal policies and for the overall management of KIT's assets.

On July 1, 2016, Keppel Corporation Limited ("KCL") consolidated its asset management business under Keppel Capital Holdings Pte. Ltd. ("KCH"), a wholly-owned subsidiary of KCL. Pursuant to the consolidation, the Company became a wholly-owned subsidiary of KCH. KCL and KCH are incorporated in Singapore.

The financial statements of the Company for the year ended December 31, 2016 were authorised for issue by the Board of Directors on February 22, 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 the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

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

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

Financial assets

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 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 and expense are recognised on an effective interest rate basis for debt instruments.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and deposits placed with a related company that are readily convertible to known amount of cash and are subject to an insignificant risk of change in value.

Trade and other receivables

Trade and other receivables that have fixed or determined payments that are not quoted in an active market are classified and accounted for as "loans and receivables". These are initially measured at fair value and subsequently 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.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. 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 asset, the estimated future cash flows of the financial asset have been impacted. 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 through the use of an allowance account. When the amount due from related companies is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets
The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset has expired, or it has transferred the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company 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 Company 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 Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities
Other payables and amounts due to ultimate holding company and related companies are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

Offsetting arrangements
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company 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.

The Company does not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting arrangements.

PLANT AND EQUIPMENT – Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Office renovation	-	5 years
Office equipment	-	3 to 5 years
Furniture and fittings	-	5 years

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

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

IMPAIRMENT OF NON-FINANCIAL ASSETS - At the end of each reporting period, the Company reviews the carrying amounts of its non-financial 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

2 Summary of significant accounting policies (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

PROVISIONS - Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Company 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 financial year, 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.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable.

Base Fee
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 preceeding the beginning of each financial year over the average of the monthly Singapore CPI for 2010.

Performance Fee
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).

Other fees
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 such other 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.

Corporate Service Fee income
Corporate Service Fee income are recognised when the service is performed, on a straight-line basis over the period of service.

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

DEFINED CONTRIBUTION PLANS – Payment to defined contribution retirement benefits plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Company'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 are accrued 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 financial year.

EMPLOYEE UNIT PLANS - The Company operates a cash-settled unit-based compensation plans. The fair value of the employee services received in exchange for the grant of units is recognised as an expense in the profit and loss account with a corresponding increase in the unit plan reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair values of the units granted on the respective dates of grant.

At each balance sheet date, the Company revises its estimates of the number of units that are expected to become exercisable and unit plan awards that are expected to vest on the vesting dates, and recognises the impact of the revision of the estimates in the profit and loss account, with a corresponding adjustment to the unit plan reserve over the remaining vesting period.

No expense is recognised for unit plan awards that do not ultimately vest.

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss 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 Company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

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.

Current and deferred taxes are recognised as an expense or income in profit or loss.

FOREIGN CURRENCY TRANSACTIONS - The financial statements of the Company are measured and presented in Singapore dollars, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the Company's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. All exchange differences are recognised in profit or loss.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 2 to the financial statements, management 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 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.

Management is of the opinion that there is no instance of application of judgement which is expected to have a significant effect on the amounts recognised in the financial statements.

4 Financial instruments, financial risks and capital risks management

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the financial year:

	2016 **$'000**	2015 $'000
Financial assets - loans and receivables (including cash and cash equivalents)	**6,816**	6,726
Financial liabilities - payables, at amortised cost	**2,452**	2,482

(b) Financial risk management policies and objectives

The Company's overall financial risk management seeks to minimise potential adverse effects of financial performance of the Company. There have been no changes to the Company's exposure to these financial risks or the manner in which it manages and measures the risk.

(i) Foreign exchange risk management

The Company's exposure to foreign exchange risk is minimal as it does not have any foreign currency denominated balances at the end of the financial year. Accordingly, no sensitivity analysis is performed and presented.

(ii) Interest rate risk management

The Company's exposure to interest rate risk is minimal, which is only on the interest-bearing deposits placed with a related party (Note 7). Accordingly, no sensitivity analysis is performed and presented.

4 Financial instruments, financial risks and capital risks management (continued)

(b) Financial risk management policies and objectives (continued)

(iii) Credit risk management

The Company has adopted procedures in extending credit terms to its customer and in monitoring its credit risk. The Company only grants credit to creditworthy counterparties. The trade receivables that are neither past due nor impaired relate to related companies that the Company has assessed to be creditworthy, based on the credit evaluation process performed by management. Cash is held with creditworthy institutions.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. As at the end of the financial year, there is a significant concentration of credit risks with KIT, for the duration of the Trust Deed entered into.

(iv) Liquidity risk management

In the management of liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and mitigate the effects of fluctuations in cash flows. The management manages liquidity risk by maintaining adequate reserves and actual cash flows and matching the maturity profiles of financial assets and liabilities.

All financial assets and financial liabilities as at the end of the financial year are payable on demand or due within 1 year from the end of the financial year.

(v) Fair value of financial assets and financial liabilities

Management considers that the carrying amounts of the financial assets and financial liabilities at the end of the financial year to approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

(c) Capital risk management policies and objectives

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of equity attributable to equity holders of the Company, comprising issued capital and revenue reserves.

Management reviews the capital structure on an annual basis. The Company will balance its overall capital, payment of dividends, new share issues, obtain new borrowings or sell assets to reduce borrowings.

The Company's overall strategy remains unchanged from prior year.

5 Holding company and related companies transactions

Pursuant to KCL's consolidation of its asset management business under KCH, the Company is a wholly-owned subsidiary of KCH with effect from July 1, 2016. The ultimate holding company is KCL. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

Some of the Company's transactions and arrangements were between members of the group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free, repayable on demand and expected to be settled in cash unless otherwise stated.

Significant intercompany transactions are as follows:

	2016 $'000	2015 $'000
Administrative, general office support and corporate services	**(1,006)**	(720)
Interest income from a related company	**33**	40

6 Other related party transactions

Some of the Company's transactions and arrangements were with related parties and the effect of these, on the basis determined between the parties, is reflected in these financial statements. The balances are unsecured, interest-free, repayable on demand and expected to be settled in cash unless otherwise stated.

(i) Significant related party transactions are as follows:

	2016 $'000	2015 $'000
An associate of ultimate holding company		
Management fee income	**2,267**	2,276
Performance fee income	**6,902**	5,801
Corporate Service fee income	**616**	378
Acquisition fee income	**-**	4,335
Total	**9,785**	12,790

(ii) Compensation of directors and key management personnel

	2016 $'000	2015 $'000
Short-term employee benefits	**(1,767)**	(1,644)
Employer's contribution to Central Provident Fund	**(85)**	(98)
Share-based payments	**(92)**	(163)
Directors' fees	**(462)**	(406)

7 Cash and cash equivalents

	2016 $'000	2015 $'000
Cash at bank	**182**	2,859
Cash on hand	**2**	2
Deposit placed with a related company	**3,976**	673
Cash and cash equivalents	**4,160**	3,534

The deposit placed with a related company bears effective interest at 0.78% (2015: 0.87%) per annum for tenure of less than 3 months (2015: 3 months).

8 Trade and other receivables

	2016 $'000	2015 $'000
Trade receivables:		
Related party (trade)	**2,569**	2,926
Other receivables:		
Related company (non-trade)	**3**	197
Related parties (non-trade)	**84**	69
Prepayments	**55**	74
	142	340
Total	**2,711**	3,266

The average credit period is 60 days (2015: 60 days). No interest is charged on the outstanding trade receivables.

All trade receivables are neither past due nor impaired.

The Company's other receivables due from related company and related parties are unsecured, interest-free and repayable on demand.

9 Plant and equipment

	Office renovation $'000	Office equipment $'000	Furniture and fittings $'000	Total $'000
Cost:				
At January 1, 2015	183	45	3	231
Additions	234	14	2	250
Disposal	(181)	-	-	(181)
At December 31, 2015	236	59	5	300
Additions	-	9	1	10
At December 31, 2016	**236**	**68**	**6**	**310**
Accumulated depreciation:				
At January 1, 2015	143	41	2	186
Depreciation	46	6	1	53
Disposal	(153)	-	-	(153)
At December 31, 2015	36	47	3	86
Depreciation	47	7	1	55
At December 31, 2016	**83**	**54**	**4**	**141**
Carrying amount:				
At December 31, 2016	**153**	**14**	**2**	**169**
At December 31, 2015	200	12	2	214

10 Other payables

	2016 $'000	2015 $'000
Current		
Other payables:		
Accrued expenses	**2,041**	2,118
Goods and services tax payable	**162**	169
Provisions for employee unit plans	**162**	-
	2,365	2,287
Due to:		
Ultimate holding company	**7**	2
Related companies	**242**	362
	249	364
Total	**2,614**	2,651
Non-current		
Other payables:		
Provisions for employee unit plans	**179**	-
Total	**179**	-

Average credit period for purchase goods and service is 30 days (2015: 30 days). No interest is charged on overdue balances.

Amounts due to ultimate holding company and related companies are unsecured, interest-free and repayable on demand.

11 Share capital

	Number of ordinary shares			
	2016 '000	2015 '000	2016 $'000	2015 $'000
Issued and paid up:				
At beginning and end of year	**1,000**	1,000	**1,000**	1,000

The ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

12 Staff costs

	2016 $'000	2015 $'000
Short-term employee benefits	**3,260**	3,045
Employer's contribution to Central Provident Fund	**305**	252
Share-based payments	**463**	141
Total	**4,028**	3,438

KIFM Unit Plans

(a) The Company implemented a Restricted Unit Plan ("KIFM RUP") and a Performance Unit Plan ("KIFM PUP") (collectively the "unit plans") for its key senior management and employees. The KIFM RUP and KIFM PUP were approved and administered by the Nominating and Remuneration Committee of the Company.

(b) The Company is the trustee-manager of KIT. The awards granted by the Company will be settled in KIT Units. Details of the KIFM RUP and KIFM PUP are as follows:

	KIFM RUP	**KIFM PUP**
Plan Description	Award of fully-paid KIT Units, conditional on achievement of pre-determined targets at the end of a one-year performance period	Award of fully-paid KIT Units, conditional on achievement of pre-determined targets over a three-year performance period
Performance Conditions	Cash flow available for distribution	(a) Assets Under Management (b) Absolute Total Unitholder's Return (c) Relative Total Unitholder's Return to FTSE ST REIT ("FSTREI") Index
Final Award	0% or 100% of the contingent awards granted, depending on achievement of pre-determined targets	0% to 150% of the contingent awards granted, depending on achievement of pre-determined targets
Vesting Condition and Schedule	If pre-determined targets are achieved, awards will vest equally over three years subject to fulfillment of service requirements	If pre-determined targets are achieved, awards will vest at the end of the three-year performance period subject to fulfillment of service requirements

(c) Movements in the number of KIT Units under KIFM RUP and KIFM PUP are as follows:

	2016		2015	
	RUP	PUP	RUP	PUP
At 1 January	**395,000**	**480,000**	-	-
Vested	**(131,700)**	**-**	-	-
Contingent awards granted	**615,000**	**480,000**	395,000	480,000
Cancelled	**(65,000)**	**-**	-	-
At 31 December	**813,300**	**960,000**	395,000	480,000

Under KIFM RUP, there were 263,300 (2015: Nil) restricted KIT Units that were released but not vested as well as a contingent award of 615,000 (2015: 395,000) restricted KIT Units that were granted but not released as at December 31, 2016. Depending on the achievement of pre-determined performance targets, the actual number of restricted KIT Units to be released can be zero or 100% of the contingent awards granted.

Under KIFM PUP, there were contingent awards of 480,000 (2015: 480,000) performance KIT Units that were granted but not released as at December 31, 2016. Depending on the achievement of pre-determined performance targets, the actual number of performance KIT Units to be released can range from zero to 150% of the contingent awards granted.

12 Staff costs (continued)

KIFM Unit Plans (continued)

(d) On April 29 2016, the Company granted contingent awards of 615,000 KIT Units under KIFM RUP and 480,000 KIT Units under KIFM PUP. The estimated fair values of the KIT Units granted under KIFM RUP is $0.420. The estimated fair value of the KIT Units granted under KIFM PUP is $0.270. The fair values of the contingent awards are determined at the grant date using Monte Carlo simulation method which involves projection of future outcomes using statistical distributions of key random variables including share price and volatility. The significant inputs into the model are as follows:

	2016		2015	
	RUP	**PUP**	RUP	PUP
Date of grant	**29.04.16**	**29.04.16**	28.07.15	28.07.15
Prevailing unit price at date of grant	**$0.490**	**$0.490**	$0.535	$0.535
Expected volatility				
Keppel Infrastructure Trust	**15.42%**	**15.42%**	11.76%	11.76%
FSTREI Index	**-**	**10.56%**	-	11.55%
Correlation with FSTREI Index	**-**	**49.00%**	-	59.40%
Expected term	**0.83 – 2.83 years**	**2.83 years**	0.58 – 2.58 years	2.58 years
Risk free rate	**0.81% - 1.15%**	**1.15%**	0.89% - 1.16%	1.16%

The expected volatilities are based on the historical volatilities of KIT's unit price and the FSTREI Index price over the previous 36 months immediately preceding the grant date. The expected term used in the model is based on the grant date and the end of the performance period.

As at December 31, 2016, the Company has updated the fair value of the KIT Units for the award granted but not yet vested using the market rate as at December 12, 2016 of $0.480.

(e) The CEO and senior management of the Company, who are eligible for KIFM PUP, are required to hold a portion of the KIT Units released to them under a share ownership guideline which requires them to maintain a beneficial ownership stake in KIT thus further aligning their interests with the unitholders.

13 Other operating expenses

	2016 $'000	2015 $'000
Directors' fees	**462**	406
Administrative, general office support and corporate services (Note 5)	**1,006**	720
Professional fees	**55**	88
Others	**107**	161
Total	**1,630**	1,375

14 Income tax expense

	2016 $'000	2015 $'000
Current year tax	**736**	1,349
(Over)/under provision of current tax in prior year	**(69)**	8
Net	**667**	1,357

Domestic income tax is calculated at 17% (2015: 17%) of the estimated assessable profit for the year.

The total income tax expense for the year can be reconciled to the profit before income tax as follows:

	2016 $'000	2015 $'000
Profit before income tax	**4,105**	7,936
Tax at the domestic income tax rate	**698**	1,349
Non-deductible items	**84**	46
(Over)/under provision in prior year	**(69)**	8
Tax-exempt income	**(26)**	(26)
Tax rebate	**(20)**	(20)
Net	**667**	1,357

15 Dividends

During the financial year, the Company declared and paid tax-exempt (1-tier) interim dividends of $3.00 (2015: $11.00) per share amounting to $3,000,000 (2015: $11,000,000).